ASSESSMENT ON THE PREPAREDNESS OF GHANA TO IMPLEMENT THE AFRICAN CONTINENTAL FREE TRADE AREA (AfCFTA)

1.0 Introduction

1.1 The African Continental Free Trade Area (AfCFTA) Agreement has the potential to significantly boost intra-African trade, promote economic diversification, and enhance regional integration. However, realising these benefits requires effective implementation and preparedness by Member States.

1.2 As background information, it should be highlighted that the African Continental Free Trade Area (AfCFTA) is the world's largest free trade area, in terms of membership, bringing together the 55 African Union (AU) Member States and eight (8) AU recognised Regional Economic Communities (RECs). It is one of the flagship projects of ***"Agenda 2063: The Africa We Want"***, which is the African Union's long-term development strategy.

1.3 The overarching objective of the AfCFTA is to create a single continental market with a population of about 1.3 billion people and a combined Gross Domestic Product (GDP) of approximately US$ 3.4 trillion. The AfCFTA also seeks to eliminate trade barriers and boost intra-Africa trade progressively by resolving the problem of overlapping membership of RECs thereby promoting trade liberalisation and enabling structural transformation. Importantly, it endeavours to advance trade in value-added products across all service sectors of the African economy.

1.4 The elimination of trade barriers is expected to boost intra-Africa trade which currently stands at approximately 18% of its total trade, compared with 19% intra-regional trade in Latin America, 51% in Asia, 54% in North America and 70% in Europe.

1.5 On 21 March 2018, the Agreement Establishing the AfCFTA was signed in Kigali, Rwanda. Ghana is member of the AfCFTA and ratified the agreement in May 2018. The AfCFTA Agreement is yet to be notified to the WTO. This shows the country's commitment to the AfCFTA. Furthermore, Ghana as the host of the AfCFTA Secretariat, shows the country's commitment to deepening economic integration in Africa.

1.6 In light of the above, the below analysis will highlight the state of preparedness for Ghana to implement the AfCFTA. As the host of the AfCFTA, Ghana is compelled to lead by example, in terms of AfCFTA implementation. Before delving into the analysis, it is important to highlight the salient features of the Ghana economy.

2.0 Ghana Economy

2.1 Ghana is a natural resource-based economy. Its strong democratic institutions and good governance have contributed to attracting investment. The resultant economic growth has improved per-capita income of its 31 million people to approximately USD 2,200 in 2020, against USD 2,000 in 2014.

2.2 The economy is a mixture of private and public enterprise. About three-fifths of the Gross Domestic Product (GDP) is derived from the services sector, agriculture contributes almost one-fifth, and industry about one-fourth. Ghana is second largest producer of cocoa after Cote d'Ivoire but currently the price of cocoa is depressed.

2.3 The country is Africa's second-largest producer of gold, and is rich in diamonds, oil, and gas. Gold, crude oil, and cocoa beans (and cocoa paste and cocoa butter in limited quantities) together account for close to 85% of merchandise exports. Ghana's main export destinations are China, the European Union, Switzerland, India, and South Africa, while the European Union and China remain its main import origins.

2.4 The economy has benefited from continued donor support and high levels of remittances from abroad. In 2023, Diaspora remittances were 4.2 billion USD. The majority of Ghana Diaspora live in Nigeria followed by USA and Europe. However, official development assistance as a share of GDP is USD76 billion (2023), with a growth rate of 2.9% (2023) and inflation at 38% (2023) and currently at 22%. The official exchange rate is USD1 = Ghc16.3, the parallel rate is Ghc17.1 = 1USD. Persistent challenges to economic growth include high inflation and a weakening currency, both of which have affected the fiscal deficit and the country's ability to make necessary adjustments. Public debt amounted to 78.3% of GDP in 2022, further compounding these challenges.

2.5 From the period 2014-22, Ghana experienced three phases of modest to strong economic growth; it continues to face challenges to stabilize its economy. In fact, from 2014 to 2016, Ghana witnessed a sharp economic slowdown with an average real GDP growth of 2.8% (down from an average of 6.6% in 2010-13), which was linked to a domestic banking and energy crisis. From 2017 to 2019, following a change in government, macroeconomic performance improved. Real GDP growth rebounded to an annual average of 6.9%, inflation was brought under control, and the Government's budget situation improved, thanks to greater fiscal discipline. In 2020, the economy held up comparatively well with GDP growth of 0.4%, despite the worldwide COVID-19-related lockdowns, and closures of businesses and borders.

2.6 Ghana's investment regime is fairly liberal and foreign investment is generally welcome. However, the State continues to have a significant stake in the economy with close to 160 state-owned enterprises, agencies, and joint-ventures, many of which continue to make losses. Activities still reserved for Ghanaians range from small-scale mining to forex bureaux. Joint ventures by foreign enterprises with Ghanaian partners are subject to a minimum of 10% Ghanaian equity participation. Also, Ghana has introduced new restrictions on foreign investments in the energy and mining sectors through mandatory Ghanaian equity participation and local content.

2.7 Ghana participates in the Economic Community of West African States (ECOWAS) and the African Continental Free Trade Area (AfCFTA). It signed bilateral trade treaties with the European Union (EPA) in 2016 and the United Kingdom in 2021. As an ECOWAS member, Ghana has implemented the Common External Tariff (CET) since 1 February 2016 with national exceptions as per regional provisions. However, Ghana has been slow in domesticating and implementing subsidiary ECOWAS legislation. Ghana has received tariff preferences from the European Union (EU) and the United Kingdom (UK) since the adoption of its bilateral trade agreements with each of these partners, and it started implementing its own tariff reductions in 2021.

