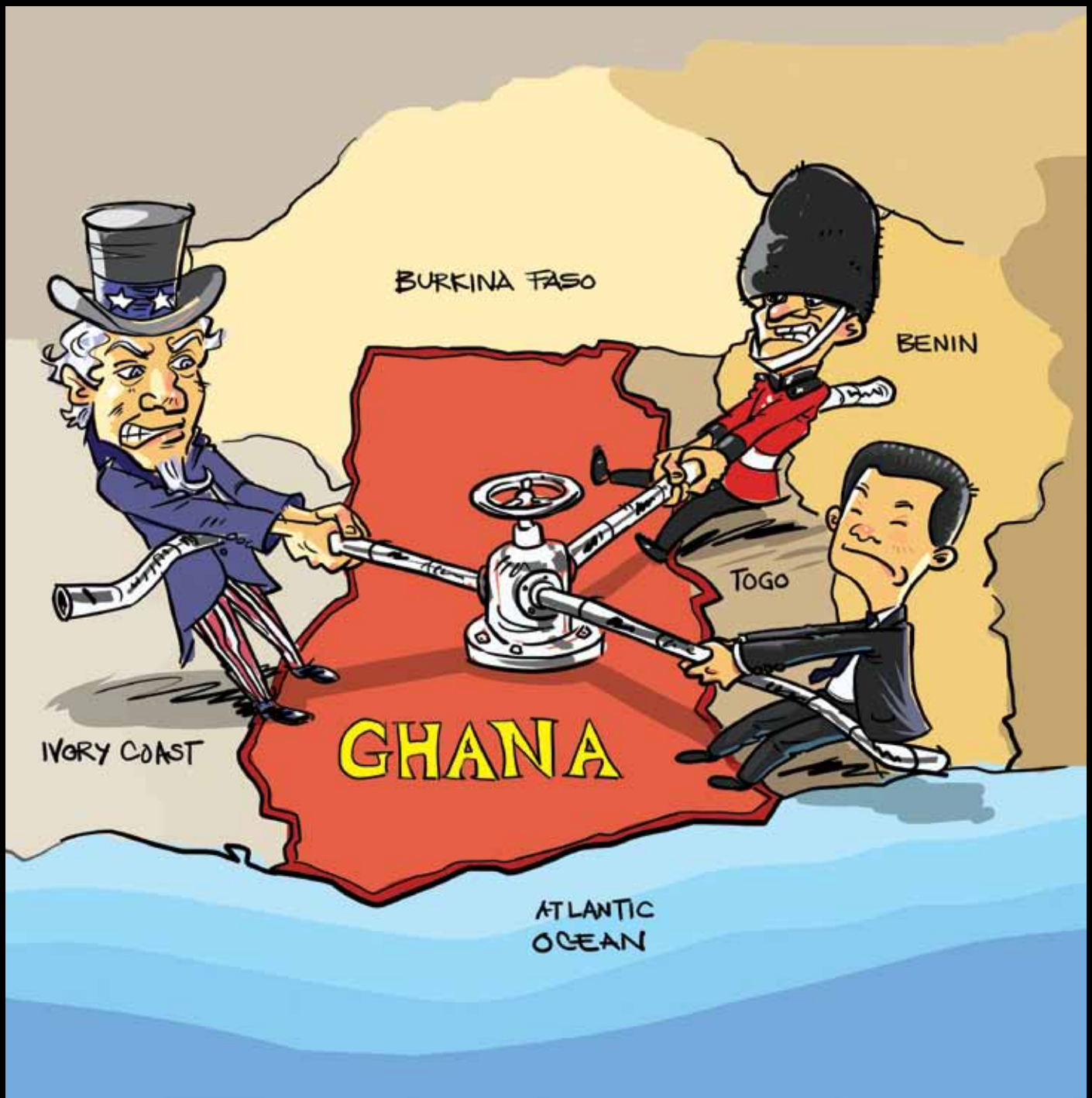


GHANA

The jewel of West Africa

Ghana has always had gold and cocoa. Now it's struck oil, and investors from around the world are eager for a piece of the action in West Africa's most successful democracy, often seen as a regional role model. But can Ghana ensure that its oil wealth promotes economic and social development? Local leaders are confident they can get it right.



