



Sectoral Outlook of the Economy

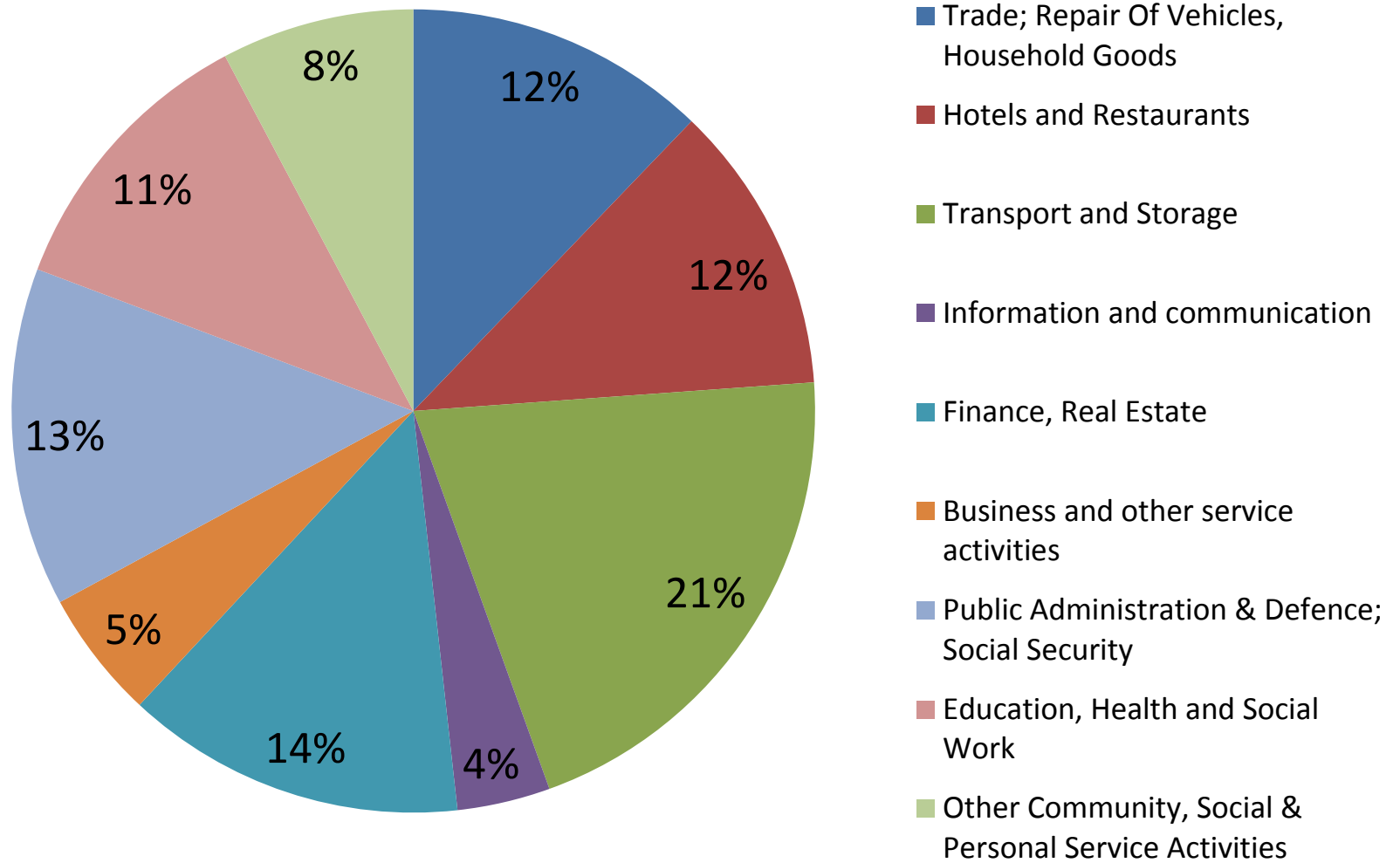
Services

Introduction

- The services sector consists of the following subsectors:
 - Transport and Storage
 - Trade, repair of vehicles, household goods
 - Hotels and Restaurants
 - Information and Communication
 - Finance and Real Estate
 - Business and other service activities
 - Public Administration; Defence & Social Security
 - Community, Social and Personal Services
 - Education, Health & Social Work

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Introduction

- Transport and storage is the largest sub sector. This sub-sector includes a large number of self-employed Ghanaian business entrepreneurs
- This is followed by the finance and real estate sub-sector. These services are important for mobilising domestic savings for investment in physical and human capital.