2.8 Under the WTO, Ghana's bindings cover 15.1% of its tariff lines. Most agricultural tariffs are bound at a ceiling rate of 99% with some lower bound rates at 40% and 50%. About 1% of the non-agricultural tariffs are bound. Ghana's 2022 applied MFN tariff (unchanged since 2019) is based on the CET and the HS17 classification.

2.9 Ghana's standard VAT rate has been 12.5% since 2017. Excise duties are imposed (on an *ad valorem* basis) on imports and locally produced alcoholic and non-alcoholic beverages, and tobacco products. In addition, Ghana resorts to a host of other taxes and levies on imports, and their number has grown over the years. These taxes levied on most imports include the ECOWAS Levy (1%), African Union Levy (0.2%), Environmental Tax (10%), Ghana Export-Import Bank Levy (0.75%), Ghana Education Fund Levy (2.5%), COVID-19 Health Recovery Levy (1%), National Health Insurance Levy (3.5% on imports and domestic goods/services), Sanitation and Pollution Levy (specific), and Special Petroleum Tax (specific), as well as four Energy Sector Levies. Combined, all of these levies significantly increase the costs of imports into Ghana.

2.10 Exports of cocoa beans, the main agricultural export commodity, are under monopoly of the state-owned Ghana Cocoa Board (COCOBOD). The world's two leading cocoa exporters, Ghana and Côte d'Ivoire, are working together with the aim to improve their cocoa terms of trade, and thereby raise cocoa farmers' incomes. In 2020, these countries jointly introduced a premium of USD 400 per tonne (the so-called Living Income Differential), which is charged to buyers on top of the terminal market price of cocoa.

2.11 Ghana has been a crude oil producer and exporter since 2010. Due to the impact of the pandemic on operations, oil production declined to 55 million barrels in 2021 (down from 71 million barrels in 2019). Ghana also started to produce natural gas during the review period and has increased its electricity exports. An Energy Sector Recovery Programme was adopted in 2019 to address budgetary difficulties triggered by an excess of government-contracted electricity and gas supplies.

2.12 Ghana is well endowed with mineral resources. The mining sector contributes about 12% to GDP. Export earnings from the four major minerals (gold, diamonds, manganese, and bauxite) amounted to about USD 5.1 billion in 2021, down from about USD 7.2 billion in 2020. The country's mining policy is aimed at diversification of its mineral production base, beneficiation, measures to stop illegal mining, and good governance. Tariff protection for mineral products (ISIC definition) averaged 5.1% in March 2022.

2.13 The manufacturing sector has been in decline and currently contributes about 11% to GDP. The main industries include agricultural and timber processing, breweries, aluminium smelting, cement, oil refining, textiles, electronics, and pharmaceuticals. The average applied MFN tariff on manufactured products (ISIC definition) was 12.3% in March 2022; tariffs are higher on textiles (16.3%) and clothing (20%). Ghana's 10-point Industrial Transformation Agenda ranges from the One District One Factory scheme to automobile assembly and pharmaceutical incentive schemes. Moreover, import prohibitions apply to certain drugs reserved for local production.

2.14 The services sector contributes about 48% to GDP (up from 41% in 2014). Ghana has a largely open trade regime on services which, together with large investments in infrastructure, helps explain the development of its services sector. The services regime remains largely unchanged, apart from a new Insurance Act adopted in 2021. Also, starting in 2017, the Bank of Ghana proceeded to a major clean-up of the banking sector. According to the IMF, Ghana's financial sector is now more stable, and its banks are better capitalized. Ghana has experienced remarkable growth of its trade in services. Services exports in 2019 (before the pandemic) reached about USD 10 billion (up from about USD 2 billion in 2014) and imports surged to about USD 13.5 billion (up from about USD 4.5 billion). Business services account for most of this trade expansion, as a growing number of multinational companies have chosen their headquarters in Ghana to supply business services to other African countries.

3.0 Ghana Policies and Programmes

3.1 Ghana Beyond Aid: Ghana has had a well-documented alliance with many donor countries and multilateral donor agencies since the 1960s. However, in his Independence Day speech in March 2017, the President, Nana Addo-Dankwa Akufo-Addo signaled his intent to pursue the vision of a Ghana that is not dependent on aid.

3.1.1 The Ghana Beyond Aid development strategy was aimed at diversifying the economy through agricultural modernization and industrialization. Ghana thereby intends to strengthen the economy's resilience to external shocks and reduce the risks of economic growth being fuelled by volatile gold and oil exports.

3.1.2 However, it should be noted that in 2022 the Government of Ghana approached the IMF for bail out to rescue the economy, which was opposite to the earlier pronouncement. On 17 May 2023, the IMF Executive Board approved SDR 2.242 billion (about US$3 billion), a three-year support arrangement for Ghana. USD600 million was disbursed on the same date. Two additional tranches were disbursed in 2023 and 2024, bringing the total amount disbursed to USD1.56 billion. The facility has managed to reduce inflation from as high as 54% in December 2022 to current levels of 23%.