Introduction

Building a Better Ghana

“The 21st century will be shaped by what happens not just in Rome or Moscow or Washington, but by what happens in Accra as well” – U.S. President Barack Obama

When Ghana won independence from Britain in 1957, it tossed aside the old colonial name of the Gold Coast. But today gold of a different kind – black gold, deep under the Atlantic – is promising new riches for this nation of 24 million. And unlike colonial times, the government is determined to use this 21st-century bonanza to drive a new round of investment and development.

Coming on top of many years of peace, stable democracy and good governance, the West African nation is attracting growing interest from international investors. Foreign direct investment was projected at US\$1.5 billion in 2010 and could double in 2011, the Ghana Investment Promotion Center said.

Driving the interest is what the government describes as the “Better Ghana Agenda.” Adopted as a slogan during the 2008 elections, this term has come to signify creating jobs, investing in people as well as the economy, and pressing ahead with good and transparent government that acts in the national interest.

Perhaps this last item, the quality of governance, has emerged as Ghana’s trump card.

“Today, Ghana is a stable, democratic and peaceful country, determined to pursue sustainable development and proper management of our economy for the benefit of the Ghanaian people. Ghana today is seen as a beacon of democracy in Africa,” Foreign Minister Alhaji Muham-

mad Mumuni said in an interview. Like many Ghanaian leaders, Mumuni was quick to recall the landmark July 2009 visit by U.S. President Barack Obama.

Addressing local lawmakers, Obama said: “Here in Ghana you show us a face of Africa that is too often overlooked by a world that sees only tragedy or a need for charity. The people of Ghana have worked hard to put democracy on a firmer footing, with repeated peaceful transfers of power even in the wake of closely contested elections. ... And with improved governance and an emerging civil society, Ghana’s economy has shown impressive rates of growth.”

Noting that “development depends on good governance,” Obama said this was a “fundamental truth that you have given life to in Ghana... That is the ingredient which has been missing in far too many places for far too long. That is the change that can unlock Africa’s potential, and that is a responsibility that can only be met by Africans.”

Ghanaian leaders recognize their role model status. “The cornerstone of Ghana’s foreign relations is our African policy,” Mumuni said. “We believe in good neighborliness, living in peace with our neighbors. We also believe that democracy really is the bedrock of peace and security. Therefore, beyond just trying to entrench a culture of democracy in our own country, we try to encourage and assist our neighbors to achieve the same standard.”

Jerry John Rawlings, who was presi-



dent in the 1990s, said that “Ghana cannot waste its role as a pacesetter and should be encouraged to maintain the standards that made it a pacesetter so that Africa can gain strength from the example we have to offer.”

Rosa Whitaker, a former assistant U.S. trade representative for Africa, also stressed the importance of governance: “The most important thing in Africa’s development is the leadership issue.” Named one of *Foreign Policy* magazine’s “Top 100 Global Thinkers of 2010,” she now runs The Whitaker Group, a consultancy that has facilitated more than US\$1 billion in trade and capital flows to Africa. “We are very bullish on Ghana. ... More can and should be done faster, but they’re on a growth trajectory,” she said.

Basking in its reputation, Ghana plans to borrow for infrastructure developments, using expected oil revenue as



collateral. The government's strategy is to upgrade ports, energy systems and other infrastructure to ensure that oil exploration triggers a prolonged wave of growth. ■

Economy in Numbers

GDP

- US\$15.3 billion
- US\$36 billion (PPP)
- Growth 4.1%



Inflation

- 19%

Exports

- Cocoa, gold, timber, bauxite, aluminum
- Netherlands 13%, UK 8%, France 6%

Imports

- Capital goods, oil, food
- China 17%, Nigeria 12%, U.S. 7%, (all 2009)



H.E. JOHN DRAMANI MAHAMA
Vice President of Ghana

John Dramani Mahama, 52, has an undergraduate degree in history with postgraduate studies in communications and social psychology.

