FINAL REPORT

Reviewing Current Economic and Investment Challenges and Opportunities for Shared Benefits and Growth- a focus on the Members of the Ghana-Netherland Business and Cultural Council

By;

For;

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Abbreviation

AfCFTA	Africa Continental Free Trade Area
ECOWAS	Economic Community of West African States
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GEA	Ghana Enterprise Agency
GETFUND	Ghana Education Trust Fund Levy
GIPC	Ghana Investment Promotion Centre
GNBCC	Ghana-Netherland Business and Cultural Council
NHIL	National Health Insurance Levy
SME	Small and Medium Enterprises
VAT	Value Added Tax

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Executive Summary

Foreign Direct Investment (FDI) remains critical to Ghana's economic development. On average, net FDI inflows over the last decade represent about 5.5 per cent of Gross Domestic Product and about 75 per cent of personal remittance flows in Ghana. The effects of the COVID-19 pandemic combined with external global shocks and domestic fiscal weaknesses have severely affected Ghana's economy, leading to slow growth, high inflation, and an exchange rate crisis. These have contributed to increasing the cost of doing business and heavily affected FDI flows after the pandemic. The government is implementing a raft of economic reforms under an extended credit facility with the International Monetary Fund (IMF). However, the reforms have also been accompanied by fiscal reforms that have further compounded the high cost of doing business in Ghana.

In such an uncertain business and investment climate, the relevance of investor relations cannot be overstated. To this end, IMANI and the Ghana-Netherland Business and Culture Council (GNBCC) have undertaken a critical assessment of the business environment from the perspective of investors under the GNBCC to understand the challenges to doing business and increase government attention to the feasible pathways to durably growing FDIs and create a conducive investment environment. This project is expected to contribute to advocating for reforms that can effectively improve the business environment and support the government's efforts to make Ghana an investment destination in Africa.

Key Objectives of the Project

1. Understand the investment challenges from the perspective of the members of GNBCC.
2. Identify the feasible solutions to improve the investment climate and business environment in the (horticulture) industry and its supporting value chain.
3. Increase government awareness of the challenges in the (horticulture) industry and its value chain, and the solutions to boost investment in the sector.

Key Findings

Firm Characteristics, Job Creation, and Financing

- About 6 out of every 10 of the businesses engaged are subsidiaries of foreign companies, and 4 out of every 10 of the businesses were wholly established in Ghana.
- Most of the businesses are limited liability companies and relatively young (established between 2011 and 2020). This reflects the increased investment attraction that accompanied the relatively stable growth recorded between 2011 and 2020.
- About 60 per cent of the businesses operate in the service sector. reflects the pattern of non-household establishments, where most of the businesses operate in the services sector. Furthermore, this pattern reflects the trend of project investments at the GIPC, where the services sector tends to receive a lot of projects. For instance, the service sector has been the main sector receiving the largest number of projects since 2020.
- Most of the businesses have a staff size below fifty, which is typically the size of an SME based on the definition of the Ghana Enterprise Agency. Furthermore, Ghanaians represent more than 50 per cent of the total employees in the business engaged, and

the staff size of most of the businesses has remained the same between 2022 and 2023, however, about a third of the businesses have increased employment and a fifth of them have downsized over the same period.

- High job creation was identified among the businesses in the agricultural sector and high downsizing was identified among those in the wholesale and retail sector. This reflects the stable growth of the agricultural sector and the shocks to the wholesale and retail sectors during and after the pandemic.
- There was a high incidence of blended finance, where most of the business relied on both external and domestic finance.

Cost of Doing Business, Return on Investment and Profitability

- Labour, energy and utilities, regulatory and compliance, and import and export duties and fees are the top cost components for most the businesses.
- Most of the businesses have experienced an increase across the cost components, especially the core cost components.
- About 60 per cent of the businesses have experienced their cost components increase between 25 per cent and 50 per cent.
- About a quarter of the businesses have investments in other African countries, and 55 per cent of them have experienced a somewhat low cost of doing business compared to Ghana. Also, about 45 per cent of the businesses reported a fairly low cost of doing business outside Ghana.
- Despite the high cost of doing business in Ghana, most of the businesses reported an increase in profit margins, and comparatively better revenue, profits and return on investment performance in Ghana compared to other countries.

Perception of the Current Business and Investment Climate in Ghana

- There was a strong disagreement about the supportiveness of the electronic infrastructure to investors, indicating a relatively negative experience with the existing electronic infrastructure for business engagement.
- Furthermore, most of the businesses reported a strong disagreement about the supportiveness of regulatory institutions, indicating a negative experience in their interface with regulatory officers.
- Most of the businesses reported paying some form of unofficial fees to facilitate port clearance activities.
- Also, there was a strong disagreement about the reliability of the power supply for the businesses to effectively run their operations.
- Most of the businesses perceive the cost of doing business in Ghana as unpredictable, and business policy as unsupportive.
- Overall, most of the businesses perceive the business and investment environment in Ghana as unstable and the regulatory environment as opaque. However, they demonstrated a positive experience with the political environment and identified it as relatively stable.

Challenges to Doing Business in Ghana and Future Investment Outlook

- Complex regulatory and compliance procedures, excessive taxation of foreign companies, bureaucratic discretion of public entities, improper business planning and lack of institutional coordination are the top challenges to doing business in Ghana.
- Despite these challenges in the business environment, most of the businesses were optimistic about the future investment outlook in Ghana. About 61 per cent of the

businesses are planning to increase their investment in Ghana, and a fifth will keep investment at the same level. Only 11 per cent of the businesses have plans to decrease their investment in Ghana.

- There was high certainty of their future investment outlook. About 40 per cent of the businesses were very certain of their future investment plans, and 18 per cent were very uncertain of their future investment plans in Ghana. About a fifth of the businesses are equally somewhat certain and uncertain about the future investment in Ghana.
- Also, the businesses indicated high certainty of increasing investment and keeping investment in Ghana. Even those that plan to decrease their investment, a greater number of them were uncertain of that decision.
- The market size, the tax regime, the political environment, the legal and regulatory environment, interest rate, and investor protection will be the key factors shaping the investment decisions of the businesses engaged.

Key Recommendations

1. **Streamline regulatory compliance processes and deepen digitization in public service to address firms' exposure to corruption**. High regulatory and compliance cost is identified as one of the key cost components for the firms, and the less synchronization of regulatory and permit processes leads to firms paying extra costs through unofficial channels. Thus, the government must deepen the existing e-government services to ensure that the services are delivered efficiently and reduce the cost of compliance. This will help to reduce the bureaucratic interference of public agencies in the activities of investors.

2. **Review the existing tax regime**. Given that the existing macroeconomic challenges have already increased the cost of doing business for firms, the government must review and align the tax frameworks to minimize the incidence of “duplicating taxes” that make it expensive for businesses to operate in Ghana. Reducing the tax burden on businesses is crucial to making the firms competitive and increasing FDI attraction. Furthermore, the government must engage foreign investors to enhance their understanding of the tax administration system and how they can use the electronic platforms to their advantage. For instance, the government must provide capacity building on how firms can access tax exemption available in the provisions.

3. **Collaborate with business chambers to regularly understand the challenges of investors**. The findings indicate that most of the businesses heard the investment opportunities through GNBCC, which also suggests that the GNBCC will be their first point of contact when they face challenges. The government must collaborate with the chamber of businesses to be ahead of addressing the obstacles to investment.

4. **Increase investors' access to information on support programmes available to investors.** Limited access to information was identified as one of the obstacles to doing business in Ghana. The government can work collaboratively with the chambers of businesses to consistently provide regular information on government support in the form of tax reliefs, exemptions, and financing opportunities to investors.

1 Ghana's Economy and Foreign Direct Investment in Perspective – The Implication for Creating a Stable Investment Climate

1.1 Context

For many developing economies like Ghana, foreign direct investments (FDI) are critical cross-border capital resources for driving growth in critical sectors of the economy. FDI complement domestic capital resources available to the private sector and provides a pathway for domestic firms to participate in global value chains. As a result, FDI in developing economies has focused on transformative sectors such as manufacturing and critical services sectors, leading to sustained growth. In Ghana, FDI forms a critical aspect of overseas capital for investment and complements the relatively low domestic capital by banks provided to the private sector. On average, net FDI inflows represent about 5.5 per cent of the Gross Domestic Product (GDP) between 2010 and 2022[1], and about a third of the overall domestic capital provided by banks to the private sector within the same period[2] (**See Fig.1**). Additionally, the total FDI reported through the Ghana Investment Promotion Centre (GIPC) between 2017 and 2021 is estimated at US$14.77 billion[3], equivalent to about 75 per cent of total personal remittances received[4] and about 88 per cent of total investments through the GIPC over the same period. Recognizing the importance of FDIs to Ghana's economy, successive governments have implemented several measures to make Ghana a major destination of FDI in Africa by tackling some barriers to an enabling investment climate in Ghana.

Figure 1: Net FDI Inflows and Domestic Credit Provided by Banks to Private Sector (% of GDP)

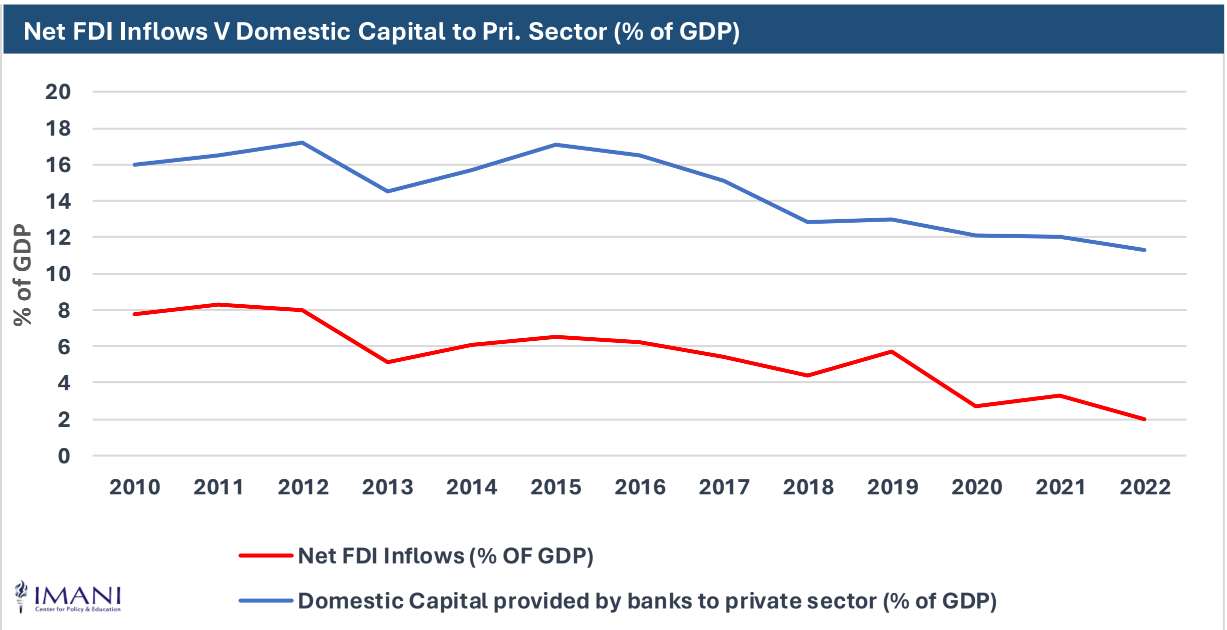
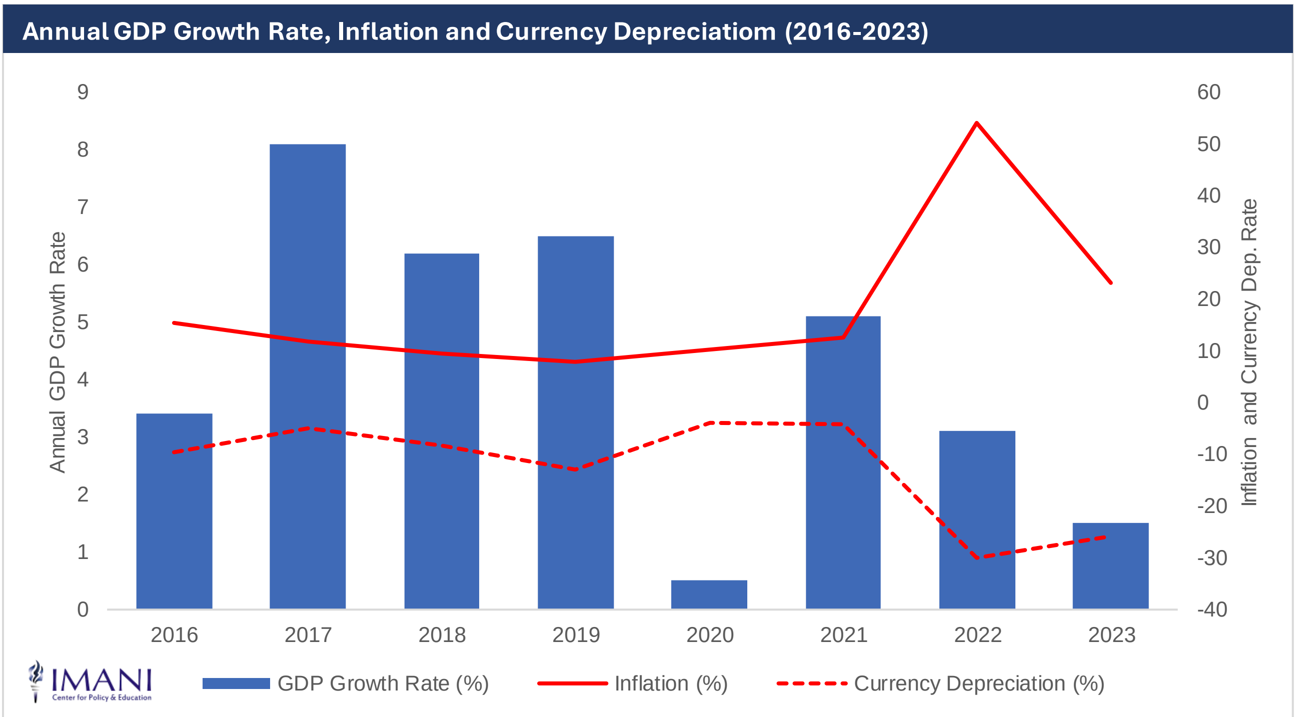


Chart: IMANI CPE | Source: World Bank Open Data

[1] Foreign direct investment, net inflows (% of GDP) - Ghana | Data (worldbank.org)
[2] Domestic credit to private sector by banks (% of GDP) - Ghana | Data (worldbank.org)
[3] Publications - GIPC
[4] Personal remittances, received (current US$) - Ghana | Data (worldbank.org)

However, Ghana's business environment has become increasingly uncertain because of the macroeconomic challenges amplified by the COVID-19 pandemic and external pressures. A myriad of factors, including the tight monetary policies in most advanced economies combined with depleting international reserves, have sparked severe exchange rate pressures, leading to the depreciation of the local currency.[5] Additionally, monetary financing of the budget deficit has resulted in high inflation (Fig 5). Post-pandemic economic growth targets have been missed. Annual GDP growth declined from 5.1 per cent in 2021 to 3.1 per cent and 1.5 per cent in 2022 and 2023, respectively[6] **(See Fig. 2)**. The government signed a US$ 3 billion Extended Credit Facility with the International Monetary Fund (IMF) to support macroeconomic stability and address debt sustainability[7]. Currently, inflation is 23.2 per cent (February 2024) after reaching 54.1 per cent in December 2022[8]. The local currency depreciation slowed by the end of 2023 at a rate of 25.8 per cent compared to 30 per cent at the end of 2022[9].