3.2 Guided Trade Initiative (GTI): In October 2022, the AfCFTA Council of Ministers launched the "AfCFTA Guided Trade Initiative" as a pilot program amongst seven (7) countries that had met the minimum requirements for preferential trading. Tunisia and South Africa joined later, to bring the number of participating members to nine (9). The minimum requirements to participate in the GTI are as follows: Being a State Party to the AfCFTA Agreement; Having a Schedule of Tariff Concessions technically verified and approved by the CoMs or part of the Ministerial Directive on the application of PSTCs; Submission of authorised Signatures and Specimen Stamps to the AfCFTA; Gazetting of STCS/ PSTCS according to National laws; Establishment of Ad hoc or Standing AfCFTA Coordination Committee; Nomination of Designated Competent Authorities (DCA) to certify originating products; Willingness to mobilize and connect businesses with other members of the GTI; and Notification of the Required NTMs required for export and import.

3.2.1 The main objectives of the GTI were to test the operational, institutional, legal, and trade policy environment under the AfCFTA. The seven (7) countries participating in the pilot phase include Cameroon, Egypt, Ghana, Kenya, Mauritius, Rwanda, and Tanzania. A total of over 100 potential trades (ceramic tiles, batteries, tea, air conditioners, etc.) were realised from the participating countries.

3.2.2 Yesudem Company Ltd of Ghana imported batteries made by Kenya`s Associated Battery Manufacturing AE Ltd. Kenya exported tea to Ghana. Interestingly, the tea was produced by smallholder farmers, whom the Government of Kenya has organised into cooperatives for export under the AfCFTA.

Reported AfCFTA Certificates of Origin

Country	**2022**	**As at Oct 2024**

Cameroon	2	1
Egypt	2	948
Kenya	3	58
Ghana	1	105
Rwanda	3	9
Tanzania	0	21
Tunisia	-	120
Mauritius	2	-
South Africa	0	2
Grand Total	**13**	**1264**

Source: AfCFTA Report

3.2.3 From the Table above, it should be noted that Member States have shown interest in implementing the GTI, with figures showing an increase in the number of certificates of origin from 13 in 2022 to 1264 by October 2024. For Ghana, in 2022, the country issued only one certificate and by October 2024, Ghana had issued 105 certificates of origin, showing that the country is ready to implement the AfCFTA Agreement.

3.2.4 Ghana has met all the requirements to implement the GTI. The country ratified the Agreement Establishing the AfCFTA in May 2018. Ghana's tariff offer, which is part of the ECOWAS Tariff Offer, was technically verified and ready for use. Furthermore, the Ghana Revenue Authority (GRA) has been designated as the Competent Authority to certify originating products.

3.3 National AfCFTA Coordination Committee: The National AfCFTA Coordination Office (NCO) was established in March 2020 under the Ministry of Trade and Industry of Ghana, as a central point for coordinating the Government of Ghana's policy and strategic response to the Africa Continental Free Trade Area (AfCFTA) Agreement. The NCO is responsible for the day-to-day management of implementation and programme administration. It is also the liaison office between the AfCFTA Secretariat and the Ministry of Trade and other Ghanaian Stakeholders.

3.3.1 In line with its coordination role, the National Coordination Office is dedicated to establishing an efficient operational network of all the key institutions involved in the implementation of AfCFTA in Ghana. These include GRA-Customs Division, the Ghana National Chamber of Commerce and Industry, the Ghana Food and Drugs Authority, the Ghana Standards Authority and the Ghana Export Promotion Authority, amongst others. The NCO has also actively been engaging non-state actors including financial institutions, entrepreneurs and private sector associations

3.4 National African Continental Free Trade Area (AfCFTA) Policy Framework: On 2 August 2022, the Government of Ghana launched its National African Continental Free Trade Area (AfCFTA) Policy Framework and Action Plan for boosting the country's trade with Africa. If well executed, the policy framework will help the private sector to position itself to fully take advantage of the benefits of the AfCFTA.

3.4.1 The Policy Framework is made up of seven (7) components, namely; Trade Policy; Trade Facilitation; Enhancing Productive Capacity; Trade-related Infrastructure; Trade Information; Trade and Development Finance; and Factor Market Integration.

3.4.2 In terms of institutional arrangement, an Inter-Ministerial Facilitation Committee (ITFC) has been set up, composed of six (6) key Ministers. These include the Minister of Trade and Commerce (Chair); Minister of Foreign Affairs and Regional Integration; Minister of Justice; Minister of Finance; Minister of National Security; and Representative of the Office of the President.

3.4.3 There is a need for proper coordination between the government and private sector, for the successful implementation of the policy framework. Further, it is important to provide adequate financial and technical resources to effectively implement the policy framework.

3.5 National Export Development Strategy (NEDS): The Ghana National Export Development Strategy (NEDS) envisages that over 10 years, Non-Traditional Exports (NTEs) will grow from $2.8 billion in 2020 to $25.3 billion in 2029 accompanied by deep structural transformation that positions Ghana as a competitive export-led industrialized economy if NEDS is fully funded and implemented.

3.5.1 Apart from a limited range of manufactured goods, Ghana has historically exported mainly raw commodities which fetched low prices and insufficient foreign exchange revenues whilst downstream along the traditional export value chains in the destination market countries, considerable wealth and jobs were created. This situation was considered unacceptable.

3.5.2 The Government therefore took a bold strategic decision to transform the structure of the economy from a raw commodity export-based one to a manufacturing industrial export-driven economy. This was backed with the launch of the policy document "The 10-Point Agenda for Industrial Transformation."