How do you see Ghana in the world today?

We want Ghana to continue to be a leader on this continent in respect to creating a better life for our people and changing the perception that the rest of the world has of Africa being a continent of calamity and disasters and hunger and famine. We want Ghana to continue to lead in terms of creating an environment of good governance — an environment of democracy — where every child can go to school and realize his or her potential.

What are the opportunities for more cooperation with the United States?

The opportunities and the potential exist, but I don't think the U.S. is doing enough to be present in the emerging world, especially in Africa. I understand that the global economic crisis and recession affected U.S. investments, but I also think there's a problem of perception. The Western media, especially in America, has created a very negative image of Africa. We need to do more to let businessmen in the U.S. see that Africa is without doubt the next frontier for investment.

So what are the "undiscovered" areas?

Agriculture is one; it has more potential than we have seen so far in respect to foreign investment. Agriculture takes a long time, and investors are cautious, but we are beginning to see increased interest. Several multinationals have come to talk about investment in cotton, agro-processing and several other areas.

Ghana is one of the few nations likely to meet the 2015 Millennium Development Goals, but there are also challenges, for example maternal mortality ...

One of the major causes of maternal mortality is giving birth under unsupervised circumstances. When complications occur, the traditional birth attendants are not able to ensure that the woman survives, and then often the mother has to travel to the nearest town, and sometimes the road is not good enough to get her there in time. So it's a complex issue. We have significantly reduced maternal mortality, but we need more resources to improve infrastructure, improve facilities and train more personnel. Two other areas where we are behind target are access to water and sanitation — sanitation is the worst. It's tough, but I think we can make progress.

Finally, on a personal note, what drives you as vice president? What motivates you?

Well, it's on two levels. On one level, I continue to see disadvantaged and vulnerable people who stand outside my gate with basic needs. Maybe they are homeless, or their landlord has evicted them, or they cannot afford school fees for their children — many basic things that for a middle-income country we should begin to cover. I continue to work for the time when I come out of my gate and there is nobody standing there. Then there's a spiritual angle. I believe that when God gives you a responsibility, he also gives you a certain energy to be able to meet that responsibility.

Electricity

Key Players



ALFRED AHENKORAH
Energy Commission

This statutory body is Ghana's key advisory, regulatory and planning agency for electricity, natural gas and renewable energy. Run by seven commissioners appointed by the president, it works with key players, including energy producers and distributors, to promote an efficient market. The Energy Commission also protects consumer interests by promoting energy-efficient appliances and the lowest possible energy prices compatible with reliable supply and an adequate return on investment. A licensing manual is available on the commission's Web site, describing how potential investors can apply to build a power plant.



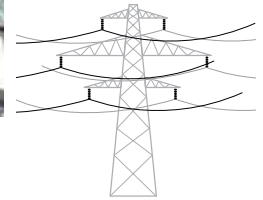
KWEKU A. AWOTWI
The Volta River Authority

Ghana's biggest power producer supplies some 90 percent of the national demand for energy, from a total installed generation capacity of 1,730 megawatts (MW). Peak daily demand in 2010 was 1,483 MW. The Volta River Authority (VRA) is a state company set up in 1961 initially to run the 912-MW Akosombo Hydropower Plant on the Volta River (retrofitted in 2006 to 1,020 MW). In 2005, the VRA relinquished its transmission functions to GRIDCo. Power is sold mainly to the state-run Electricity Company of Ghana and large mining and industrial companies, plus neighboring countries.



CHARLES DARKU
GRIDCo

GRIDCo was incorporated by the government at the end of 2006 as a private limited liability company. It handles transmissions nationwide, with most staff coming from the VRA. The national grid comprises 4,464 kilometers of transmission lines ranging from 69 kilovolts (kV) to 220 kV, with the great majority rated 161 kV. Some lines are being upgraded to 330 kV. Ghana's grid is connected to the neighboring countries of Ivory Coast, Togo and Benin.



Power to the People!