Figure 2: Ghana's Macroeconomic Indicators at a Glance



Source: Chart: IMANI CPE | Data Source: Bank of Ghana, Ghana Statistical Service, World Bank

This worrying state of the economy has made it difficult for businesses to operate, hampered job creation, and threatened the sustainability of several enterprises. Even though Ghana has signed a three-year Extend Credit Facility Programme with the IMF towards economic recovery, this has also required the government to introduce additional tax handles and quarterly adjustments of energy prices, which has compounded the already high cost of

[5] See https://www.worldbank.org/en/country/ghana/overview

[6] See https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2022&locations=GH&start=2010

[7] See https://www.imf.org/en/Publications/CR/Issues/2023/05/17/Ghana-Request-for-an-Arrangement-Under-the-Extended-Credit-Facility-Press-Release-Staff-533541

[8] See https://statsghana.gov.gh/gssmain/fileUpload/Price Indices/CPI December_2023.pdf

[9] See https://www.bog.gov.gh/wp-content/uploads/2023/11/Summary-of-Economic-Financial-Data-November-2023.pdf

doing business. These factors combined with the overall slow growth in FDI flows into Africa due to the pandemic and external pressures have significantly affected FDI flows in Ghana after the pandemic. For instance, FDI flows through the GIPC declined significantly by about 48 per cent between 2020 and 2022[10] (**See Fig.3**). Even though the recovery has not reached, pre-pandemic levels, significant efforts are needed to boost investor confidence and trust in the Ghanaian economy.

Figure 3: FDI Flows and Total Investment Flows Reported by GIPC

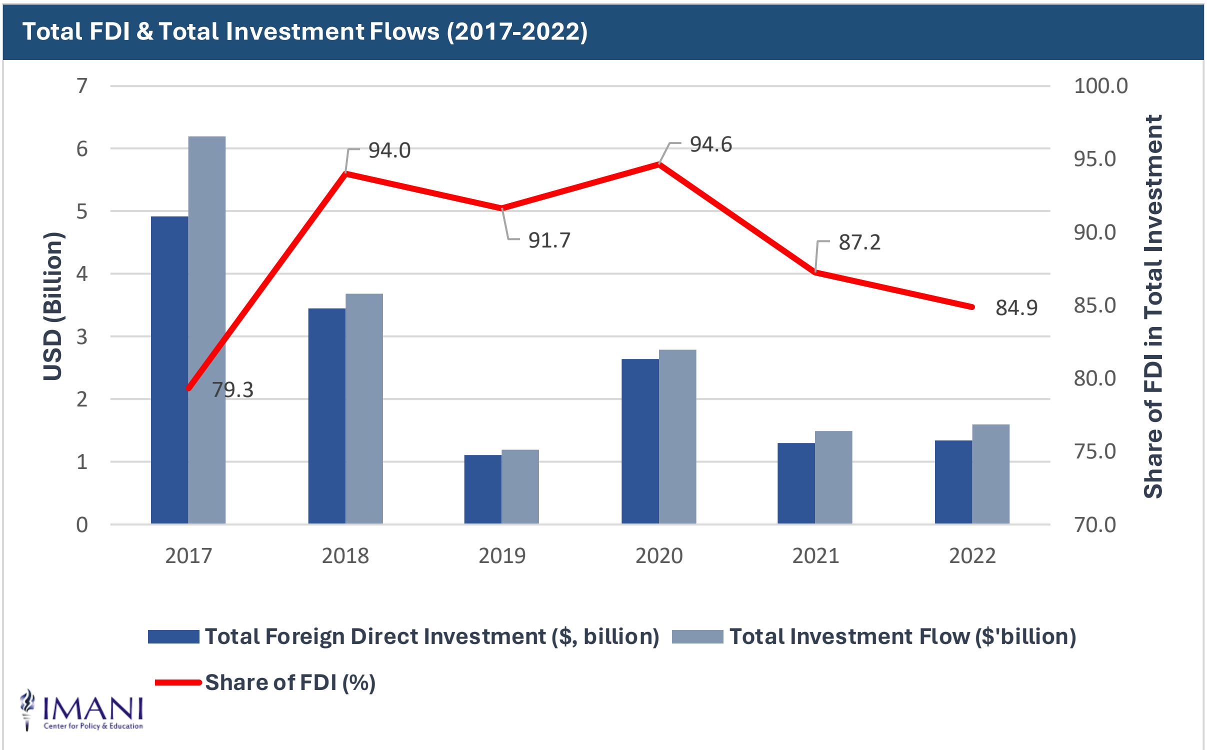


Chart: IMANI CPE | Source: GIPC

Even before the pandemic, traders have consistently complained about the high taxes and port charges hampering their businesses. The addition of the three new tax handles to businesses would increase their cost of doing business and taper off foreign direct investment. Ghana needs foreign direct investment to expand its productive capacities to benefit from the momentum in international trade and other regional opportunities such as AfCFTA. For instance, the ECOWAS region was the main export market in 2022 for most of Ghana's non-traditional exports including horticulture products[11]. This implies that Ghana needs more foreign investment to exploit these opportunities and strengthen its participation in intra-Africa trade.

The approach to addressing the constraints in the business environment must be consultative and inclusive. The government must adopt an inclusive and consultative approach to engage foreign investors to understand the challenges and solutions it can adopt to uplift investor confidence and create a conducive business environment. To this end, IMANI and the Ghana-Netherland Business and Culture Council (GNBCC) have undertaken a critical assessment of the business environment from the perspective of investors under the GNBCC to understand the challenges to doing business and increase government attention to the

[10] Publications - GIPC
[11] Non Traditional Exports - 2022 Annual Report - GEPA Exporters Portal (gepaghana.org)

feasible pathways to durably growing FDIs and create a conducive investment environment. This project is expected to contribute to advocating for reforms that can effectively improve the business environment and support the government's efforts to make Ghana an investment destination in Africa.

1.2 Purpose of the Project

Through research and stakeholder engagement, this project seeks ***to advocate for an improved business environment and investment climate for foreign investors in Ghana***, specifically focusing on members of the Ghana-Netherland Business and Culture Council.

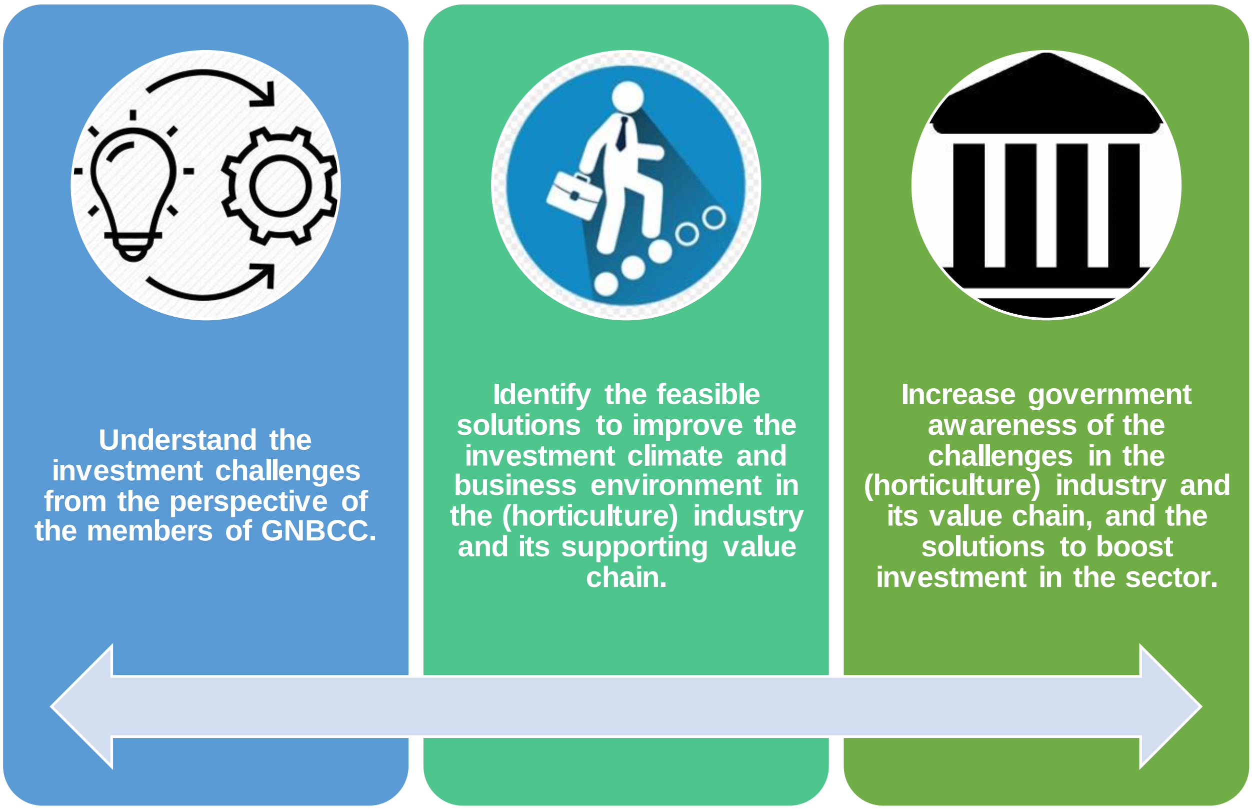
Key Objectives of the Project are:

4. Understand the investment challenges from the perspective of the members of GNBCC.
5. Identify the feasible solutions to improve the investment climate and business environment in the (horticulture) industry and its supporting value chain.
6. Increase government awareness of the challenges in the (horticulture) industry and its value chain, and the solutions to boost investment in the sector.

Key framing questions are:

1. What are the intractable challenges and holding back foreign investment in the sector?
2. What are the feasible pathways to addressing the identified constraints?
3. What are the available entry points to increase the government's awareness of the solutions to accelerate investment, and create a supportive business environment?

Figure 4: Objectives of the Project



1.3 Approach

A combination of quantitative and qualitative research approaches were used to conduct the analysis.

- **Quantitative Analysis**: The quantitative analysis was based on the data collected through surveys electronically administered to the members of GNBCC. The sample size of the survey was seventy-nine (79). This was determined using a margin of error of 5%, a confidence interval of 90%, and a population size of 110, which is the total number of GNBCC registered members by the end of 2023.
- **Qualitative Analysis**: The qualitative analysis was based on secondary data available on FDI in Ghana, total investment, and existing studies on Ghana's business environment such as the World Bank Enterprise Surveys. The qualitative analysis was conducted to complement the quantitative analysis.
- **Triple 'A' Analysis (*Acceptance, Ability, and Authority)***: The Triple 'A' analysis was conducted to understand the category of stakeholders who can influence reforms to support the investment climate, and the level of acceptance of the need for reforms to support foreign investments in Ghana.

1.4 Scope of the Analysis

The analysis in this report is primarily based on the perception of investors under the GNBCC about the current investment climate, the barriers to business development, the level of optimism among investors, and potential pathways to stimulating FDI, especially among Dutch investors in Ghana. The analysis does not in any way show an impact analysis.

- **Section 1**: The first section of the report provides a context of the current macroeconomic environment and the implications for doing business in Ghana, especially in the case of FDI. The section also shows the purpose of the study and the methodological approach used for conducting the analysis.
- **Section 2**: The second section focuses on the firm characteristics of the survey respondents, job creation and mechanisms for financing their investments.
- **Section 3**: This section focuses on understanding the perception of the respondents about the cost of doing business, returns on investment in Ghana and profitability. Respondents with investments in Africa in addition to Ghana provided information about their performance outside Ghana compared with Ghana.
- **Section 4**: This section focuses on understanding the perception of the respondents about the current business environment in Ghana.
- **Section 5**: This section analyses the perceived investment outlook of the businesses under the GNBCC taking cognizance of the current macroeconomic and business climate. This will be followed by solutions and way forward for policymakers.

2 Firm Characteristics, Job Creation and Financing

2.1 Survey Response

The sample size of the study was seventy-nine (79) out of one hundred and ten (110) registered members at the GNBCC by the end of 2023. Out of the target of 79 respondents, forty-four (44) responses were received, indicating a response rate of about 56 per cent response rate (**See Fig.5**). The findings of the survey are analyzed in the sections below. The responses were collected from senior management or corporate leads appointed to provide information to the survey, and thus the findings reflect the positions and ideas of the businesses that participated in the survey.