3.5.3 Industrialization thrives on economies of large-scale production. This requires a market considerably larger than Ghana's limited market and makes it imperative to explore exporting to the global market. Given the duty-free and quota-free preferential trade arrangement in intra-African trade, the African Continental Free Trade Area (AfCFTA) offers the best option and prospects for Ghana's industrial products. NEDS therefore provides a specific strategy for supporting Ghanaian companies to penetrate and position their goods and services on the market.

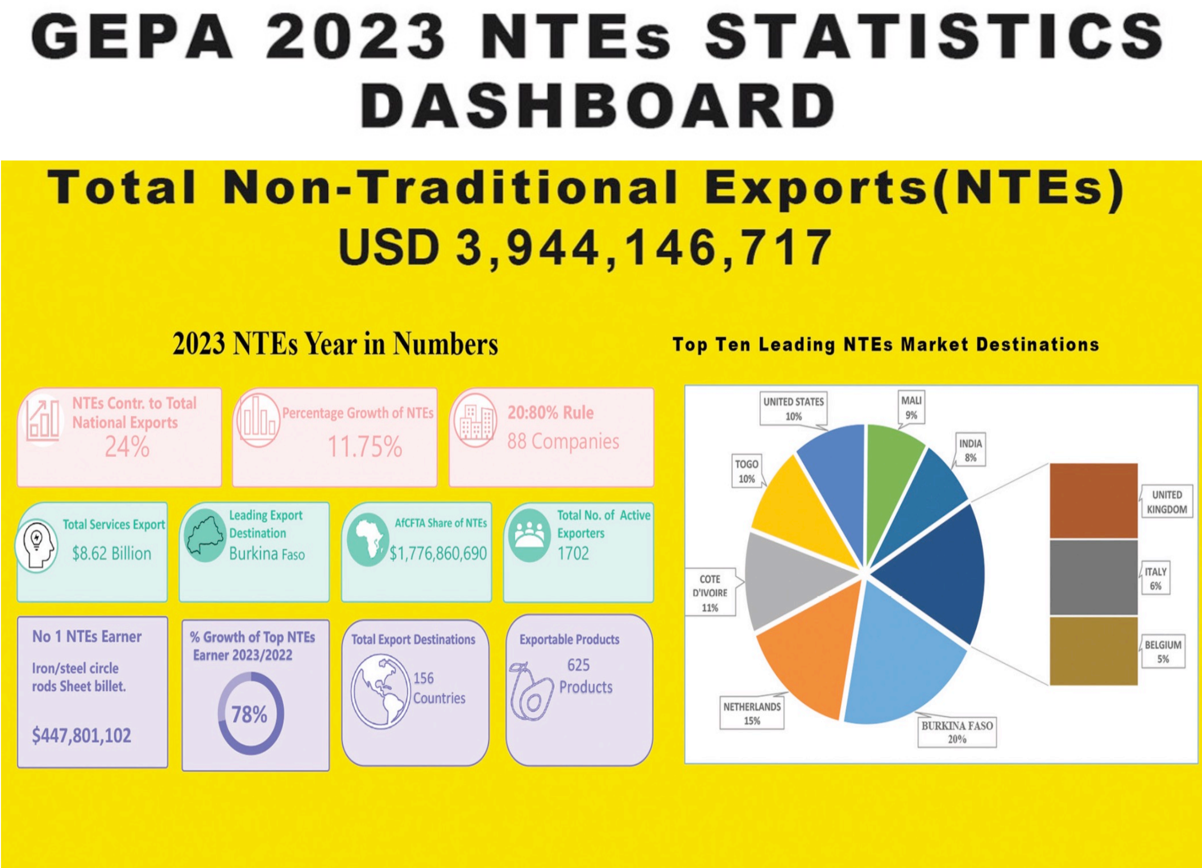
3.5.4 Below are the NEDS priority products:

Source: NEDS

3.5.5 Over the last decade, Ghana's Non-Traditional Exports (NTEs) have been dominated by cocoa derivatives accounting for over 30 percent of the total NTE earnings. These derivatives comprise cocoa paste, cocoa powder, cocoa butter, and chocolate and chocolate products. The largest cocoa derivative exported by Ghana in 2021 was cocoa paste. The value realized from total derivate exports in 2021 amounted to about US$ 1.02 billion.

3.5.6 One striking feature of the derivative mix has been the exports of large volumes of semi-processed cocoa products compared to chocolates and other cocoa confectionaries.

3.5.7 Since the implementation of the NEDS in 2021, the NTEs grew from USD2.85 billion to USD3.944.146.717 in 2023, according to the GEPA NTE 2023 Report.



Source: GEPA

3.5.8 The driving force behind this expansion was the rise in exports of iron/steel circles, rods, sheets, and billets. Moreover, the positive trend reflects a combination of structural changes within Ghana's NTEs framework, and the continuous implementation of key interventions outlined under the NEDS throughout the year.

3.5.9 Some of the projects and programmes which were implemented and are ongoing, include the following:

3.5.9.1 Ghana Trade Houses: The Ghana Export Trade House was successfully launched and established as one of the strategic interventions outlined in the National Export Development Strategy in Nairobi, Kenya and is actively promoting made-in-Ghana products and services of 50 Small and Medium Enterprises (SMEs). The programme is not only earmarked for the Kenya market but the whole East African Community (EAC), with the ultimate objective of exporting to all AfCFTA markets. In 2025, GEPA is targeting to establish an export trade house in Sierra Leone.