Located in the heart of West Africa, Ghana is increasingly an energy source for neighboring countries. Most of the power sector remains in government hands, but it has been restructured to increase transparency and pave the way for more private investment.

Many developing countries are plagued by a lack of electricity. Not so Ghana, which exports power to its neighbors. "There used to be constant outages, sometimes for days, but this is no longer the case," said Information Minister John Tia Akologu. The improvement is due partly to additional generating capacity, but mainly to an expanded and revamped transmission system.

The country started to get a grip on its creaky power sector when it effectively separated generation and transmission.

"GRIDCo is central to achieving Ghana's energy policy objectives because we are not only expanding our network within the country, to deliver power to the people, but we are also working actively with the West African Power Pool to develop high-voltage interconnections, to hook up our network with neighboring countries," said Charles Darku, CEO of GRIDCo.

One key item is the so-called high-voltage Coastal Transmission Backbone. It will link Abidjan, Accra and Lagos, respectively capitals of Ivory Coast, Ghana and Nigeria, which lie some 1,000 kilometers apart. Other reliability improvements include system control and management, an additional line to

Accra, and duplicate transformers at all substations.

"We are looking at potential investment opportunities from American firms to provide the technology to develop substations and other things, for example through U.S. export credit facilities," Darku said.

The Volta River Authority (VRA) is developing various thermal stations, mainly around the industrial seaport of Tema near Accra. "Ghana is at a unique energy moment ... you have an environment that creates real opportunities," said VRA Chief Executive Kweku Awotwi.

Dr. Alfred Ofori Ahenkorah, executive secretary of the Energy Commission, said the country will boost generating capacity to 5,000 MW by 2015, from today's roughly 2,000 MW, to permit the universalization of residential supply — currently serving around 66 percent of households — and drive industrialization.

"Ghana has huge bauxite reserves, but we export it raw and import alumina. We have an aluminum smelter and factories that make semi-finished and finished aluminum products, so we have the potential to create an integrated aluminum industry," Ahenkorah said. ■

CAN GHANA BEAT THE OIL CURSE?

Ghana has discovered some 3 billion barrels of oil and negotiated production deals with foreign companies. Now the battle is to use this windfall wisely.

In December 2010, President John Atta Mills opened a valve on an oil rig some 60 kilometers off Ghana's western coast and changed his country forever. Production, headed by London-based Tullow Oil, should soon reach 120,000 barrels a day, around twice the country's current consumption, and oil could eventually earn the country US\$1 billion a year. So can Ghana avoid the pitfalls of easy petrodollars that have plagued other developing countries?

Experts see reasons for hope. First, oil won't swamp Ghana: revenues will be well under 10 percent of the nation's gross domestic product (GDP). Also, Ghana has a relatively transparent

and stable government, and its leaders know they must learn from other countries' mistakes, making sure the windfall goes to economic and social development.

The Ghana Ports & Harbours Authority (GPHA) has ambitious plans to develop Takoradi, the port closest to the oilfields, as a base for rig servicing, to ensure this lucrative business isn't lost to neighboring Ivory Coast.

"We have made facilities available ... for the bulk cement and bulk mud plant they use in drilling, and currently we have about 38 supply vessels regularly using Takoradi," said Nestor Galley, director-general of the GPHA. ■

Alhaji Muhammad Mumuni
Foreign Minister



"We know about the examples of Angola and Nigeria and the so-called Dutch Disease Syndrome. These are all learning opportunities for us. Our president has often said he is determined that the oil found in Ghana become a blessing and not a curse, and I'm sure he is referring to all these examples. It is said that fools learn from their own mistakes, but the wise learn from other people's mistakes."



John Tia Akologu
Information Minister

"I would not say we are sufficiently prepared [to deal with the problems that oil can bring], but we are starting. We have looked at other places that have had oil and how they have managed. Nigeria is a special case that we should look at. We are positioning ourselves to ensure that the oil revenue is well utilized for the benefit of the people. We will not fall into the same trap that others have."