Figure 5: Survey Response Rate

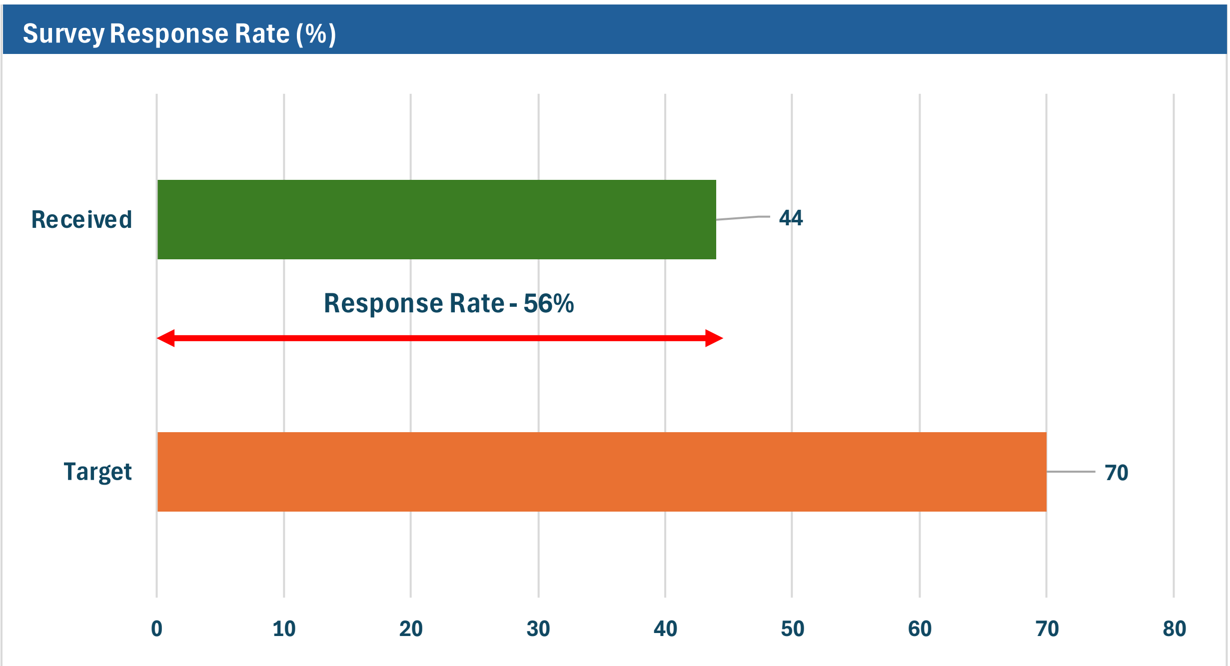


Chart: IMANI CPE | Source: GNBCC

2.2 Firm Characteristics

This section provides an analysis of the nature of the firms and the key sectors their activities focus on. **The findings indicate that about 6 out of 10 of the businesses engaged are subsidiaries of foreign companies (See Fig. 6). Also, about 4 out of 10 of the businesses are not subsidiaries of parent companies outside Ghana.** This implies that for most of the businesses under the GNBCC, their investment behaviour can be critically influenced by expansion strategies of a foreign parent company. Thus, a conducive investment climate can potentially stimulate increased expansion of their activities in Ghana. Also, the findings show that the country also benefits from the capital and capacity enhancement benefits that accompany parent companies establishing subsidiaries. Through the subsidiary companies, the parent companies also tend to benefit from the skilled workforce of Ghana, leading to an improved labour force. In addition, about 40% of the firms are wholly established in Ghana, which implies that their investment decisions will critically depend on local business climate, and thus the need to ensure stable and conducive environment.

Furthermore, about 8 out of every 10 businesses are incorporated as a limited liability company, which implies that most of the businesses are predisposed to attracting more investments because of the risk mitigation benefits associated with limited liability companies.

Figure 6: Nature and Structure of Incorporation of the Businesses

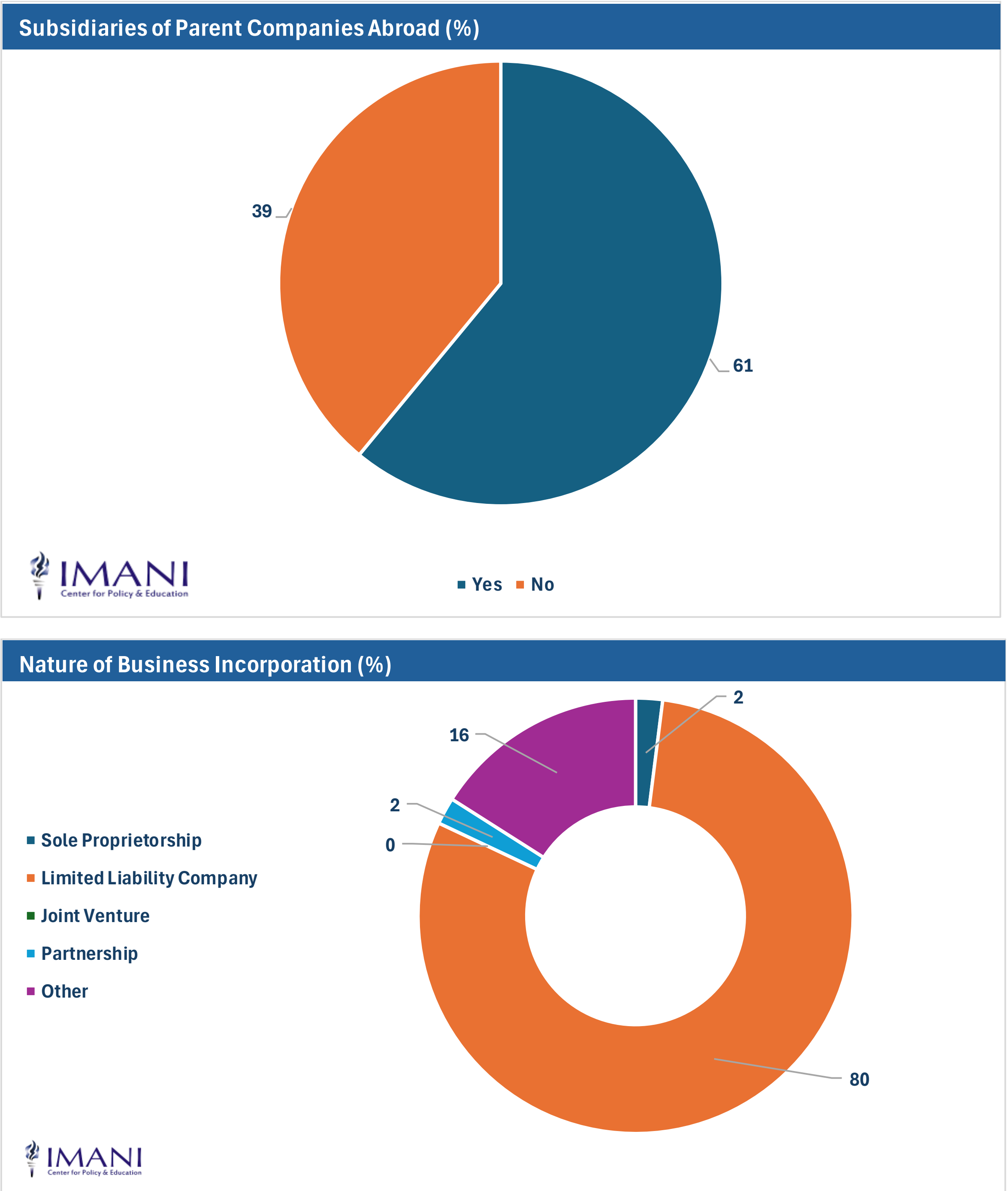
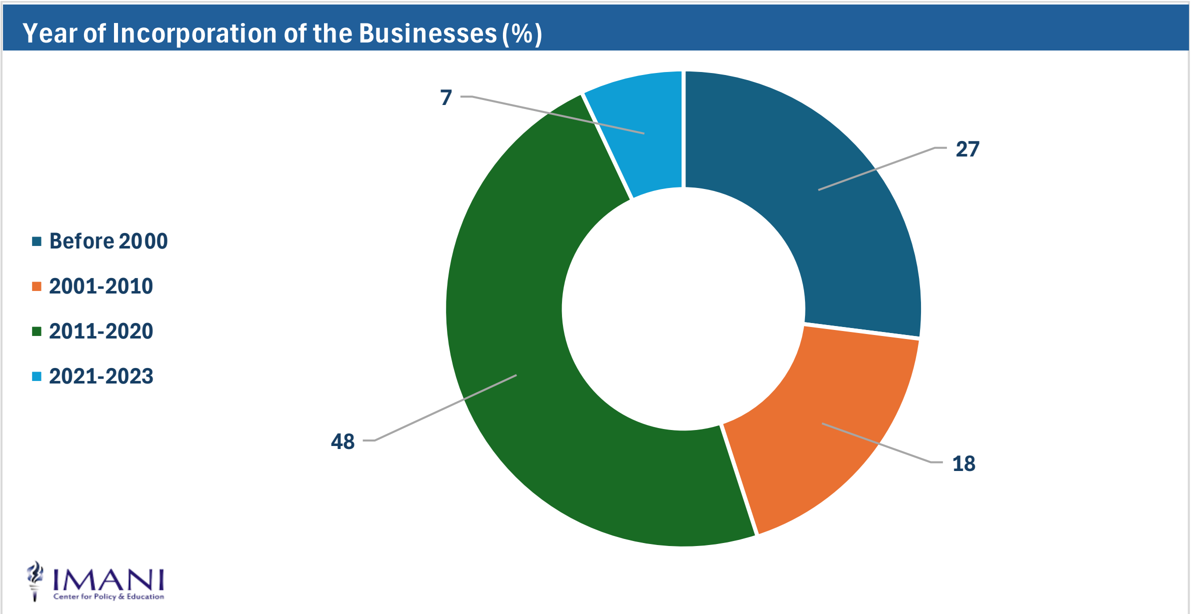


Chart: IMANI CPE | Source: GNBCC

The findings of the study indicate that most (48%) of the businesses engaged are relatively young because they were incorporated between 2011 and 2020. This reflects the decade of relatively high economic growth rates occasioned by the commercial production of petroleum resources, which also increased foreign investment in Ghana. Also, about 27 per cent of the businesses were incorporated before the year 2000, and about 18 per cent were registered between 2001 and 2010, and 7 per cent were registered between 2021 and 2023. The findings show that 6 out of every 10 of the businesses invest and operate in the services sector. This reflects the pattern of non-household establishments, where most of the businesses operate in the services sector[12]. This can be attributed to the fact that the services sector is the largest sector of the economy and the size of Ghana's trading sector. Also, about a quarter (25%) of the businesses operate in the agricultural sector and 5 per cent in the industrial sector. Furthermore, this pattern reflects the trend of project investments at the GIPC, where the services sector tends to receive a lot of projects. For instance, the service sector has been the main sector receiving the largest number of projects since 2020[13].

Figure 7: Year of Incorporation and Sector of Operations



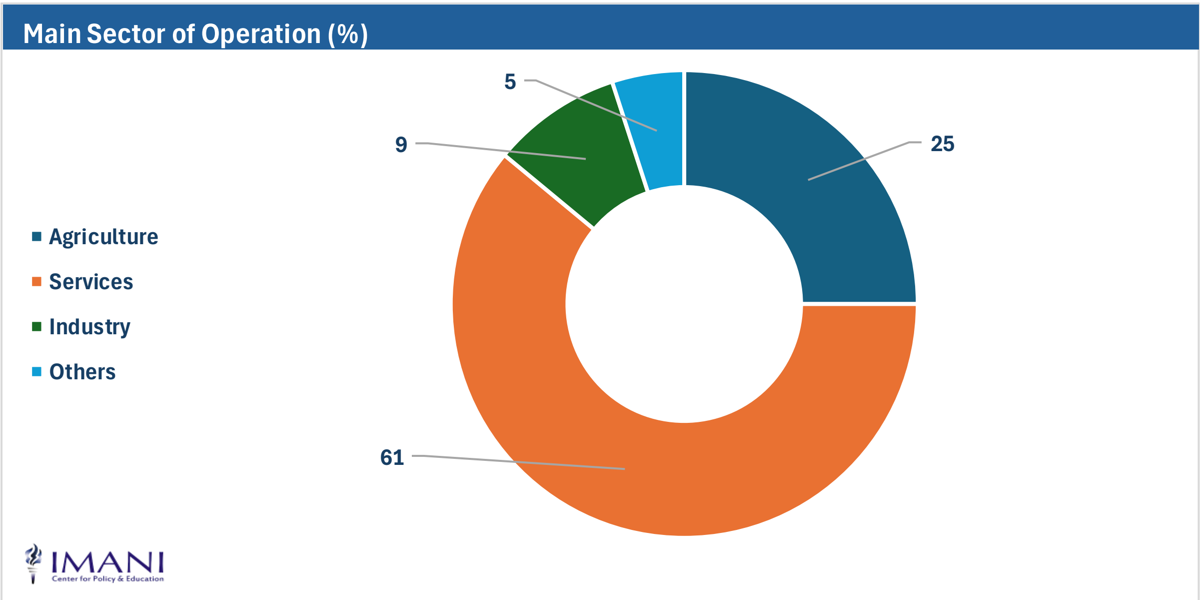


Chart: IMANI CPE | Source: GNBCC

[12] IBES II Summary Report.pdf (statsghana.gov.gh)
[13] Publications - GIPC

Figure 8: Key Activities of the Members at the GNBCC

Chart: IMANI CPE | Source: GNBCC

2.3 Job Creation

The study examined the contribution of the businesses to employment and the distribution of employment in terms of the share of Ghanaians in the total number of employees. The findings show that most of the businesses have a relatively small staff size. About 60 per cent of the companies had a staff strength below fifty (50), typically the size of an SME in Ghana. Additionally, 18 per cent of the firms had employees between 50 and 100, and about 7 per cent each with a workforce over 100 and 200 respectively. Across all the business and staff sizes, more than 50 per cent of the staff were Ghanaians. This also supports the initial analysis that having more businesses originally established in Ghana supports more job creation.