3.5.9.2 Youth in Export Programme (YiEP): The Phase II of the Youth in Export Programme (YiEP) was successfully carried out where one hundred (100) trainees were trained by seasoned exporters as mentors in agribusiness, basketry and shea butter processing and value addition.

3.5.9.3 Export School: In 2023, a total of 365 exporters were successfully trained in various modules such as export procedures and documentation, the principles and practices of international marketing, contracts, and negotiations, labelling and packaging, costing and pricing for export, packaging, trade fair participation and dynamics, online/social media marketing, sanitary and phytosanitary specifications under the Export School in Kumasi, Takoradi and Accra.

3.5.9.4 Women Icons Regional Exhibitions: GEPA successfully organized the Women Icon Regional Exhibitions in six (6) regions aimed at promoting made-in-Ghana products and services produced by women-owned enterprises and to help identify potential exporters who will be groomed and transited to the export space. A total of 273 Women-owned businesses participated in the exhibitions and six (6) women Icons were honored.

3.5.9.5 Trade Fairs and Missions: In 2023, GEPA supported 300 Ghanaian exporting companies to participate in international trade fairs such as: Fruit Logistica, Ambientee, Vivannes in Germany, NY Now and MAGIC in USA, Wines of South Africa, Intra Africa Trade (IATF) Fair 2023 in Egypt under the AfCFTA, and Saloon the Chocolat in France. Export orders worth more than USD100 million were secured and delivered generating about 45,000 direct and indirect jobs.

3.5.10 Industrial Transformation Agenda: Ghana’s current programme for industrial transformation is underpinned by both export diversification and import substitution, with a strong focus on enhancing manufacturing activities led by the private sector. Initiatives under Ghana’s 10-point Industrial Transformation Agenda, such as the One-District One-Factory, the establishment of new strategic anchor industries aimed at diversifying the economy beyond cocoa and gold, and the implementation of the NEDS.

3.5.11 Regional Value Chains: The NEDS priority products highlighted above, are in line with some of the AfCFTA five (5) initial priority sectors for regional value chains, namely, agro-processing; automotive; pharmaceuticals; transportation and logistics. This shows that Ghana's export strategy is in line with what is obtained at the continental level.

3.5.12 Automotive Industry: Ghana is one country in West Africa with a formal automotive industry, with several automotive assembly plants from larger international car brands such as Volkswagen, Toyota, Nissan, Peugeot, Honda, Ford, and Kia. The increase in prices of new and used vehicles, and the aftermarket services and parts thereof, has also led to a rise in the informal automotive sector in the region: private workshops which service and maintain vehicles, and other small parts dealers are becoming more plentiful as consumers are looking for cheaper alternatives to OEMs; this can be leveraged by governments to fund local manufacturers to be able to produce parts locally and cheaper.

3.5.12.1 Western Africa has an established automotive sector, especially in Ghana, Nigeria, and Senegal. Although assembly plants exist in the region, production capacity is low and can definitely upscale and boost job creation. Nonetheless, two opportunities were identified in Ghana to produce and manufacture automotive parts using local resources and skills.

3.5.12.2 In the automotive industry, the unified market under the AfCFTA enhances the competitiveness of local assembly and local sourcing partnerships. It will allow companies to set up assembly plants in one country while being able to both target a greater consumer base across the region and take advantage of reduced tariffs on local inputs, for instance; lithium and bauxite in Ghana. Currently, trends in the automotive sector show that there is high demand for electric vehicles. Considering that Ghana is endowed with natural resources that are vital raw materials for the manufacture of electric vehicles, Ghana can participate in the automotive value chain as a hub for the manufacture of lithium and bauxite-related components given the abundance of these minerals in the country. A study on the African Automotive Value Chain (AAVC) that was done by the African Export and Import Bank (Afreximbank), AfCFTA Secretariat and African Association of Automotive Manufacturers (AAAM) identified the following Ghanaian companies to be part of opportunities in the African automotive value chain:

(i) Krishna Metals; Aluminium ingots and aluminium component manufacturing; and

(ii) Harlequin; Shocks, exhaust systems, brake components.

3.5.13 Agriculture and Agro-processing: In Ghana, the agriculture sector contributes about 20% to GDP. Despite its agricultural potential, Ghana is increasingly a net food importer. Cassava, yams, and plantains are the main staples, together with rice and maize. Agricultural policy is geared towards ensuring food security while aiming at reducing imports – particularly of rice. Since 2017, Ghana's crop production has improved considerably with the launch of a new agricultural programme ("Planting for Food and Jobs"), which is underpinned by, *inter alia*, fertilizer and seed subsidies. Some limited price support is provided to the major staple crops.

3.5.13.1 The agriculture sector (including forestry and fishing) contributed 20.5% to GDP in 2020 and provided formal and informal employment for over 40% of the workforce. Subsistence agriculture, a few cash crops, and fish are the main source of livelihood for the majority of the population. About 90% of the farms are smallholdings of less than 2 hectares (ha), which are often net buyers of food and sensitive to food price inflation. Following the announcement of a partial lockdown in March 2020, Ghana experienced a spike in food price inflation, which lasted for about six months.

3.5.13.2 Ghana's total land area of about 23.9 million ha, includes about 14 million ha of agricultural land, of which 6.7 million is under cultivation. According to the authorities, Ghana has a large potential, especially in the semi-arid northern savannah, for extensions of the cultivated area. Ghanaian agriculture is at risk from drought as most crop production is rainfed. Pests, like an outbreak of the Fall Army Worm disease in 2017, nearly caused widespread disaster in crop production (maize and cocoa), which was averted through a government spraying campaign.