Rosa Whitaker
CEO, The Whitaker Group

"I think they're on the right track because what they're talking about is going to great lengths to ensure that the oil doesn't become a curse. They are looking at the Norwegian model, at the infrastructure funds, because what is the highest cost of business in Ghana? It's transport and power — infrastructure."

Kwame Pianim
Director, NewWorld Renaissance Securities



"For the oil sector to be able to contribute to the organic growth [of the country], we have to ensure that the services provided have more and more Ghanaian content; otherwise there will be no difference between the gold industry and the oil industry. ... The local content in gold mining is negligible, less than 10 percent, so if we don't take care, the oil industry will go the same way."

George Aboagye
CEO, Ghana Investment Promotion Center



"When we start pumping the oil, it is estimated that we could achieve growth rates of around 12 to 15 percent. Some people say 20 percent, but I think that is very ambitious. But 12 to 15 percent is achievable, because simultaneous to oil, we are going to harness the natural gas."



Powering Ghana's economy
with reliable power supply

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Infrastructure



Q&A



NESTOR GALLEY
Director-General, Ghana Ports and Harbours Authority

You want Ghana to be a gateway for inland countries. Can you ensure transit cargo security?

Yes, we are ISPS [International Ship and Port Facility Security] Code compliant in the ports; we have CCTV and so on, and a system to track the cargo all the way from Ghana to the landlocked countries. We are the first in the subregion to implement this system.

Who are your competitors?

Well, Nigeria is very big! And Abidjan in Ivory Coast. We are all competing.

What's your key differential?

Efficiency, service to vessels and service to the customers so shippers can be comfortable that when their cargo passes through Ghanaian ports, it will reach them safely.

Where Ghana meets the world

Outdated ports can hold back economic growth. To make sure this doesn't happen, Ghana is investing some US\$750 million in upgraded facilities for containers, bulk cargo and special operations like offshore oil.

Ghana has a 540-kilometer Atlantic coastline, with major ports at Tema, near Accra, and Takoradi, farther west. Tema handles some 70 percent of the country's roughly 12 million tonnes per year of sea freight. The government's Gateway Project couples port investment with rail and highway upgrading to reinforce Ghana's status as a logistics hub for landlocked neighbors in West Africa.

"Ghana is a maritime nation; the ports are the gateways for our imports and exports," said Galley. "They are the place where we meet foreigners — the ports are essentially the heart of the country."

Some of the basic infrastructure will obviously have to be provided by the

government, or under the authority of the government, Galley explained. "We will do the dredging and build the new breakwaters. Those are effectively sunken costs that would not interest private companies."

With that basic infrastructure taken care of, the next step will be concessions and public-private partnerships. Oil and mining companies, for example, have been approached to develop or operate port terminals with the equipment needed to handle their specific cargoes. Many of them are companies that already use the existing facilities and would have a natural interest in helping improve efficiency.

"We've got some companies making proposals, but we're taking our time,"

Galley said. "We're not rushing to make decisions, because we want to look at the whole spectrum of opportunities that are available and make sure that we get the best."

Ports, of course, can also be an important part of the tourism industry, particularly if they can gain a foothold in the lucrative cruise-ship itineraries. "All along the coast we have these ancient forts and castles which are World Heritage sites adopted by the United Nations," said Foreign Minister Mumuni. "Going inland we have the Ashanti people and their world-famous culture, and further to the north there are tourist attractions like the Mole Game Reserve. There's a lot to see about Ghanaian culture." ■

SERVICE THAT GOES BEYOND BORDERS

GRIDCo's objective is to expand and renew its transmission network far ahead of the growing demand for power. We are determined to become competitive in transmitting high value electrical power that will spearhead the socio-economic development agenda in Ghana and beyond our borders.

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GRIDCo
BACKBONE TO POWER DELIVERY

MADE IN GHANA TRADE, NOT AID!

Ghana has a US\$547 million compact with the U.S. Millennium Challenge Corporation to boost farm income by increasing crop productivity and providing education and sanitation. It's welcome, but far from the complete answer.