Figure 9: Employee Size and Share of Ghanaians

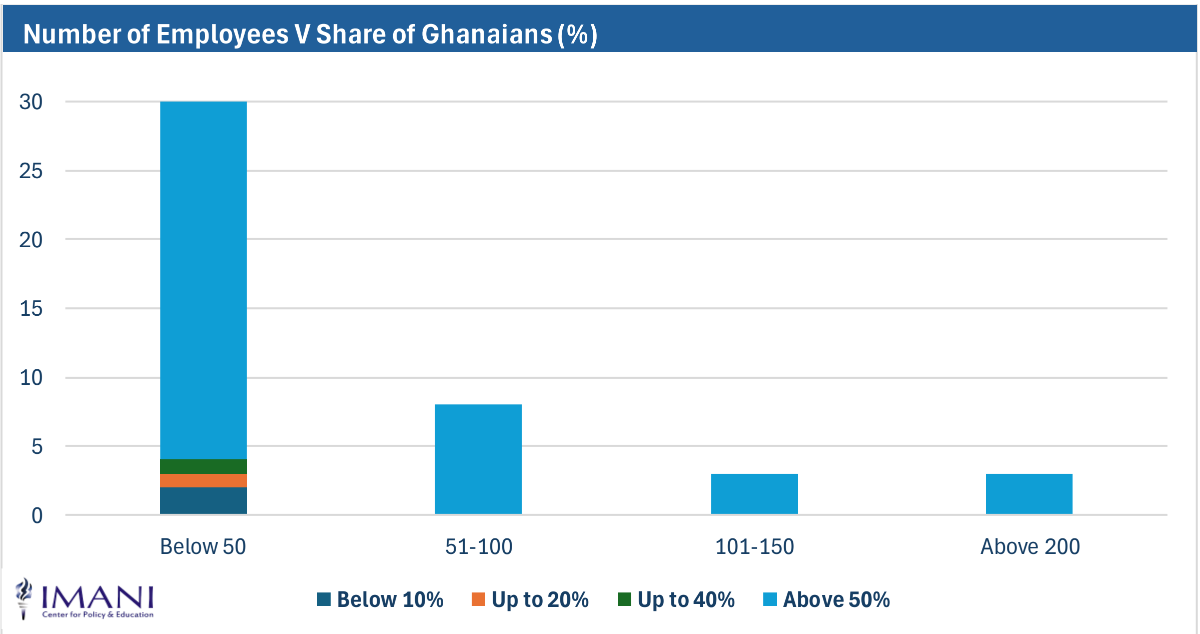
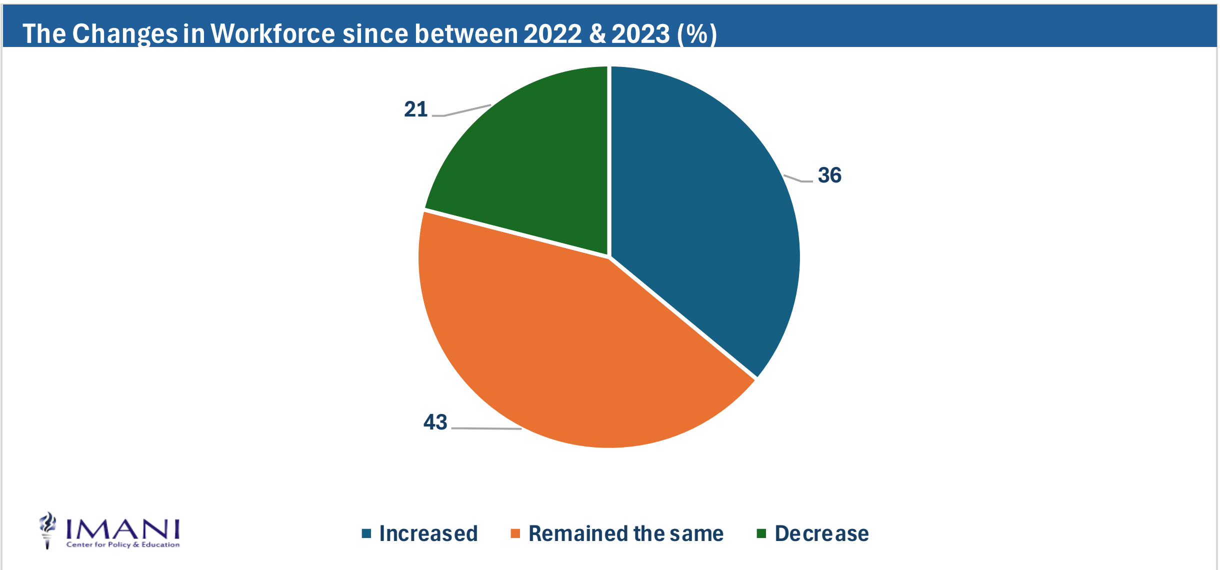


Chart: IMANI CPE | Source: GNBCC

Furthermore, the findings also suggest that the staff sizes of most of the businesses have remained the same compared to 2022 and 2023. This implies relatively low job creation over the period between 2022 and 2023, which can be attributed to the overall macroeconomic challenges and the attendant high cost of business due to additional taxes, inflation, and exchange rate crises. Almost 4 out of 10 of the business did not change their staff strength. However, more than a third of the businesses also increased their staff strength, which is a positive indicator of the gradual recovery of the economy. The analysis also shows that about 70 per cent of the businesses in the agricultural sector increased their staff size. The agricultural sector was the only resilient sector before and after the pandemic, and this analysis reflects the positive growth of the sector between 2022 and 2023. Even in the industrial sector which was hardly affected by the pandemic and external factors, the businesses maintained a positive employment outlook, indicated by half of the entities keeping their staff size and about half of them increasing their staff size. More than half of the businesses in the services sector maintained their staff strength, however, about a fifth equally decreased and increased their staff strength. There was a total reduction in staff size among the businesses engaged in wholesale and retail, which can be attributed to the effect of the pandemic and post-pandemic macroeconomic challenges such as high inflation and exchange rate issues.

Figure 10: Changes in Workforce and Sector of Operation



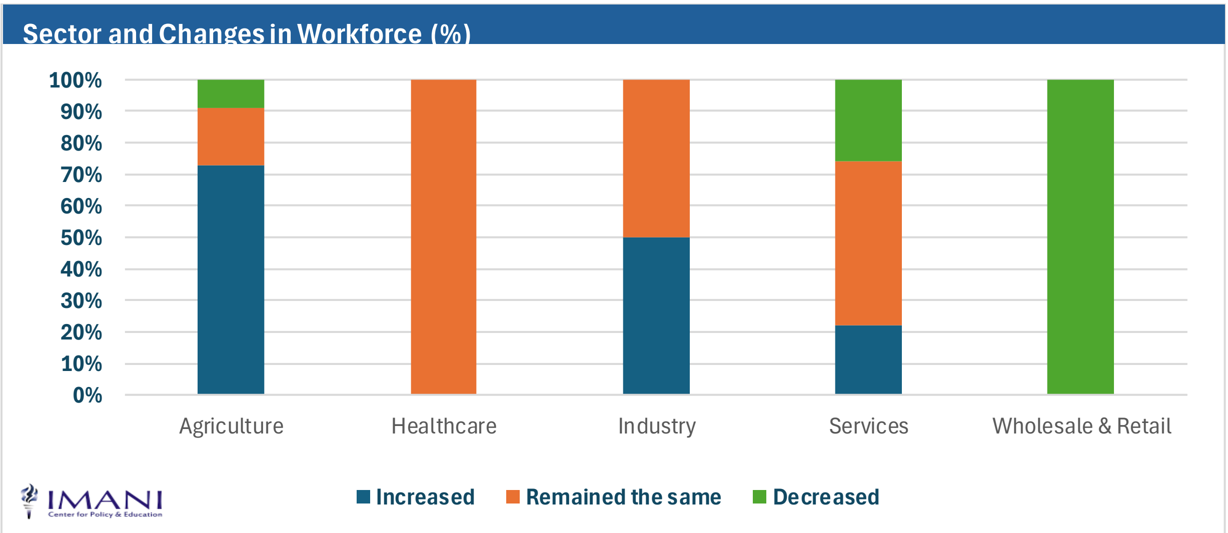


Chart: IMANI CPE | Source: GNBCC

2.4 Financing Investment

The study also examined the sources of financing for the businesses. The findings indicate that largely the businesses utilize a blend of financing sources from domestic and external sources. About 41 per cent of the businesses used blended financing sources, however, almost the same number of businesses rely on external financing, and only a fifth of the businesses use domestic financing. The findings also reflect the nature of the businesses given that most of them are subsidiaries, and thus rely on external financing greatly. The analysis reflects the existing state of low domestic financing available by banks and other sources to the private sector. Additionally, the high-interest rates are disincentive to domestic borrowing. Compared to South Africa, Kenya and Cote d'Ivoire, domestic credit to the private sector is relatively low in Ghana[14] (**See Fig. 13**).

Figure 11: Sources of Financing

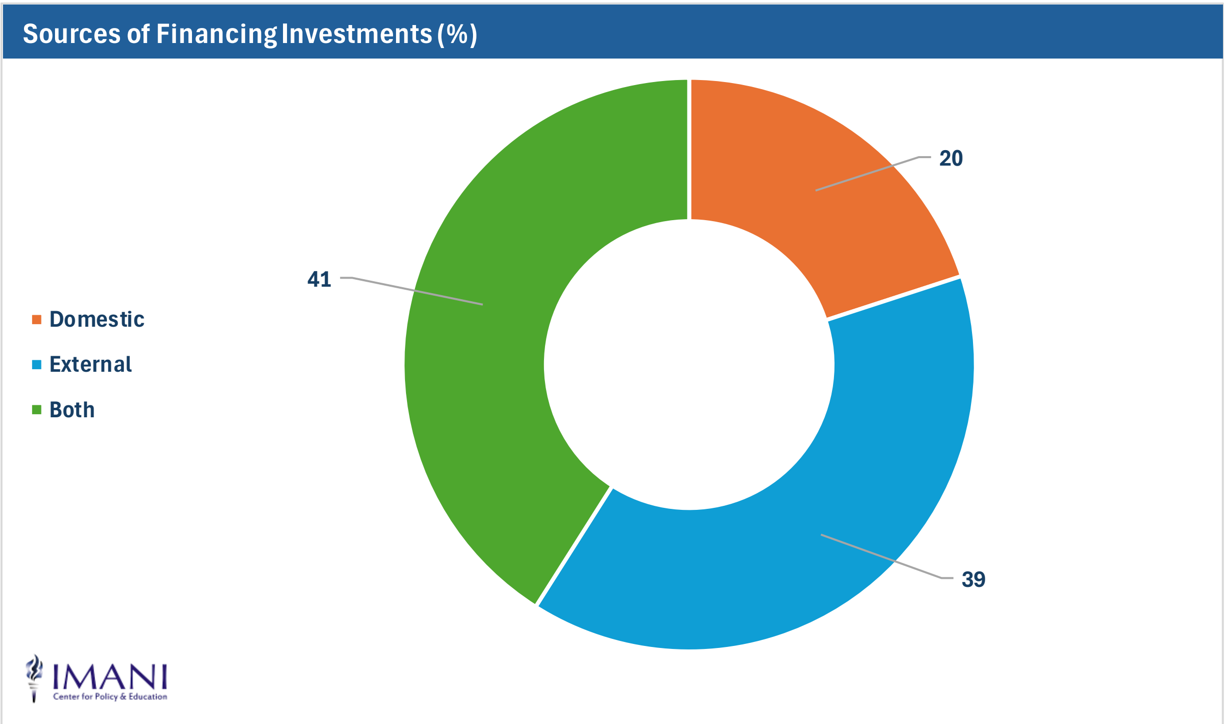


Chart: IMANI CPE | Source: GNBCC

Despite the low level of domestic capital available to the private sector compared to peers, domestic sources of financing remain a major financing stream for businesses that are not subsidiaries of a parent company. Additionally, the non-subsidiary entities also rely on blended finance and external finance. However, the subsidiary firms use more external finance and a significant proportion of blended finance. This implies that the non-subsidiary business is more likely to face financing challenges because of the high commercial interest rates.

Additionally, the non-subsidiary companies may be disadvantaged when it comes to securing financing for expansion given that they are exposed to expensive capital in the market. Nonetheless, the use of blended finance and external finance among the non-subsidiary companies also demonstrates innovative financing.

[14] Domestic credit to private sector (% of GDP) - Ghana, Kenya, South Africa, Cote d'Ivoire | Data (worldbank.org)

Figure 12: Nature of Business and Sources of Financing

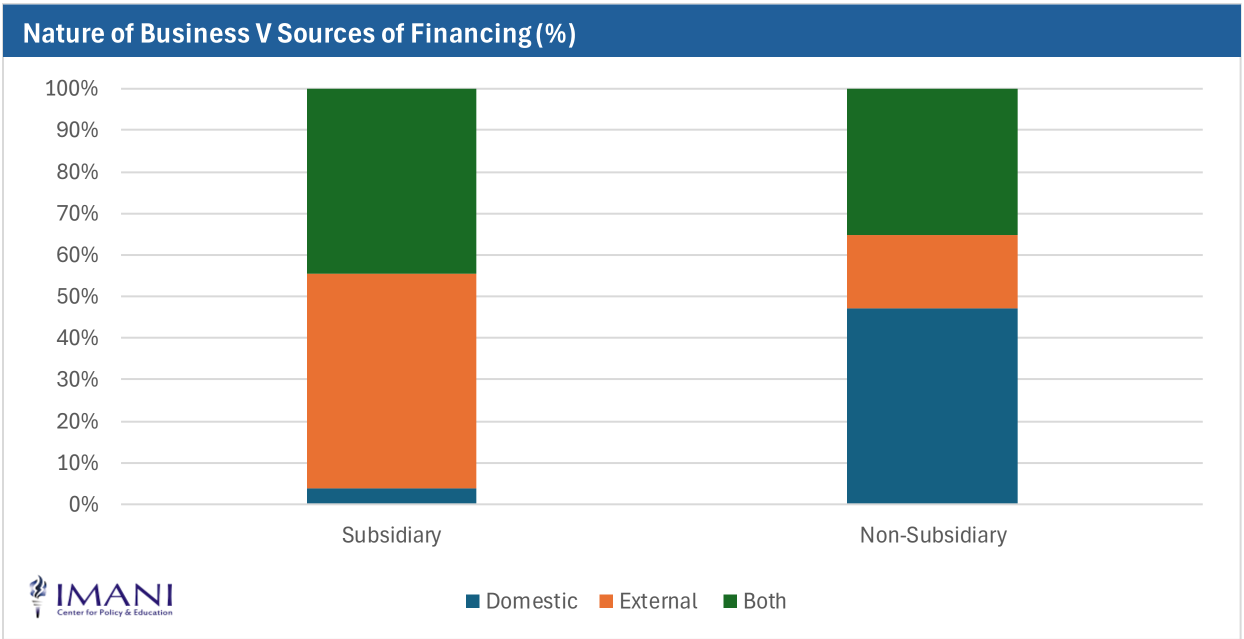


Chart: IMANI CPE | Source: GNBCC

Figure 13: Domestic Credit to Private Sector (% of GDP) Ghana, Kenya, South Africa, and Cote d'Ivoire