3.5.13.3 In the past, output growth in Ghanaian agriculture was driven more by an expansion of the cultivated area rather than by yield improvements. The improved performance in recent years, notably in the crop subsector, was in part also due to a new agricultural policy strategy aimed at improving yields, underpinned by input subsidies.

3.5.13.4 Africa, despite having vast agrarian lands, imported US$50 billion worth of food in 2020. Grains, rice... are imported from around the world yet, we say Africa is over 60% of the world's many arable land but we are net food importers.

3.5.13.5 Africa can shift from being a net food importer to trading amongst themselves to boost infra-Africa trade on the continent. It is about time Ghana and other African countries consume what they produce. This will make the continent competitive and enhance job creation for the teeming unemployed youth. The challenge is upon us to introduce trade policy tools that will enable the continent of Africa not to be a net food importer, but to enable the continent of Africa to rely on the abundance of agricultural resources which we know exits.

3.5.13.6 The agribusiness sector employed nearly 55 percent of the working population in 2008 and below 35 percent in 2020. A 20 percent reduction in the employment rate in the sector**.** It still plays an important role in the economic development of Ghana, because it is the main source of livelihood for rural communities. It is worth knowing that the employment in the sector has been declining over the years as shown in Figure 7. The decrease in employment by the sector can be explained by the change in the economy from agriculture to services.

3.5.14 Pharmaceutical and Herbal Industry: The pharmaceutical subsector has expanded over the years and now consists of three different categories of firms. These include firms manufacturing generic brand medications, firms distributing pharmaceutical products and firms manufacturing medical products. Ghana’s pharmaceutical industry is recognized among the best pharmaceutical manufacturing industries in West African-sub-region for producing high-quality pharmaceuticals due to strict regulations. The sector has an average growth rate of 6-8 percent. Currently, there are 37 licensed pharmaceutical manufacturing companies in Ghana. However, 20 of them are currently active, undertaking secondary manufacture of Oral Solid Dosage forms, Orals Liquids, Topical Preparations and large volume Parenteral Preparations. The country still has 70 percent of the pharmaceutical products imported and 30 percent locally manufactured. The sector employs an estimated 5,000 people with 10 percent accounting for 80 percent of the total industry output. The exports for the sector increased from US$3.6mn in 201852 to US$8.32mn in 2019.

3.5.14.1 The exporting destinations of the Ghanaian pharmaceutical manufacturing firms are Benin, Burkina Faso, Cote d'Ivoire, Gambia, Liberia, Nigeria, Senegal, Sierra Leone and Togo. The main markets are Burkina Faso, Cote d'Ivoire, Sierra Leone and Togo all in West Africa. West Africa is the preferred destination because of the similarity in demographic and economic conditions. The proximity and the ECOWAS-integrated and free-trade agreements among member countries also partly make exporting within the region easy and cheaper.

3.5.14.2 A total of USD16.5 billion worth of pharmaceutical products were imported in 2019. These pharmaceutical products could have been produced in Africa as the resources needed for the job are at our disposal. Ghana is benefitting, alongside countries such as South Africa, from the African Union Heads of States and Governments established alliance with the Partnerships for African Vaccine Manufacturing (PAVM) under the Africa CDC. The goal of the PAVM is to enable the African vaccine manufacturing industry to develop, produce, and supply over 60 per cent of the total vaccine doses required on the continent by 2040.

3.5.15 Pan-African Payments and Settlement System (PAPSS): Ghana is one of the twelve (12) African countries that is using the PAPSS. In 2022, Ghana and Nigeria were the first countries to initiate the first transactions under PAPSS. Many banks in Ghana use the PAPSS. PAPSS is a system that allows for fast and affordable money transfers across Africa in local currency. Ghana is one of the highest-performing countries on PAPSS, generating the most transactions. This shows the country's commitment to continental economic integration.

3.5.16 Trade in Services: The services sector accounts for 55% of real Gross Domestic Product (GDP) growth in African countries and serves as an important and growing source of employment. Currently, twenty-two (22) Schedules of Specific Commitments have been adopted, covering the five (5) priority sectors (Business, Communication, Financial, Tourism, and Transport Services). Currently, there are twenty-six (26) offers in these five priority sectors under negotiations. Ghana submitted its Schedule of Specific Commitments under the combined ECOWAS Schedules, which is still under consideration the Committee on Trade in Services.

3.5.16.1 According to the Bank of Ghana (BoG), exports of services expanded strongly during 2014-20, reaching nearly USD 10 billion in 2019, five times the level recorded in 2014, before decreasing in 2020 to USD 7.6 billion. The fastest-growing sector was technical, trade-related, and other business services. This reflects the decision of several multinational communications and social media companies to establish their headquarters for Africa in Ghana. Professional and management consulting services have also expanded sizeably, as have financial services. Ghana's imports of services have nearly tripled since 2014, to approximately USD 13.5 billion in 2019, before declining to USD 12.1 billion in 2020. Imports of technical, trade-related, and other business services expanded most during the period, and transport services continued to be in strong demand due to accelerated economic growth and development.

3.5.17 Digital Economy: The African Continental Free Trade Area (AfCFTA) Agreement promises to contribute to Africa's economic development by facilitating greater intra-African trade and economic integration. The digital economy, a key driver of this development, will be imperative to realise this objective.