"Most of our exports are commodities with very little processing," said Hannah Tetteh, minister of trade and industry. "The challenge for Ghana is to scale up value addition."

Global agribusiness giants ADM and Cargill have recently opened cocoa-processing plants. "That's the kind of thing I'm thinking about, because the industrial process is not so complicated," said Tetteh. A lawyer and former member of parliament, Tetteh argues that Ghana is not yet ready to export branded products but can make interme-

Ghanaian leaders and business people are very much aware that the path from poverty to prosperity means developing their own economy.

mediate goods from its own raw materials.

American development specialist Rosa Whitaker said that traditional aid is often misguided: "There's no reason Ghana shouldn't be self-sufficient in rice production." The country consumes more than 550,000 tonnes a year, most of it imported. "So what have the donors been doing? Sending in consultants to do education when they should be doing irrigation," Whitaker said.

Another idea? Stop importing millions of cocoa sacks. "Instead of spending money on nonsense, I would find a (local) company to make those sacks, put them with a development partner and create a market. That's what it's about. It's not about seminars. In a couple of years, they'll get the sacks right and that will create so many jobs." ■



Q&A



ANTHONY FOFIE
CEO, Ghana Cocoa Board

As the monopoly cocoa exporter, Cocobod has been a major factor for Ghana's development. That must be a source of personal satisfaction?

Well, every Ghanaian wants to be part of this development. If you're part of the team that's developing the country, then it's the best thing you can do for the land of your birth.

Cocobod is government-owned.

Does that mean control?


They give us freedom to operate. We go out and talk to banks, get some funds and finance our activities. There is minimal interference.

What's your goal for growers?

To improve the incomes of those who actually plant and harvest the cocoa.

GHANA PORTS AND HARBOURS AUTHORITY

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RANKING THE TOP PRODUCERS

1 Ivory Coast Still top but slipping through lack of investment: 1,225,000 tonnes

2 Ghana Recovered from output drop and running hard: 700,000 tonnes

3 Indonesia Has suffered from export tax and recent rains: 516,000 tonnes

(unofficial market estimates for 2010)

Planning a cocoa revolution?

According to the International Cocoa Organization, Ghana ranked second in the world in the 2009-10 harvest season, producing 650,000 tonnes. Neighboring Ivory Coast led with 1 million tonnes. But Ghanaian producers aren't complacent: they're eyeing production of 1 million tonnes by 2013 en route to grabbing the top spot.

Tony Fofie, CEO of Cocobod, said Ghana already has enough trees but must increase fertilizer consumption and improve pest and disease control. "We're looking at expanding gradually to the million mark while maintaining our premium quality."

The question of quality is crucial. Ghanaians see their product as a premium brand, compared with Ivory Coast's volume production, and want the world to recognize "Ghana chocolate" as a differentiated product. "The processes that our farmers go through in harvesting and processing the cocoa are completely different from what goes on in Ivory Coast," said Maxwell Kojo Atta-

Krah, managing director of the Produce Buying Company, the country's largest cocoa buyer. "So we end up with two very different kinds of end product. For that reason, our cocoa has a premium price over the cocoa produced in Ivory Coast."

Traditionally, Ghana has sold more cocoa to Europe, while Ivory Coast has exported it to the United States. But the 2010 takeover of Cadbury by Kraft could help Ghana break into the U.S. market, Fofie said.

Another positive development is Cargill's US\$100 million investment in a high-tech facility at Tema, processing 65,000 tonnes of beans per year into high-quality cocoa liquor, butter and powder for export.

"It's small, but we're employing high-tech labor. So, the multiplier effect on income and knowledge is bigger than with manual labor. This helps Ghana to develop more industry," said Kojo Amoo-Gottfried, managing director of Cargill Ghana.



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Poised to maintain Ghana's premium quality cocoa

Cocoa is a product adored by millions. Since 1947, COCOBOD has been proudly supporting the development of the industry in collaboration with local farmers and international partners. Our customers around the globe know that the best quality beans come from Ghana, so next time you enjoy some delicious chocolate, think of Ghana!

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