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Introduction

- In a developing economy like Ghana's the most important category of the services sector in facilitating and stimulating economic growth is transportation (railways, roads, airports and harbours)
- The telecommunications sector is also very crucial in facilitating growth and development. Mobile phone services for example facilitates money transfers, in Kenya, farmers use it to check prices of agricultural products and weather conditions for facilitating farming

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Introduction

- Upstream producer services
 - Banking; Insurance; Business services; transportation; wholesale and warehousing; intermediate services supplied during the production process such as engineering services, quality control laboratories, information services
- Downstream producer services
 - Industrial information, logistical services, commercial services

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Introduction

- Producer services are important factors in efficiency and competitiveness of other sectors of the economy
- For example, productivity increases in agriculture, manufacturing and exports are partly due to improvements in efficiency of distribution and transportation infrastructure

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Sub-Sectors

(1) Transportation

- The transport sub-sector comprises of:
 - Rail
 - Aviation
 - Maritime and Inland Water
 - Road
- The provision of transport infrastructure (roads, railways) is the responsibility of the public sector
- The Government expects to spend about 479 million, representing 4% of total expenditure on roads and transport infrastructure in 2011 for new road construction, rehabilitation and improvement works

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Sub-Sectors

Transportation

- Improvements in the rail network has been prioritised and in commuter rail services between Accra and Tema received attention
- Mass transport system
- With regards to Aviation, the Ministry of transportation in 2010 signed 9 bilateral Air Service Agreements which has increased the number of airlines operating from and to KIA from 25 to 30 and 5 new domestic carriers were issued with air carrier's license to provide air transport passenger services

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Sub-Sectors

ICT

- The telecommunications sector is regulated by the ministry of Communications and the National Communications Authority. They oversee the domestic public telephone services which comprises of:
 - (a) Fixed line networks -which are the traditional wireline networks connecting fixed locations
 - (b) Wireless mobile networks – telephone networks which connect calls via wireless radio technologies,
 - (C)Public telephones and tele-centres
 - (d) Internet services
 - (e) Broadcasting systems

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Sub-Sectors

Tourism

- The tourist sector is one of the fastest growing sectors with revenue from the sector gradually increasing.
- The Ghana Tourist Board, the Ministry of Tourism and the Ghana Tourist Development Company supervise the regulation, financing and development of the tourist industry

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Sub-Sectors

Wholesale and Retail trade

- Although retail facilities remain limited, there are a growing number of foreign-owned stores in Accra and the 'supermarket revolution' is slowly gaining ground
- More people rely on traditional market setting and modest general stores
- Wholesale and retail trading is dominated by a large informal sector

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Sub-Sectors

Wholesale and Retail trade

- International trade – Direction of trade
- Origin of imports – Since 2008, Ghana's two main sources of imports are China (mainly light manufactures) and Nigeria (mainly oil) representing 17 percent and 11.1 percent of total imports respectively. ISSER reports that advanced economies are making up an increasingly smaller fraction of Ghana's imports
- Destination of Exports – Advanced economies were the major export destination for Ghana. Netherlands has been the major destination since 2003

Sub-Sectors

Financial Services

- Ghana's financial services sector can be classified into 3 main categories
 - Banking and Finance (including Non-bank Financial Services and Forex Bureaus)
 - Insurance; and
 - Financial market/capital markets)
- Banking and Finance: There are currently 29 banks operating in the formal banking sector, 135 Rural and Community banks with an apex body – ARB Apex Rural Bank supervising the rural banking system and the Bank of Ghana supervising the whole of the banking sector

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Sub-Sectors

Financial Services

- **Banking and Finance:** In addition to the banks there are 48 non-bank financial institutions engaged in various financing activities such as savings and loans, leasing and mortgage financing. As at February 2010 BOG's register of forex bureaus shows a total of 278 forex bureaus in the country.
- **Insurance:** There are 21 insurance companies, 3 re-insurance companies and 35 insurance brokers

Sub-Sectors

Financial Services

- Financial markets/capital markets:
Performance of the financial markets was enhanced with the introduction of a stock market, the Ghana Stock Exchange (GSE) in 1990.
- As part of deepening these markets, the government sold off equity in several wholly or partly state-owned banks

Contribution of Services in the Economy

- Facilitator of economic growth by providing an enabling environment for product and factor markets to function more efficiently
- Facilitates mobility of factors of production
- Makes it possible for producers and consumers to spend less time and money in the exchange of goods and services
- Enables interaction between individuals and communities

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Contribution of Services in the Economy