3.5.17.1 The Digital Protocol on Trade which was concluded in February 2024, including the recently adopted eight (8) Annexes to the Protocol on Digital Trade (Rules of Origin; Digital Identities; Cross-Border Digital Payments; Cross-Border Data Transfers; Criteria for Determining the Legitimate and Legal Public Interest Reasons for Disclosure for Source Code; Online Safety and Security; Emerging and Advanced Technology;

and Financial Technology), will facilitate cross border trade through digital means.

3.5.17.2 The Protocol needs 22 ratifications for it to enter into force. Once this protocol is in force, AfCFTA Parties have a transition period of five years to align their national laws, rules, and regulations with the obligations of the Digital Protocol.

3.5.17.3 The performance of Ghana's digital economy has been in an expansion phase, reflecting the country's growing capacity and potential to leverage the opportunities from the AfCFTA. The digital economy is already paramount to Ghana's economic development, as the information and communication technology (ICT) sector is a growing major contributor to gross domestic product (GDP). In 2022, the value of the ICT sector stood at $2.5 billion (in constant 2015 values), representing 4% of GDP. In addition, the sector has been a major contributor to the country's international integration, with growth in digitally deliverable services reaching $6.3 billion (in value terms) in 2019.

3.5.17.4 The country's fintech capacity growth has also been a major contributor to the expansion of the digital economy. The fintech industry, largely dominated by mobile money transactions, is one of the fastest-growing markets in the world, and Ghana is now home to over 70 fintech companies (Bright, Oteng, and Gyan 2020).

3.5.17.5 There is a robust start-up ecosystem in Ghana with more than 100 tech hubs and accelerators spread across Ghana, and a major concentration in Accra/Tema, Kumasi, and Takoradi. Dedicated business chambers include the Ghana Chamber of Young Entrepreneurs, the Ghana Hubs Network, and the Ghana Start-up Network, among others.

3.5.17.6 Ghana's traditional strengths in terms of ICT start-up activities have been in:

- Fintech, where ICT payment platforms and apps have helped to bring unbanked citizens into the financial sector and play a major role in remittances payments;
- eCommerce, where specialized marketplaces have emerged for online shopping;
- Agtech, where local companies seek to tackle challenges in Ghana's largest labour sector, including last mile payments, supply chain, weather forecasting, fertilizer use and planting forecasting, and marketing, among other issues;
- Other Medtech portals and apps to identify health services and supplies and improve health outcomes, and

- Proptech, where start-ups are servicing Ghana's booming real estate sector with marketing and value assessment.

3.5.17.7 According to Michelle Chivunga, Derrick Abudu and Alberto Lemma (2024), nonetheless, Ghana needs to do more to leverage opportunities from the AfCFTA to expand the digital economy's contribution to its economic development, as the sector still faces several challenges.

1 Regulatory complexity: Relevant legal and regulatory frameworks are beset with specific challenges that weaken their ability to create a conducive environment for digital transactions. For example, the Electronic Transactions Act's enforcement and implementation are weak.

2 Harmonisation of regulations: The absence of comprehensive data protection legislation aligned with African and international standards poses significant challenges to user privacy and regulatory compliance.

3 Digital divide and inclusion: Differences in broadband internet availability and accessibility, proficiency in digital skills and infrastructure exacerbate inequalities that can hinder participation in digital commerce. Specifically on internet access, huge gaps exist between the northern (maximum 50% access) and the middle and coastal areas (50–90% access).

4 Digital infrastructure: The digital infrastructure landscape, including data centres and cloud systems; physical hardware; including mobile devices; computing facilities; and other Internet of Things tools, requires more investment. This will be crucial to increasing integration in the digital ecosystem, enabling Ghanaian companies to scale and expand.

5 User challenges: An analysis of responses from private companies engaged in digital economic activities shows that there is limited awareness of the Protocol on Digital Trade as well as legal and regulatory frameworks governing digital activities and usage of digital platforms or opportunities.

3.5.18 Infrastructure: The nexus between infrastructure and trade cannot be overemphasized. It is, therefore, a foregone conclusion that the inadequate transport, energy and digital infrastructure in the country necessitates significant investments in order to enhance trade facilitation. This is an opportunity for both local and international investors to invest in the development of infrastructure in the country. According to the African Development Bank, Africa's infrastructure needs require between US$130-170 billion a year, with a financing gap of between US$68-108 billion.

3.5.19 National Entrepreneurship and Innovation Programme (NEIP): The NEIP was initiated by the Government of Ghana in 2014, under the Office of the President. Its main objective is to encourage creativity amongst youth, accelerate job creation, provide financial, technical and business skills and to enhance market linkage. The rationale for forming NEIP was, among others, to reduce youth unemployment, idleness of youth, create markets for the youth and foster collaboration among Actors.

3.5.19.1 Strategies for reaching youth include the following, among others, Formation of Entrepreneurship Clubs in Universities; Introduce Entrepreneurship Learning and Competition in Junior and High Schools; Introduce Funding; Legislation Backing; Start-up Innovation Bill in Progress; Introduce Tax Holidays; Assist in Business Registration; Financing of Youth Projects; Consultations and Collaborations; National Youth Service; and Internship Programme - Government pays allowances for interns.

3.5.19.2 With the YouSTART Programme, the Government of Ghana was targeting to create one million jobs. The programme is funded by the government in partnership with the World Bank. Start-up funds were being managed by banks on behalf of the government.