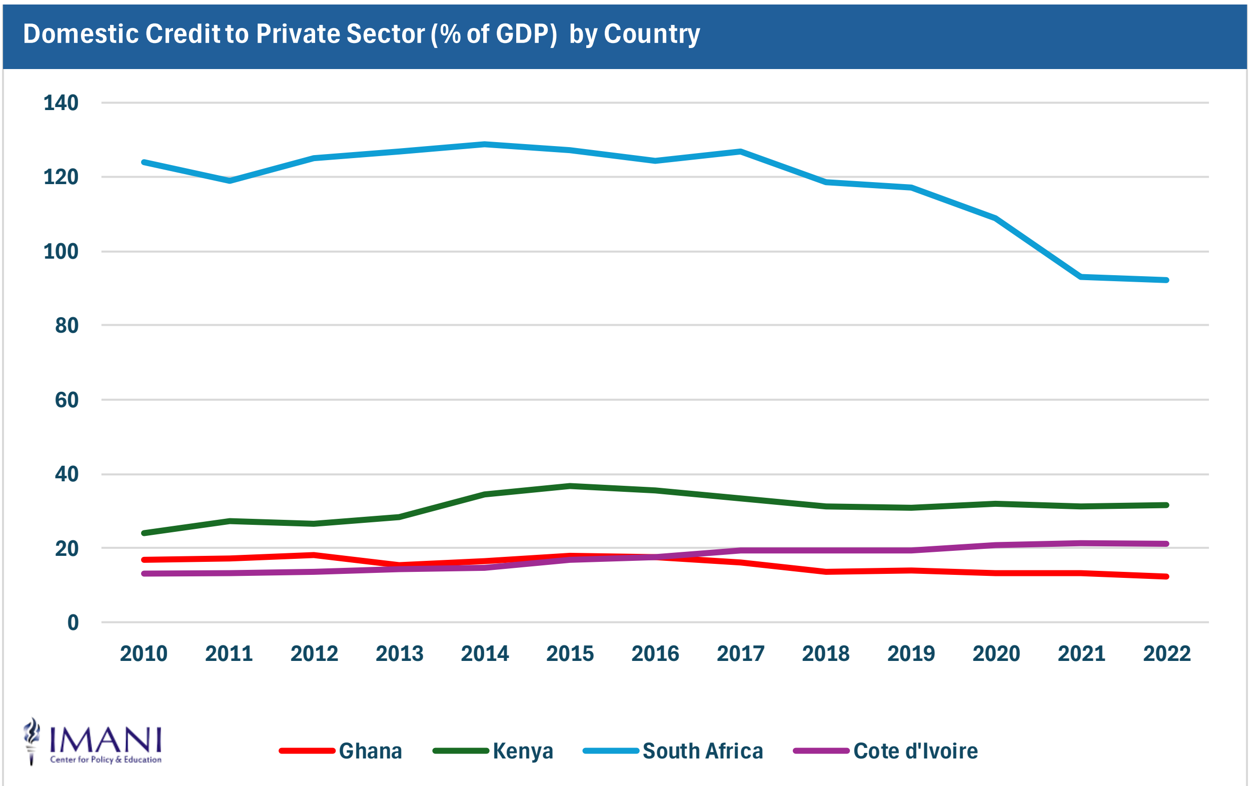


Chart: IMANI CPE | Source: [World Bank]

3 Cost of Doing Business, Returns on Investment and Profitability

This section examines the changes in the business environment and the perceived implications on the cost of doing business, return on investments and profitability. Respondents with other investments in Africa were asked to compare their current cost of doing business and other indicators with other countries where they operate.

3.1 Cost of Doing Business

This section analyses the perceived effects of the changes in the business environment on the cost of doing business for the business in GNBCC. The analysis begins by identifying the major cost items of the businesses. The top four cost items of the businesses were ***labour cost, energy and utilities, regulatory and compliance cost, and import and export duties and fees*** (**See Fig. 14**). The issue of high import duties can be attributed to the new tax handles implemented in 2022 and 2023 to increase revenue mobilization and satisfy the revenue targets agreed in the new IMF programme. Additionally, the restructuring of the VAT, GETFUND and NHIL into standalone levies has increased the effective VAT rate from 17.5 to about 21.5, leading to the high cost of imports at the port. Additionally, the multiplicity of fees and charges compound the already high import duties and taxes. Additionally, the high end-user tariff rates for non-residential and industrial users continue to compound the cost of doing business for entities. On average, electricity tariffs were increased by about 13 per cent throughout 2023[15], the highest being about 30 per cent in the first quarter of 2023. Currently, the new IMF programme requires Ghana to adjust tariffs every quarterly, making tariff projections unpredictable given that inflation and exchange rates are the major drivers of high tariff adjustments.

Figure 14: Major Cost Items for Businesses in GNBCC

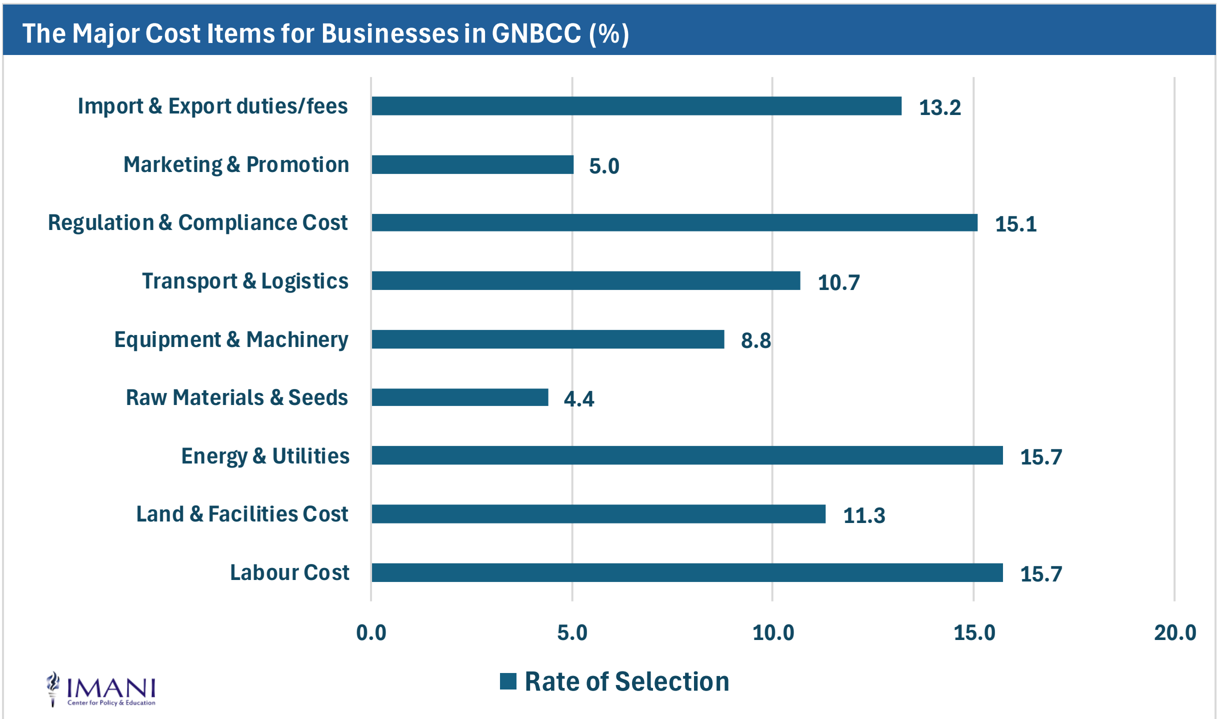


Chart: IMANI CPE | Source: GNBCC

[15] PURC

Even though there is currently no research explaining the high cost of labour given that wages and income are typically low in Ghana, however, the high labour cost can be attributed to the fact that most of these businesses have experienced declining sales because of the economic challenges and as a result, the cost of keeping labour potentially makes the labour cost standout. Additionally, the businesses engaged are formal entities that comply with the numerous labour statutory conditions, which increases their labour cost when revenue outturns are low. Furthermore, the high regulatory and compliance costs can be attributed to the multiplicity of compliance and regulatory agencies across different business value chains and sectors. Furthermore, the findings also suggest that the digitization drive by the government is yet to deliver low compliance and regulatory costs for businesses. For example, the port clearance processes are replete with several agencies performing different kinds of quality assurance. Land and facilities cost was also identified as one of the major cost items for the businesses. Using the Centre for Housing Finance in Africa annual data as a benchmark, the average cost of the cheapest newly built house in Ghana in 2023 was about US$25,000[16], compared to about US$7,000 in Kenya[17]. These high prices combined with the weak and porous property registration system can potentially increase the cost of land and facilities for the businesses.

Across all the cost items, the respondents indicated that the annual cost has increased between 2022 and 2023. Energy and utilities were the key cost items that the respondents indicated had increased significantly between 2022 and 2023 (**See Fig. 15**).

Figure 15: Reported Changes in the Major Cost Items

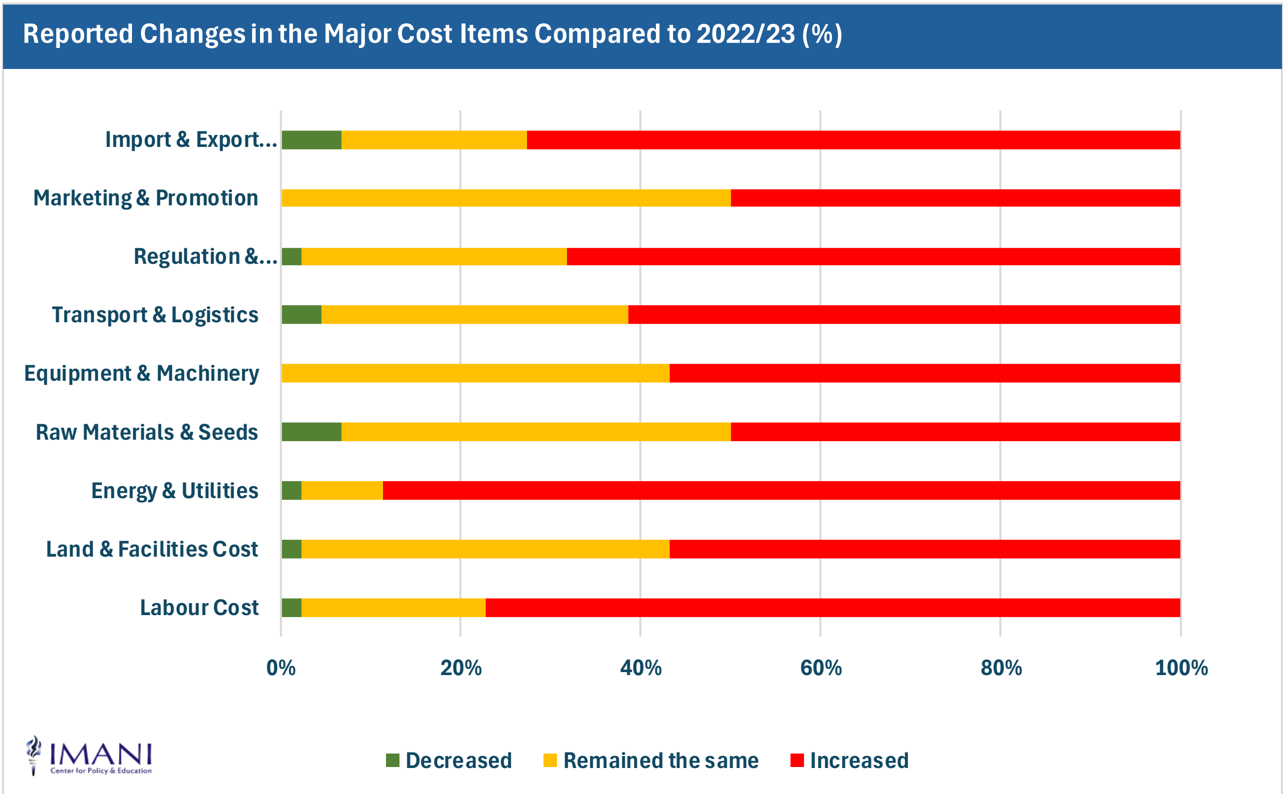


Chart: IMANI CPE | Source: GNBCC

[16]Housing and Construction in Africa: 2010-2023 - CAHF | Centre for Affordable Housing Finance Africa
[17]Housing and Construction in Africa: 2010-2023 - CAHF | Centre for Affordable Housing Finance Africa

Furthermore, the respondents were asked to indicate the range of changes in the major cost items. The findings indicate that about 6 out of every 10 of the businesses have witnesed at least a 25 per cent to 50 per cent increase in the major cost items between 2022 and 2023, reflecting among other things, the overall increase in the cost of doing business occasioned by high inflation, exchange rate crisis and high-interest rates (**See Fig. 16**). In addition, about 2 out of every 10 of the businesses engaged have experienced a growth in the major cost items below 25 per cent, and a similar number experiencing between 51 per cent and 75 per cent increase in the major cost components. Overall, the businesses reported a high cost of doing business, evidenced by the high growth in the key cost components of the businesses.

Figure 16: Rate of Changes in the Key Cost Components Reported by the Businesses

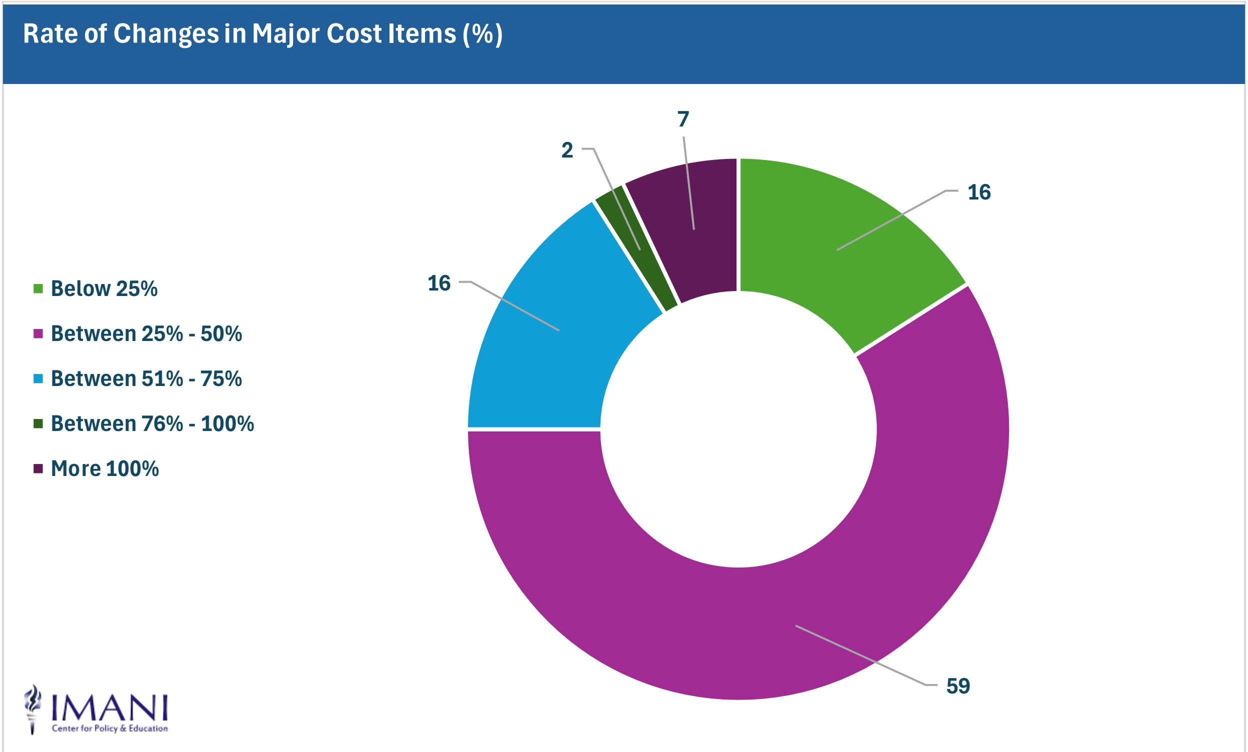


Chart: IMANI CPE | Source: GNBCC

Furthermore, respondents were asked whether they have investments in other African countries. The findings show that only 25 per cent of the respondents have investments in other countries in Africa, indicating that Ghana is the main point of operation for almost 7 out of every 10 of the businesses engaged in the survey. The respondents were further asked to indicate the changes in the cost of doing business in other countries where they operate compared to Ghana. About 55 per cent of the businesses indicated that the cost of doing business in other countries in Africa where somewhat low compared to Ghana, and 45 per cent also indicated that the cost of doing business in other countries is fairly low compared to Ghana (**See Fig. 17**). These findings raise critical concerns about the competitiveness of the businesses in Ghana compared to other countries in Africa. Cost competitiveness can potentially influence the investment behaviours of the businesses engaged in pursuing the opportunities in other countries where they have relatively lower costs compared to Ghana.