- Contribution to GDP:
 - The sector has proved more dynamic than agriculture and industry and in 2010, it is estimated to have overtaken the agriculture sector as the largest sector of the economy
- Contribution to employment
 - Available current data indicates that the services sector employs about 30% of the population
- Contribution to foreign exchange
 - Tourism is the third largest contributor to Ghana's foreign exchange
 - Tourism together with non-tradeables contributed over 16% to foreign exchange earnings in 1996

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ERP Reforms to the Services Sector

- Financial Sector Reform
 - These reforms provided the modalities for restructuring distressed banks
 - A new banking law and a bank prudential supervisory framework enabled the Bank of Ghana to ensure that banking institutions comply with prudential measures and standards
 - Considerable efforts were also made in the rural financial sector. The rural finance project enabled restructuring of rural banks to make them more responsive to savings mobilisation and enlarging rural lending programmes

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ERP Reforms to the Services Sector

- Privatisation of state-owned banks also brought in additional efficiency to the financial sector. The Social Security Bank was privatised in 1995 and privatisation of Ghana Commercial Bank also took place in 1996

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Policies for the Services Sector

- ERP era
 - Rehabilitation and maintenance
 - Expansion in social infrastructure
 - Education Reforms
 - Strengthening of Primary Health Care
- GPRS
 - Promotion of ICT
 - Tourism Development
 - Promote music and film industry for job creation

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Policies for the Services Sector

- GPRS
 - Formal education
 - Training and skills development
 - Improving access to health care
 - Malaria control
 - HIV/Aids prevention

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Constraints and Problems in the Sector

- Inadequate Financing
- Lack of technological know-how
- Limited capacity and skills
- Limitations with regards to Infrastructure support and enabling environment

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Natural Resources

Overview

- The country has a resource-rich landscape spreading from the north to the south of the country
- Major resources include:
 - Gold
 - Diamonds
 - Bauxite
 - Manganese
 - Limestone
 - Crude oil
- It is currently difficult to state precisely the quantities of minerals that exist due to a lack of requisite investments to obtain survey data

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Overview

- Gold deposits are economically by far the most important solid mineral deposit type in Ghana
- Gold is concentrated in three major areas: the Ashanti, Western and Eastern Regions
- Diamonds occur commonly in the western, Eastern and Central regions
- The main high quality Bauxite reserves in Ghana are found in the Western, Central and ashanti regions

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Overview

- The main manganese deposits occur at Nsuta in the Western region. Deposits are also found in the Eastern, central, Western, Ashanti, Northern, Upper West and Upper East regions
- Oil/gas: Prospecting for oil and gas in Ghana goes as far back as the late 19th century but it was only until the late 20th century that encouraging results were found
- The most significant moment occurred in June 2007 when Ghana discovered its first oil in commercial quantities at the Cape Three Points in the Tano basin of the Western Region

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Petroleum

- •“Natural gas” refers to petroleum gas made up mostly of methane but containing other simple hydrocarbons. The precise composition of natural gas varies from field to field.
- •“Crude oil” means naturally occurring mixtures of long chain liquid hydrocarbons. The precise composition of crude oil varies from field to field.
- •Crude oil and natural gas are the product of ancient organic sediments that have been buried and subjected to high pressures and temperatures in the earth’s crust

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Jubilee Phase 1 Development Plan

- *Participating Interests*
- Tullow 36.42%
- Kosmos 24.44%
- Anadarko 24.44%
- GNPC 10.00%
- Sabre 2.95%
- EO 1.75%

Jubilee Phase 1 – First oil remains on schedule

Continue to deliver on all fronts

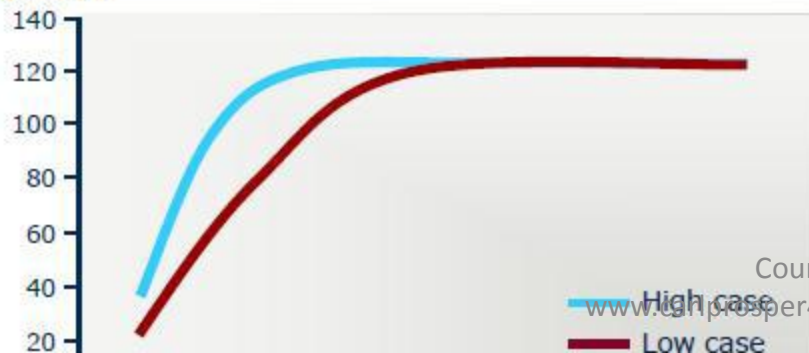
- FPSO arrived in Ghana in June 2010
- On schedule for first oil Nov/Dec 2010
 - FPSO risers being installed
 - Subsea installation c.85% complete
 - Well completions underway
- Forecast now estimated at c.\$3.35bn; within 10% of original budget

