

PRESS BRIEFING

Sustaining the Enabling Business Environment for Private Sector Growth

On behalf of the private sector of Ghana, the Ghana National Chamber of Commerce and Industry (GNCCI) together with its members and partner institutions commends the Government of Ghana and sector specific institutions including the Bank of Ghana, Ghana Revenue Authority, Ghana Ports and Harbour Authority, and the Public Utilities Regulatory Commission (PURC) for their unrelenting commitment in addressing key challenges facing businesses in Ghana towards creating an enabling business environment.

We have observed with keen interest the rebound of the Ghanaian economy from a lowest growth of 3.6 percent in 2016 over the last decades to 7.9 percent mainly by the recovery in non-oil sectors, lower inflation, and new hydrocarbon wells.

This Press Briefing will focus on the following areas with regards to the new developments in the business community: interest rates; electricity tariff reductions; suspension of import VAT and the 'fumigation levy'; trade balance; and peace and stability.

- **Interest rates**

Access to cheap credit is fundamental to the growth and development of businesses. In particular, SMEs and start-ups are encouraged by low interest rates to increase their level of investments over a certain period of time. It is for this reason that the Chamber gladly welcomes the Bank of Ghana's 200 basis points reduction in the monetary policy rate to 18% on 26th March, 2018 following the investment-led recovery at the domestic and international fronts.

However, the lagged effect of the reduction in the monetary policy rate, which reflects the cost of banking and efficiency in the banking sector, is a major concern to the private sector. Ghana is noted with the highest banking lending rate (35.5%) in Africa and second to Brazil (55.06%) in the world according to Trading Economics. Businesses are compelled to access short-term credit with high interest rates for their long-term investment. **We cannot continue undermining the competitiveness of these businesses and eroding their profits with high interest rates.**

It is the Chamber's express view that the goodwill demonstrated by the Bank of Ghana will be reciprocated by the commercial banks. In addition, the coming on board of the Ghana Reference Rate in April 2018 should help address the persistent high sticky interest rates in the country. The need for improved access to long-term funds cannot be overemphasized in the wake of intense business competition.

- **Electricity tariff reductions**

Early this year, President Nana Akufo-Addo announced electricity tariff reductions for residential and non-residential users. Subsequently, the PURC in consultation with stakeholders announced a 10-30 percent reduction in prices of electricity tariff effective 15th March, 2018 but with actual implementation starting 1st April, 2018 due to the billing cycle.

Electricity users have been provided some level of respite as residential customers will enjoy 17.5 percent reduction while non-residential customers will enjoy 30 percent reduction. The mining sector will also enjoy 10 percent reduction with special load tariff customers enjoying 25 percent.

The Chamber lauds government, through the PURC, for the significant reduction in the electricity tariff in easing the cost of doing business and bringing relief to Ghanaians. We look forward to a successful implementation of the reductions. We encourage government to ensure an efficient and competitive energy sector along the various channels of power production, transmission, and distribution sustained by reliable power supply. Where

strategically appropriate, diversification and attracting major strategic investors into the sector should be in the best interest of Ghanaian businesses.

- **Suspension of import VAT and 'fumigation levy'**

The Chamber commends government's bold action in suspending the charging of import VAT on the 64 commodity groups including, but not limited to, tractors for agricultural purposes, outboard motors, mortar mixers, day-old chicks, solar cells, mobile phone, which began on 1st March, 2018. The indefinite suspension of the proposed 'fumigation levy' is welcoming as it will reduce the cost of doing business at the port, ease the burden on the ordinary tax payer, and bring sanity at the port.

A country that is heavily dependent on imports, additional costs without mutual agreement in the clearance process goes to increase the general price level all things being equal. The Chamber therefore encourages government to engage all stakeholders towards finding a mutual solution.

- **Trade balance**

Ghana's trade balance recorded a surplus of US\$545.5 million (1.1% of GDP) in February which represents an 18 percent increase over same period in 2017 mainly on the account of higher export receipts from crude oil.

While appreciating this progress, the Chamber calls on government to pursue an export diversification agenda to sustain the country's trade balance and address the perennial depreciation of the cedi against major trading currencies. In the coming months, the Chamber will be releasing reports on Ghana's trade sector performance towards trade policy prescription and action.

- **Continental Free Trade Agreement (CFTA)**

Free Trade Agreements (FTAs) are critical for a strong and sustainable development of any economy. FTAs bring about: enhanced market opportunities; legal certainty and predictability for service suppliers in entering and operating in the other party's market; cover investment market access and provide for investment protection; as well as boost trade and promote economic prosperity.

On 21st March, 2018, forty-four (44) countries signed the historic African Union free trade agreement to help deepen intra-African trade, which is currently estimated at 12 percent. The CFTA will in the long run increase intra African trade by over 50 percent in basically all scenarios and all households.

As part of the efforts to boost intra-African trade, the Ghana National Chamber of Commerce in collaboration with the United Nations Economic Commission for Africa (ECA) and the African Trade Policy Centre (ATPC) is undertaking the project, "**Enhancing the Capacity of the Business Community in ECOWAS for Boosting Intra-African Trade**". The specific objectives of the project are to:

- i. Create a platform for information sharing for the key stakeholders ;
- ii. Promote the application of ECOWAS CET and ETLS through capacity building on the utilisation of the User's Guide and ETLS;
- iii. Increase the awareness of 30 members of the business community, and member companies of each of the 15 national Chambers of Commerce in the ECOWAS region about CFTA; and
- iv. Influence the position of ECOWAS Commission on CFTA's negotiations.

- **Peace and stability**

The modest economic and social progress that Ghana has enjoyed owes much to the political stability since the 4th Republic. **Businesses cannot thrive without peace and stability.**

The Chamber commends the government, the security agencies, and other stakeholders in protecting and maintaining the security of Ghana. While we encourage the government to be firm and fair in applying the rule of law, we call on citizens and Ghanaians to exercise their civic rights and responsibilities in the interest of Ghana. We have one Ghana and we need to protect for our collective gain.

In conclusion, economic prospects for Ghana remain high. The GNCCI urges government to sustain its economic stabilization programme through fiscal consolidation while ensuring a business-friendly environment to energise the private sector to expand and create more jobs. The Chamber looks forward to the implementation of the mobile interoperability and the National Identification Scheme to help formalize the economy as well as minimize the risks associated with access to credit. In addition, Regulatory Impact Assessment is key in improving the business environment and we call on the Ministry of Trade and Industry to expedite action on the implementation of RIA.

The GNCCI will continue to execute its legislative mandate of promoting and protecting commercial and industrial interests in the country and calls on all state and non-state actors for their support.

Long live the Ghana National Chamber of Commerce, long live Ghana.

I wish you all a happy Easter.

Thank you.

.....signed.....

Nana Dr. Appiagyei Dankawoso I

President, Ghana National Chamber of Commerce & Industry

29th March, 2018.