Figure 17: Cost of Doing Business in Ghana Compared with Other Investments in Africa

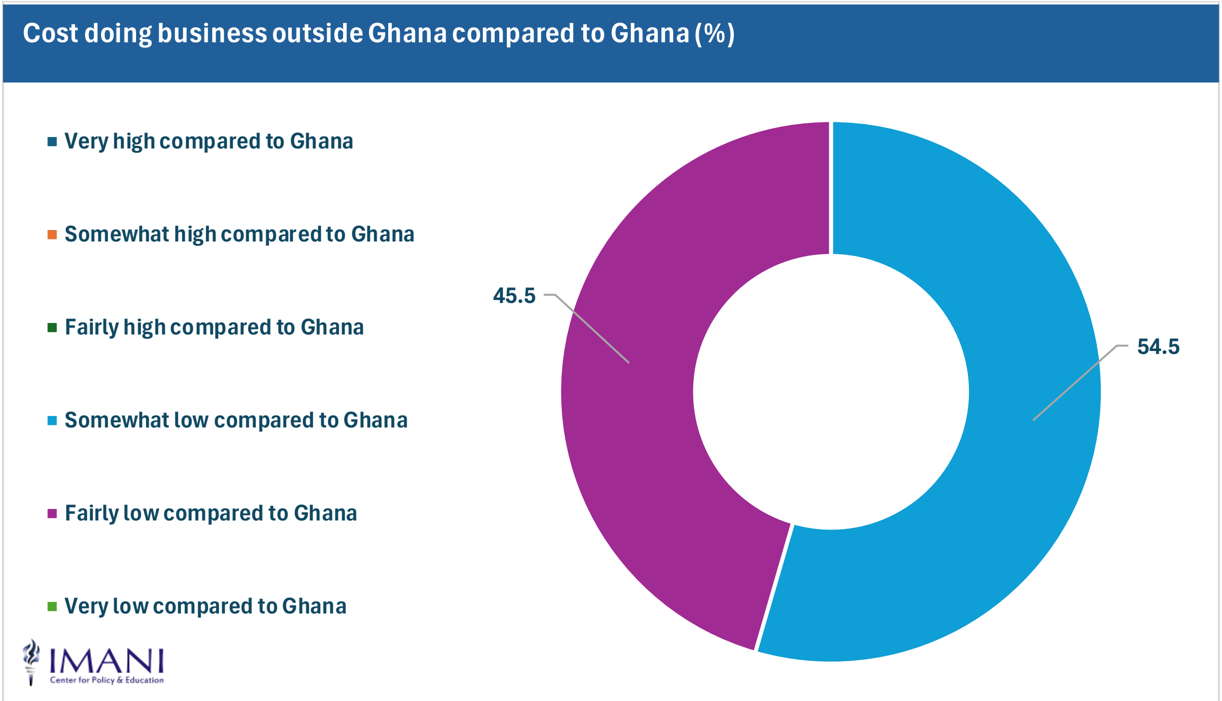


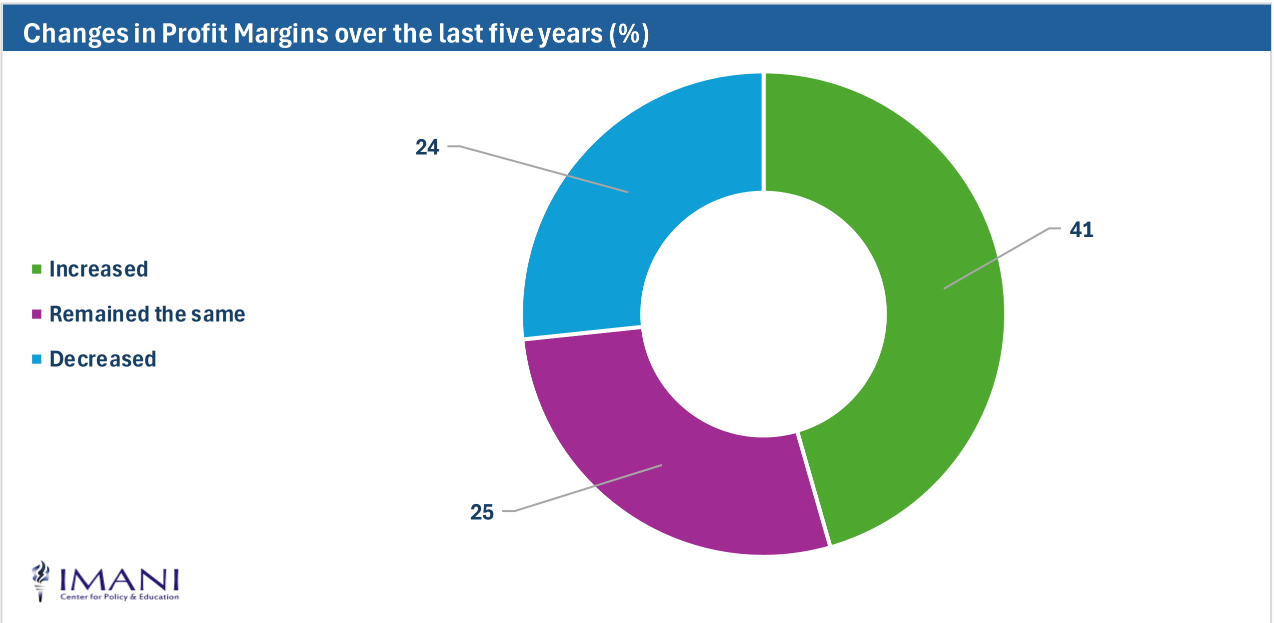
Chart: IMANI CPE | Source: GNBCC

3.2 Changes in Key Business Indicators

Overall, the firms reported an increase in their profit margins over the last five years. About 4 out of every 10 of the firms engaged reported that their profit margins have increased over the last five years (**See Fig. 18)**. Equally, about 25 per cent of the firms reported that their profit margins have declined or remained the same over the last five years. Also, the study examined the observed changes in some key business indicators for the firms engaged in the survey. This would help understand the extent of the effect of the high cost of doing business on key business indicators. The key business indicators examined were ***revenue, profit, total demand, total exports, cash and assets, customer base and workers productivity*** **(See Fig. 19).** The study found a mixed response to the observed changes in revenues between 2022 and 2023. About 4 out of every 10 of the businesses reported that their revenues have remained the same in 2023 compared to 2022. Also, about 3 out of every 10 of the businesses reported equally that their revenues have increased or decreased over the same period. Largely, the findings suggest that most of the businesses have experienced fewer variations in their revenues. Similarly, the same pattern was reported for the changes in business profits in 2023 compared to 2022. About 43 per cent of the firms reported that their business profits remained the same for the period, whilst about a third equally reported that their profits increased or decreased over the period. This also indicates that the firms largely observed fewer variations in the business profits.

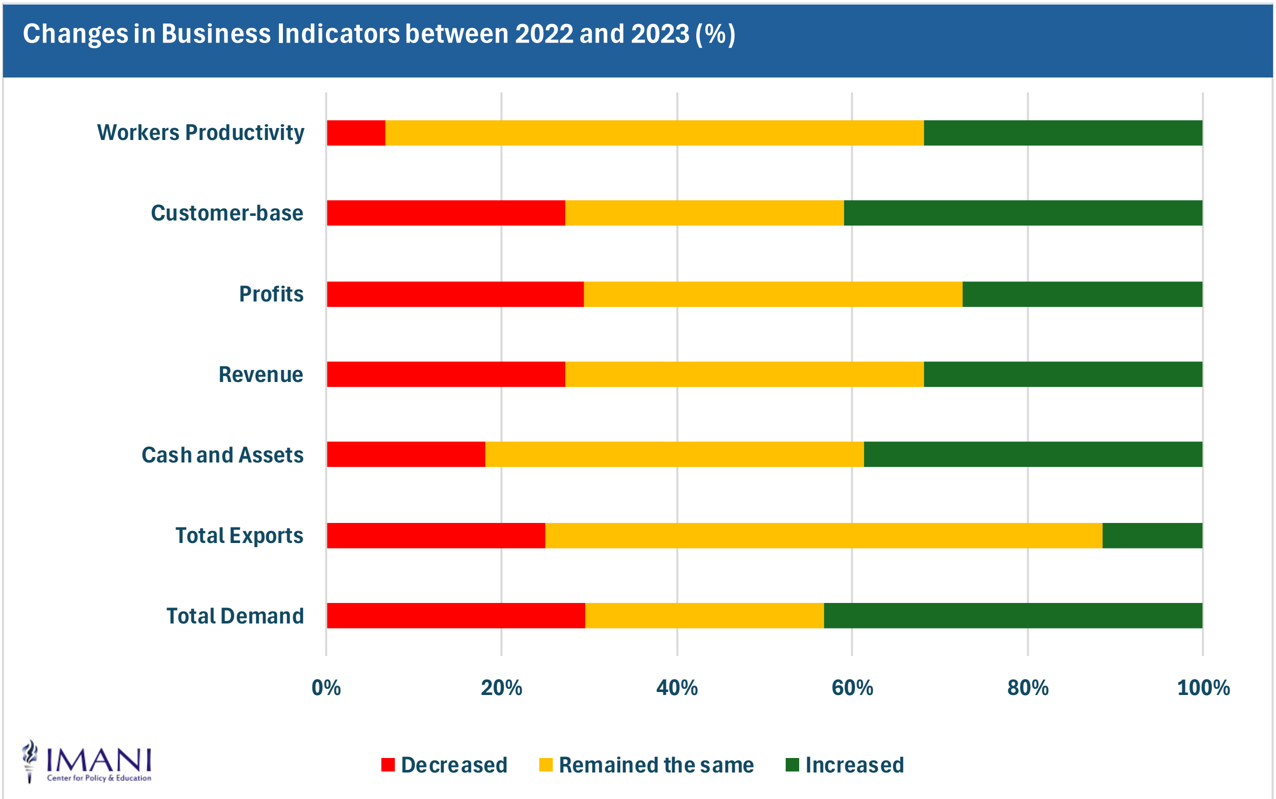
In terms of cash and assets, the businesses reported similar patterns like profits and revenues. About 43 per cent of the businesses reported that their cash and assets remained the same between 2022 and 2023, and about 36 per cent reported an increase in their business cash and assets, which signifies improved performance for such businesses despite the macroeconomic hurdles. Fewer than 2 out of every 10 of the businesses engaged reported a decrease in their cash and assets. Furthermore, about 4 out of every 10 of the firms engaged reported an increase in the total demand for their final products, which is a positive sign considering the relatively high inflation between 2022 and 2023. Equally, almost a third of the firms reported that demand for their final products has remained the same or decreased over the period. It is also important to note that about 63 per cent of the firms engaged reported that their exports remained the same, about a quarter reported a decline in their exports and fewer than two out of every 10 of the businesses reported an increase in their exports.

Figure 18: Changes in Profit Margins over the last Five Years



Charts: IMANI CPE | Source: GNBCC

Figure 19: Changes in Key Business Indicators

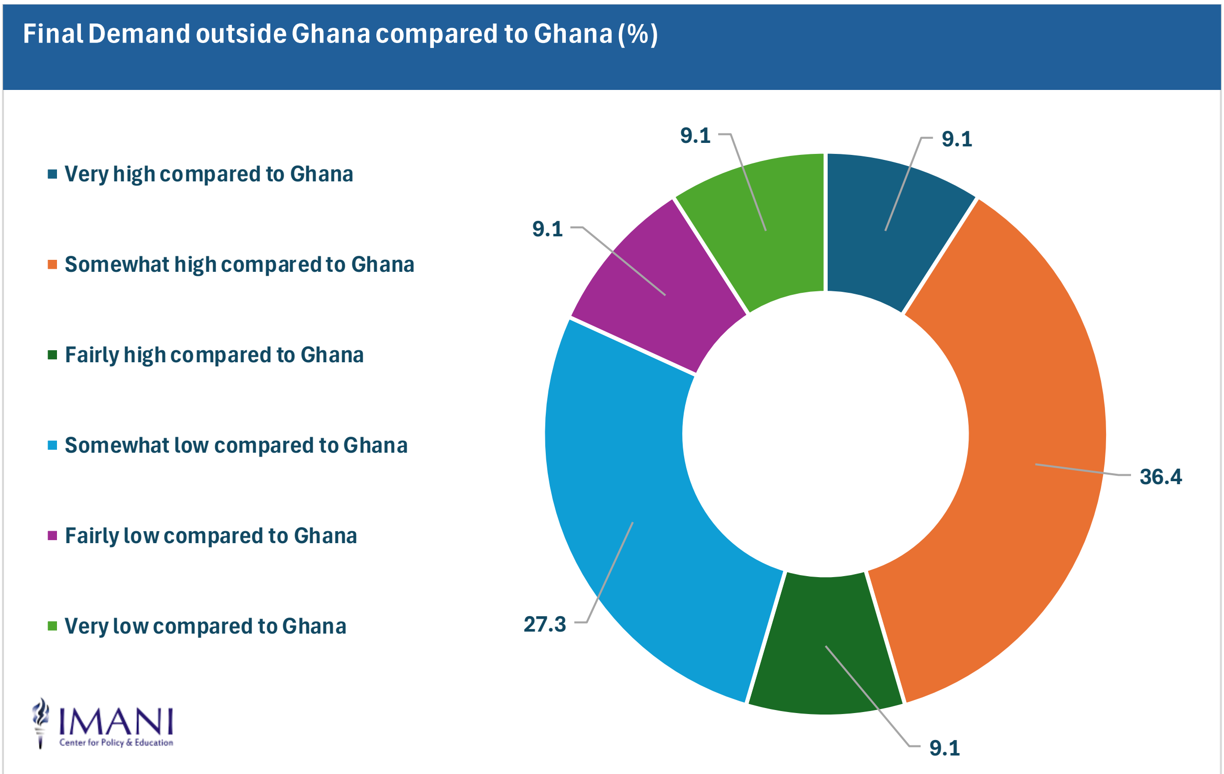


Charts: IMANI CPE | Source: GNBCC

Also, about 41 per cent of the businesses reported an increase in their customer base compared to less than a third that reported a decline in their customer base. Similarly, about a third reported that their customer base remained the same. About 61 per cent of the firms reported that their workers' productivity has remained the same between 2022 and 2023. This could probably be the reason for the high labour cost as indicated by the firms under the cost of doing business. About a third of the firms reported an increase in workers' productivity and less than 10 per cent reported a decline in workers' productivity. This indicates that workers' productivity was relatively stagnant between 2022 and 2023. Overall, the business indicators experienced relatively fewer variations between 2022 and 2023, however, there were incidences of firms demonstrating resilience by increasing the revenues, profits, cash and assets during the period when the macroeconomic hurdles were significantly intense.