Production ramp up

- 120,000 bopd within 3-6 months of first oil
- First cargo expected in Jan 2011



000' bopd



	Phase 1 Reserves (mmb)
Low	250
Mid	370
High	590

Natural Gas Issues

- • Approximately 120 MMscfd of associated natural gas will be produced from Jubilee Phase 1
- • Initially, this gas will be re-injected
- • However, power generation markets have been identified for this gas and a plan to construct natural gas infrastructure is being developed
- • Processing the gas to extract natural gas liquids (NGL's) will be a very high value activity
- • Government will derive future tax and royalty revenue from natural gas commercialization

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Petroleum

- Legal Framework
 - Petroleum (Exploration and Production Law) Law, 1984 (Law 84)
 - Petroleum Income Tax Law, 1987 (Law 188)
 - Petroleum (Exploration and Production) Bill, 2010
 - Petroleum Revenue Management Act, 2011 (Act 815)
 - Petroleum Agreements

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Ghana's Petroleum Fiscal Regime

- Main Fiscal Elements
 - Royalties
 - Income Taxes
 - Resource Rent tax (AOE)
 - State Participation

Royalties

How do they work?

- A percentage of gross production (physical) or gross revenue (ad valorem)

Advantages & Disadvantages to Host Government:

- Relatively easy to calculate, collect, monitor
- Ensure up-front revenue to government
- Since royalties are payable whether or not the project is profitable, it can deter investment (particularly in marginal fields) and reduce the economic life of a project.

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Income Taxes

How do they work?

- Petroleum industry is often included within the standard corporate income tax regime, although sometimes a different tax rate is applied.
- Taxes are only due when annual revenue exceeds costs and allowances
- Tax codes include rules for capital cost allowances, depletion, interest deduction, loss carry-forwards, investment credits, and tax holidays, etc.

Advantages & Disadvantages to Host Government:

- Assessment, collection, and monitoring can be accommodated within existing systems, lowering administrative burden
- Income taxes allow the host government to share in the project's upside when economic conditions (oil price, volume) are favorable
- Administration can be complicated if multiple different contract terms are in use

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Resource Rent Tax

- How do they work?
 - Taxes or royalties tied directly to the project's profitability
 - –R-Factor: ratio of cumulative after tax revenue to cumulative costs
 - –ROR: cumulative rate of return (i.e., considers time value of money)
- Advantages & Disadvantages to Host Government:
 - •Neutral: Investment decisions not changed by tax
 - •Equitable: government and investor share upside
 - •Only provides income to the government when target payback or rate of return is reached.

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State Participation

How does it work?

- Governments often reserve the right to participate as investors in development of commercial oil discoveries
- The government's participating interest can be a free carried interest or a paid interest or a combination
- Usually, the state does not pay its share of past exploration costs
- Usually, the state pays its share of operating costs once production starts

Advantages & Disadvantages to Host Government:

- Government participation can be an important political symbol
- National oil companies, formed to hold state interest, can become centers for the development and training of national manpower
- Conflicts of interest can emerge when national oil company acts as investor and regulator
- The economic effects of government participation can normally be achieved more efficiently through royalties and taxes without exposing the government to ownership risks

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Other Fiscal Elements

- Indirect taxes: VAT, customs duties, payroll taxes, environmental taxes
- Surface taxes: Fees paid based on the acreage held (usually small fees)
- Bonuses: Signature bonuses, production bonuses
- Local Content: Training and hiring obligations
- Domestic Market: Obligation to serve domestic markets, sometimes at subsidized prices

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Provisions of a Petroleum Agreement

- •Block size and description
- •Duration of license (exploration phase, production phase)
- •Relinquishment obligations and timing
- •Minimum work obligations during exploration phase
- •Minimum conditions for retention of production license
- •Abandonment and remediation obligations
- •Rights and obligations of operator, other partners
- •Governance and management
- •Notification of discovery, appraisal, declaration of commerciality
- •Sole risk provisions

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Provisions of a Petroleum Agreement

- Profit and/or production sharing
- Natural gas provisions
- Domestic supply obligations
- Information and reporting
- Inspection, health, safety and environmental protection
- Accounting and auditing
- Employment and training
- Assignment, relinquishment, and termination of contract
- Title to equipment
- Dispute resolution

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