3.5.20 Visa Regime: According to AfDB Africa Visa Openness Index (AVOI) 2023 report, Africa is making strides in its visa openness policies boding well for cross border travel, ease of movement and trade in 2024 and beyond. The visa openness achieved its highest score ever in 2023, surpassing levels last seen prior to the Covid-19 pandemic. The Africa Visa Openness Index (AVOI) measures the extent to which African countries are open to visitors from other African countries.

3.5.20.1 In 2023, data from the report shows that 50 countries improved or maintained their 2022 score, with only 4 countries scoring lower. Since the first report was published in 2016, 36 countries have improved their score on the index. Forty-two (42) countries extend visa-free entry to citizens from at least 5 other African countries, while 33 countries do so to citizens of at least 10 countries. Four countries - up from three last year, - have eliminated all visa requirements for African travellers. They are Rwanda, Benin, The Gambia, and Seychelles. Ghana is on number five (5) in terms of AVOI.

3.5.20.2 Freer movement of people could help galvanize the AfCFTA, bringing Africa closer to the realization of its shared goal of an integrated Africa where goods, services, capital, and people move freely.

3.5.20.3 It is therefore recommended that Ghana should further extend visa-free travel policy to the remaining AU Member States, in order to support the implementation of the AfCFTA.

3.5.21 Investment Regime: Ghana's strong democratic institutions and good governance have contributed to attracting investment. The country's investment regime is fairly liberal and foreign investment is generally welcome. However, the State continues to have a significant stake in the economy with close to 160 state-owned enterprises, agencies, and joint-ventures, many of which continue to make losses. Activities still reserved for Ghanaians range from small-scale mining to forex bureaux. Joint Ventures by foreign enterprises with Ghanaian partners are subject to a minimum of 10% Ghanaian equity participation. Also, Ghana has introduced new restrictions on foreign investments in the energy and mining sectors through mandatory Ghanaian equity participation and local content.

3.5.21.1 Ghana can leverage on the recently adopted Protocol on Investment, who principal objective is to support the objectives of the AfCFTA as set out in Articles 3 and 4 of the Agreement, to promote, facilitate and protect investments that foster sustainable development of State Parties, establish a transparent and sound continental legal framework on investment, taking into account the interests of State Parties, investors and local communities, provide security and predictability in the prevention and management of investment disputes, create a level playing field for African investors, and promote and enhance common positions and cooperation on matters related to investment promotion, facilitation and protection.

3.5.21.2 The Ghana Investment Promotion Centre (GIPC) is currently in the process of renegotiating its old-generation Bilateral Investment Treaties (BITs) towards establishing new generation BITs, as opposed to termination or amendment, as it allows for a holistic approach to reform through comprehensive revision of the treaty in line with both countries evolving policy objectives.

3.5.21.3 It should be highlighted that Ghana has BITs with State Parties under the African Continental Free Trade Area (AfCFTA) regime. Article 49 of the adopted Protocol on Investment, stipulates that *'existing bilateral investment treaties concluded between the State Parties shall be terminated within five (5) years from the entry into force of this Protocol. Upon termination of existing bilateral investment treaties concluded between the State Parties, their survival clauses shall also be terminated.* This therefore, means that those BITs will need to be terminated within 5 years, including their survival clauses, when the Protocol comes into force.

3.5.21.4 Furthermore, State Parties shall not conclude new bilateral investment treaties among themselves after the adoption of the Protocol on Investment.

Recommendations

1. Diversification of export basket through the implementation of the current NEDS, which emphasis on Non-Traditional Exports (NTEs);
2. Upscaling education of private sector players on Rules of Origin, and other trade issues. The Ghana Export Promotion Authority must upscale education even for SMEs;
3. Reduce production taxes and utility fees to enhance the competitiveness of local exporters;
4. Intensify research in trade and assessment of comparative advantage. Assess Ghana's comparative advantage in various products in the continent.
5. Value addition of available raw materials to create more jobs for the people;

6. There is need for proper coordination between the government and private sector, for the successful implementation of the National African Continental Free Trade Area (AfCFTA) Policy Framework policy framework;
7. It is important to provide adequate financial and technical resources to effectively implement the policy framework;
8. Ghana should rationalise its numerous other duties and charges which are levied on imports, although they are bound at zero on most products. The country should review its complex border taxes and levies;
9. Ghana is urged to take steps to address the current challenges investors are facing in areas such as customs procedures, transparency in taxation, minimum foreign investment requirements, and the new local participation and local content requirements in the mining and energy sectors, including renewables that the Government is keen to promote;
10. With regards to the digital technology, there is need to address the Digital divide and promote inclusion, with a view to address differences in broadband internet availability and accessibility, proficiency in digital skills and infrastructure;
11. Revenue loss will be anticipated when countries commence implementation of the AfCFTA Agreement, as countries will be phasing out tariffs, this therefore calls for Ghana to either provide additional funding to minimize the losses or apply for funds through the AfCFTA Adjustment Fund to address the same;
12. With regards to agriculture, there is need to increase land under cultivation as well as to improve on yield through the use of hybrid seeds. Further, there is need to invest in construction of dams for irrigation activities since the country relies more on rain-fed farming. Input subsidies are also paramount, but should be distributed to deserving farmers;
13. Ghana should further extend its visa-free travel policy to the remaining AU Member States, in order to support the implementation of the AfCFTA.