Compared to their investments outside Ghana, about 36 per cent of the firms reported that demand for their final products was somewhat higher in the other countries compared to Ghana (**See Fig. 20)**. About 27 per cent of the firms also reported that the demand for their final products was somewhat low compared to Ghana, indicating a mixed response in terms of the competitiveness of final products in other countries. However, if they can sustain the demand in other countries, it can potentially influence their investment decisions. Conversely, the firms reported that their revenues in other countries were very low compared to Ghana despite the relatively high demand for their final products. Almost 4 out of every 10 of the businesses reported that their revenues were very low in other countries compared to Ghana. Additionally, almost 3 out of every 10 of the firms also reported that their revenues in other countries were somewhat low compared to Ghana. These suggest that despite the macroeconomic constraints and the relatively high cost of doing business, the firm's investments in Ghana demonstrated resilience compared to their investments in other countries. The findings also suggest that if the constraints to doing business are sustainably addressed, firms will be more resilient and potentially increase their investments in Ghana.

Figure 20: Comparing the Business Indicators in Ghana to Other Countries



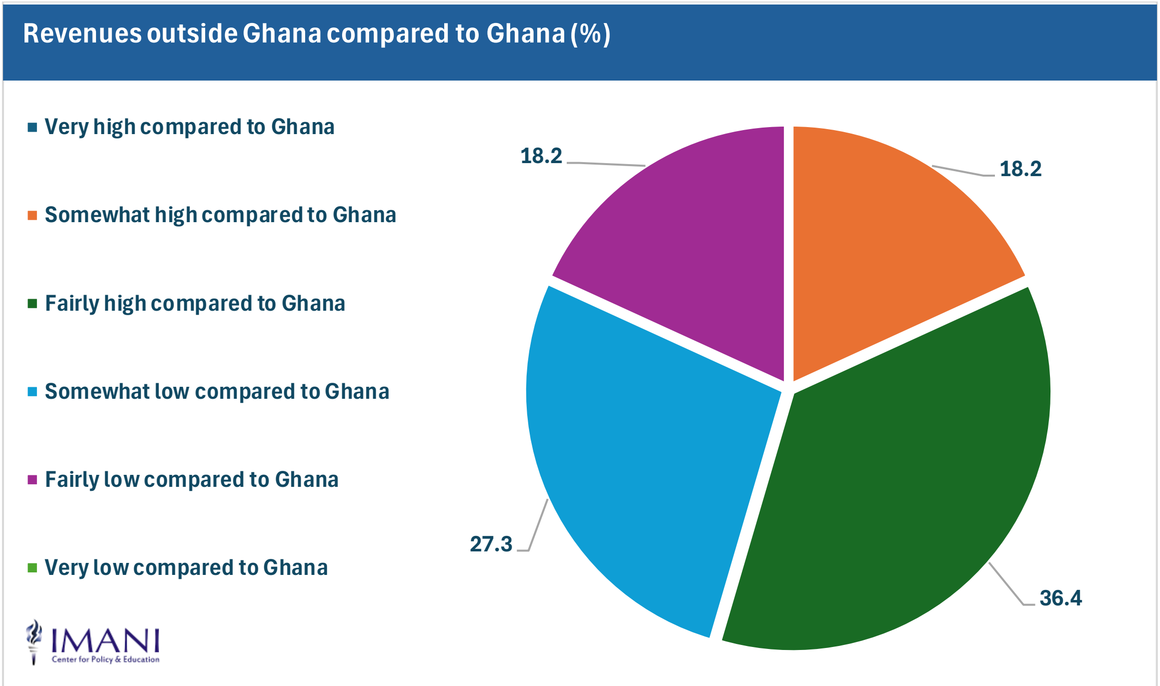


Chart: IMANI CPE | Source: GNBCC

There was a mix of experience with profits and returns on investments in other countries compared to Ghana. About 36 per cent of the firms indicated that their profits and returns on investments in other countries were very low compared to Ghana (**See Fig. 21)**. Additionally, about 18 per cent of the firms also reported that their profits and returns on investments were somewhat low compared to Ghana. However, about 36 per cent also indicated that their profits and returns on investments in other countries were somewhat high compared to Ghana. Overall the strength of the firms reporting a low profit and returns and investments in other countries compared to Ghana were higher than those reporting high profit and returns on investments in other countries.

Figure 21: Comparing the Business Indicators in Ghana to other Countries

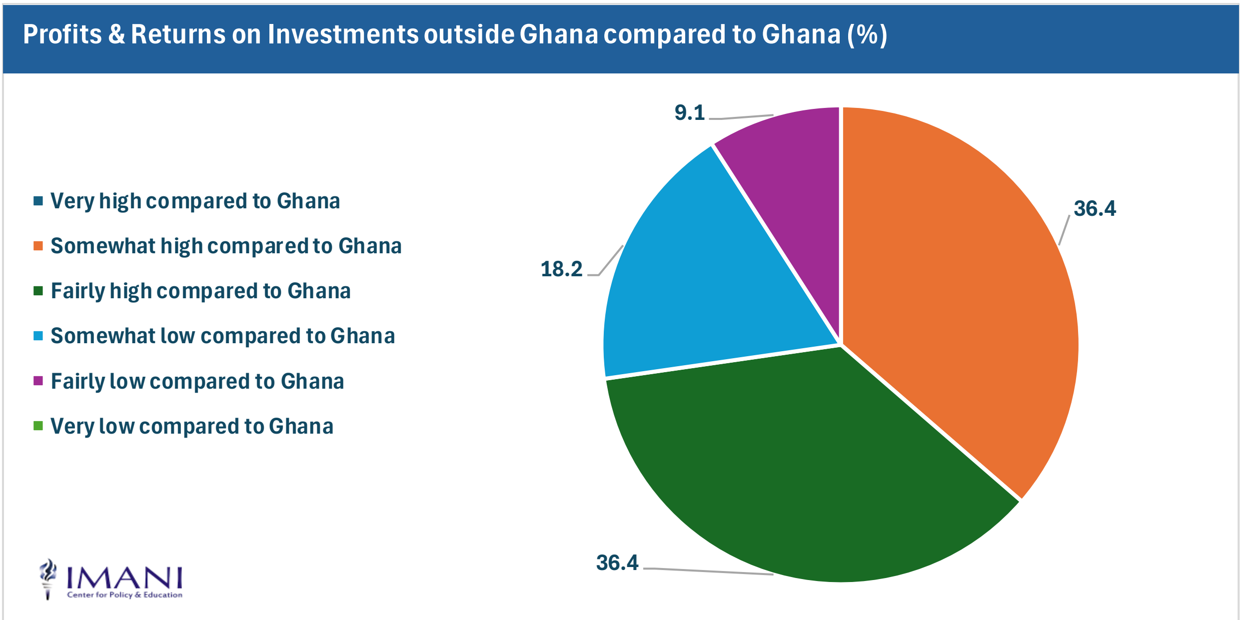


Chart: IMANI CPE | Source: GNBCC

4 Perception of the Current Business and Investment Climate in Ghana

This section analyses the perception of the firms about the current economic and business investment climate. A five-point Likert scale was used to assess the extent to which the firms agreed or disagreed with some statements related to the business environment.

4.1 Utilization of Existing Infrastructure for Business Activities

This section focuses on the extent to which businesses perceive the existing infrastructure supports their business activities (**See Fig.22**). The firms were asked to indicate the extent to which they agreed or disagreed with the statements. There was a strong disagreement with the statement that Ghana has a robust property registration system, and the firms can digitally identify, verify, and purchase property. More than 6 out of every 10 of the firms disagreed with the robustness of the property registration system in Ghana, indicating that most of the firms have challenges identifying and verifying property through the property registration system. Furthermore, there was disagreement with the statement that the financial system is convenient and that firms can undertake their banking needs electronically. However, there was a considerable number of agreements with the statement indicating that some of the firms have positive experiences with the banking system. About a third of the respondents disagreed with the statement and about a quarter responded positively to the statement. Largely, the responses suggest that the firms have some challenges with the banking system when conducting their businesses. There was also a strong disagreement with the statement related to the affordability of the bank charges, which indicates that the respondents think that the statement is false and that the bank charges are not affordable.

Figure 22: Perception of the Business Environment – Use of Electronic Infrastructure

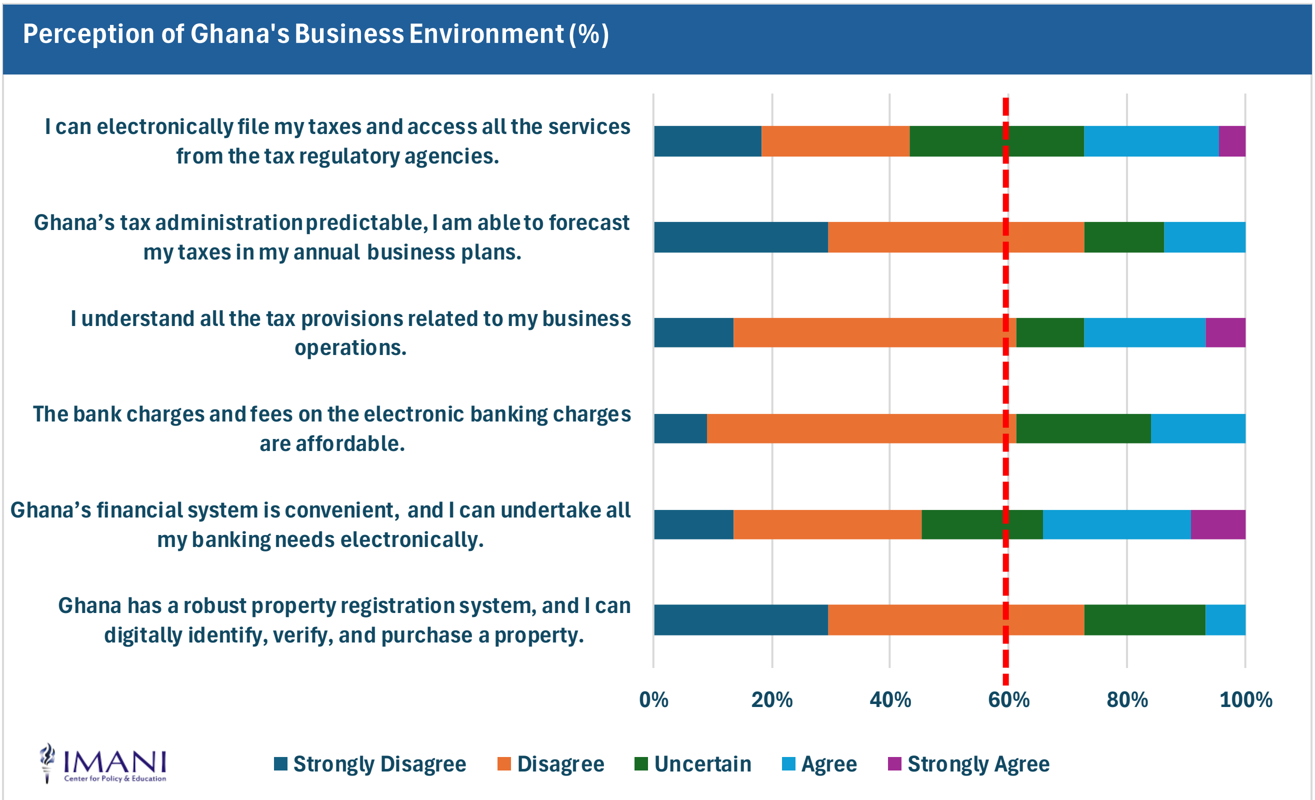


Chart: IMANI CPE | Source: GNBCC

Furthermore, there was a strong disagreement with the statement that the firms understand all the tax provisions related to their business activities, indicating that the firms engaged have challenges understanding all the necessary provisions related to their operations. More than 60 per cent of the respondents indicated in the negative that they do not understand the tax provisions related to their business operations. This implies that some of the firms that indicated less understanding of the tax provisions may have to hire tax experts for assistance to navigate the tax frameworks, which also adds to their cost. Similarly, there was a strong disagreement with the statement that the existing tax administration system is predictable, and businesses can forecast the taxes in their annual plans. More than 70 per cent disagreed with the statement, indicating a high perceived unpredictability of the tax administration system among the businesses engaged. Despite the relatively weak understanding of the tax provisions and the perceived less predictability of the tax administration system, there were mixed responses related to the ability to file taxes and access tax-related services electronically. This indicates that there are varied experiences among the firms in terms of utilizing electronic tax administration platforms. Thus, increased sensitization and capacity building for the firms can potentially increase the number of firms that will respond positively.

4.2 Interface with Regulatory Agencies and Access to Electricity

This section analyses the perception of the respondents based on their experiences engaging regulatory agencies and access to electricity (**See Fig. 23)**. The study found a strong disagreement with the statement that tax authorities engage businesses regularly to inform them about changes in the tax provisions and they are unaware of the effective dates of new instruments. About 80 per cent of the respondents responded in negatively to the statement, indicating a poor experience working with tax authorities and a lack of information on the effective dates of new taxes. Nonetheless, there was a mixed response concerning receiving transparent and fair hearings when there were tax disputes, indicating the incidence of both positive and negative experiences with tax dispute resolution mechanisms. Also, there was a strong disagreement with the statement that court rulings on disputes are enforced in the shortest possible time. This indicates that most of the firms have negative experiences with the legal system in terms of enforcing court rulings for businesses.

Similarly, more than two-thirds of the respondents indicated that they were unable to complete their port clearance activities without paying unofficial fees. This indicates that most of the businesses at least have experienced corruption in the port clearance process. This also implies that the firms are unable to use the digitization of port processes to their benefit or that the existing electronic processes have not sufficiently addressed the human interferences that lead to corruption at the port. Almost two-thirds of the respondents indicated in the positive that they pay unofficial fees to facilitate permits from regulatory agencies. The findings of this study also corroborate the Ghana Statistical Services report that indicates that indicate that firms and individuals in Accra are more exposed to paying bribes than other regions[18]. Additionally, the findings suggest that most of the people who paid bribes in 2021[19] paid to speed up a procedure as it is reflected in this study that the respondents indicated paying unofficial fees to facilitate the clearance process and permits from regulatory agencies.

More than 60 per cent of the respondents disagreed with the statement that they receive an uninterrupted supply of electricity to run their operations, which indicates that most of them face an unstable supply of power for their operations. However, 25 per cent of the respondents indicated positively that they receive an uninterrupted supply of power for their operations. The negative experiences of the firms in terms of access to power also reflect the high

[18] Enhancers and Barriers to the Payment of Bribes_08032023.pdf (statsghana.gov.gh)
[19] Enhancers and Barriers to the Payment of Bribes_08032023.pdf (statsghana.gov.gh)

incidence of power interruptions in the country. The recent report by the Electricity Company of Ghana[20] indicates that an average power interruption of about 53 compared to the benchmark of 6 in a year.

Figure 23: Perception of the Business Environment – Interface with Regulatory Agencies & Access to Electricity

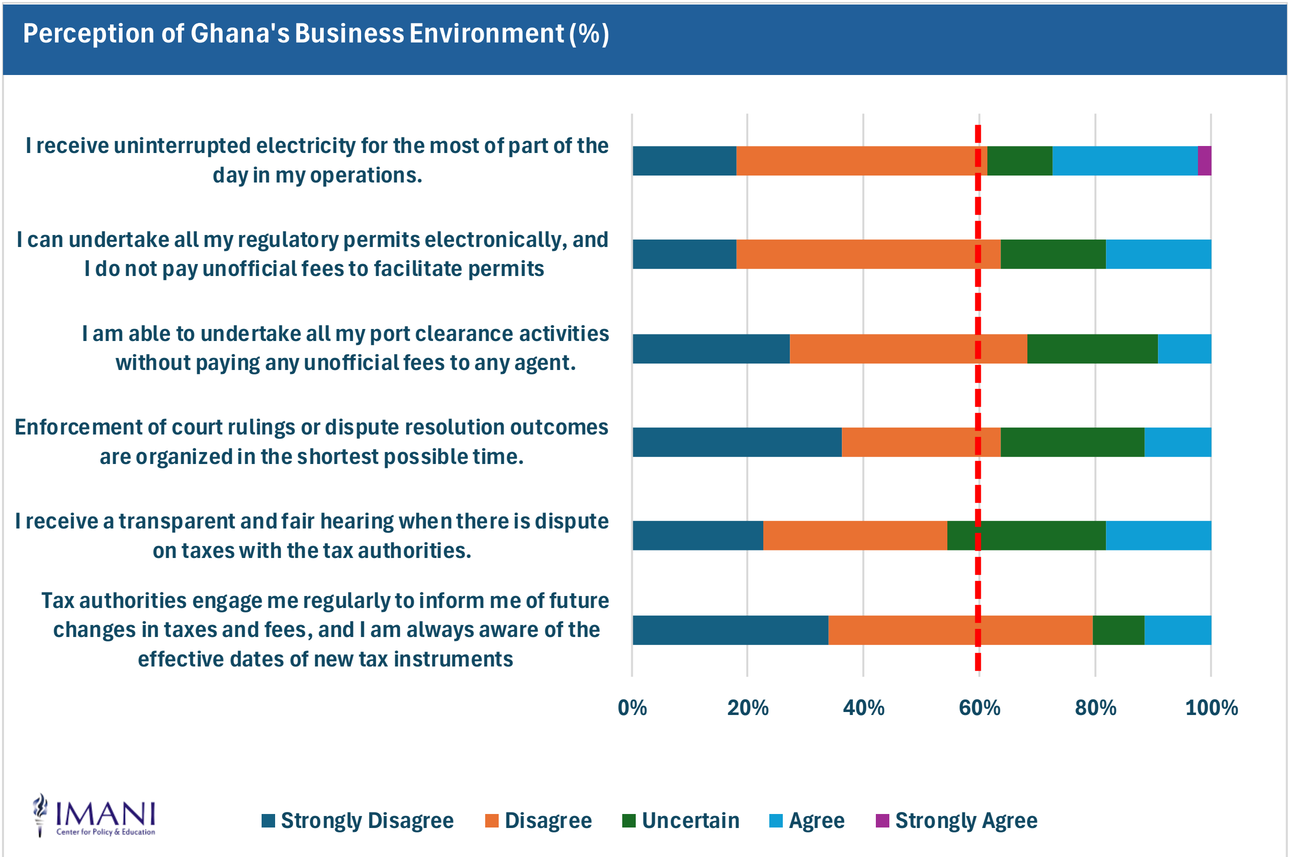


Chart: IMANI CPE | Source: GNBCC

4.3 Physical Infrastructure, Policy Support, and Overall Perception of the Business Environment

The study found equally positive and negative experiences with the available labour force and the need to import special skills (**See Fig. 24)**. A similar number of the respondents agreed that the available labour force is skilful and they do not have to import special skills, however, a similar number of people responded negatively to the skills level of the available labour force. Furthermore, there is a strong disagreement about the availability of infrastructure for the firms to undertake their business activities. More than 60 per cent of the respondents indicated that the existing infrastructure is not sufficient to undertake their operational activities. Similarly, more than two-thirds of the firms engaged strongly disagreed that government policies are supportive and they can access available opportunities. This indicates that most of the businesses perceive that the business environment is unsupportive for their investment, and they lack information on available opportunities. Overall, most of the businesses disagree that the current business and investment climate is stable and predictable. More than 70 per cent

[20]Electricity Company of Ghana Strategy Document (2021-2024). https://ecg.com.gh/images/policy/2021-2024_Strategy_Document.pdf

of the respondents positively agree that the existing economic and investment environment is unstable and unpredictable.

Figure 24: Perception of the Business Environment – Physical Infrastructure, Policy Support and Overall Perception of the Investment Climate

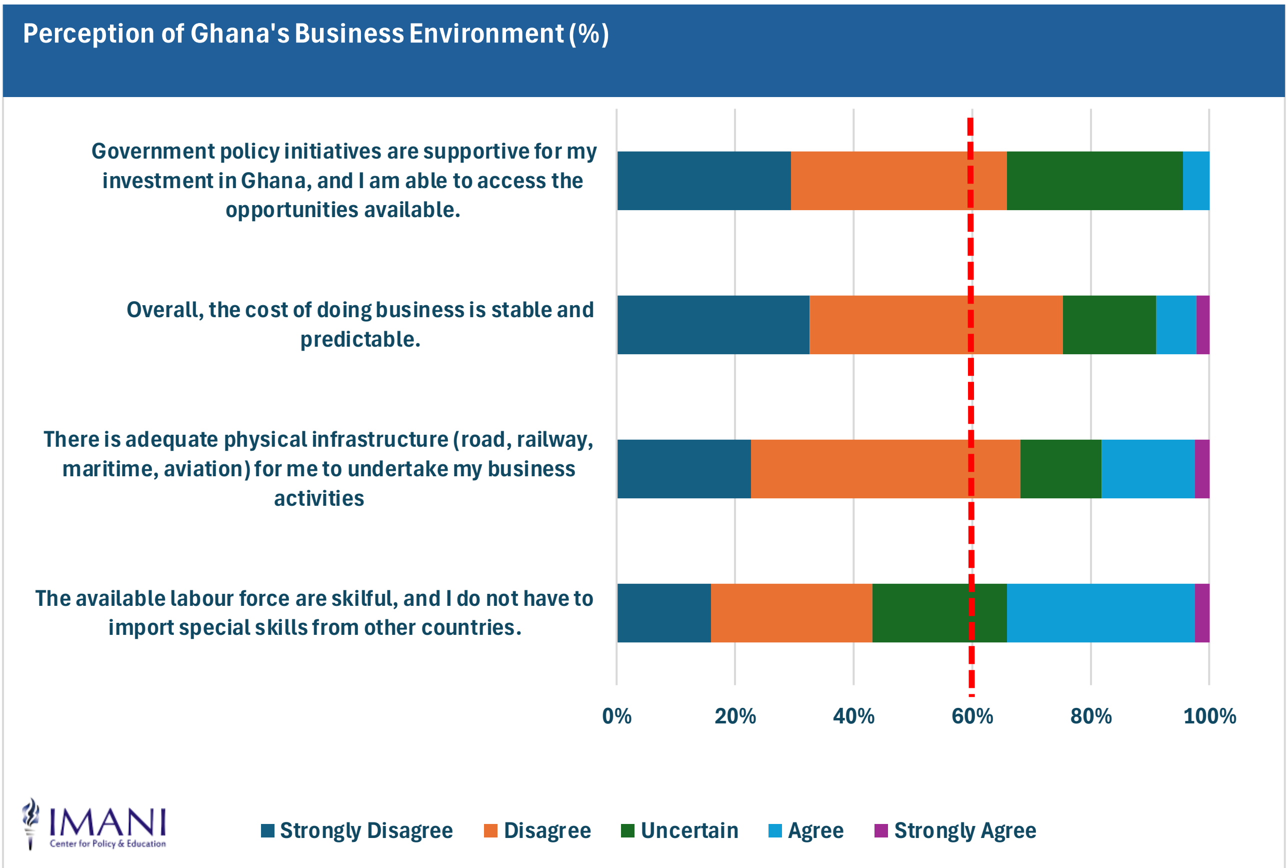
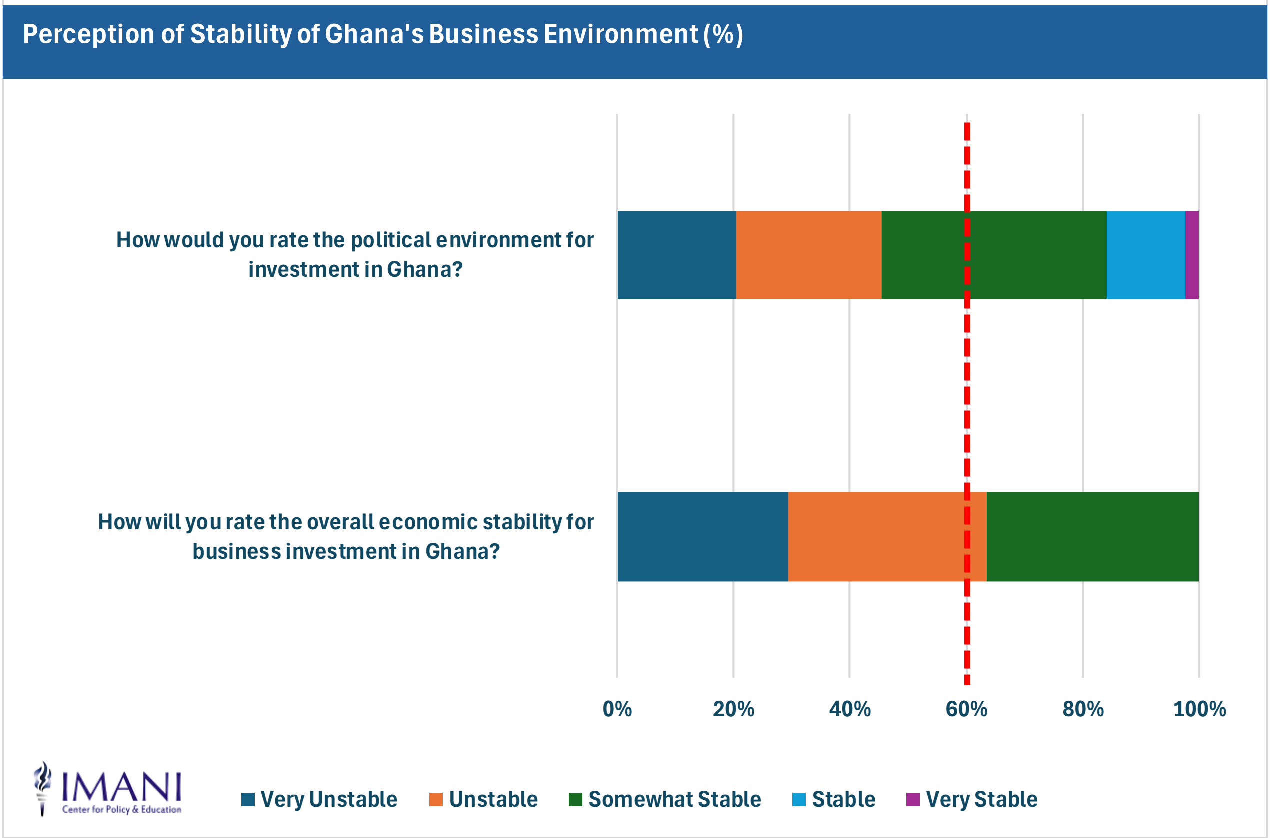


Chart: IMANI CPE | Source: GNBCC

4.4 Perception of the Business Environment – Political and Economic Environment

In this section, the respondents were asked to determine the extent to which they perceive the stability of the political and economic environment for investment in Ghana (**See Fig. 25**). Most of the firms indicated that the existing political environment is somewhat stable, however, almost a quarter of the respondents indicated that the existing political environment is unstable. Even though Ghana is identified as one of the stable democracies in Africa, however, the experiences of businesses with political actors or state-led actors can influence their perception of the stability of the political environment. However, more than 60 per cent of the respondents indicated that the current economic environment is unstable for investment. This conclusion is not surprising given that the current macroeconomic indicators do not look favourable for business and investments. Additionally, there is a high level of unpredictability given that the future economic outlook largely rests on the outcomes of the IMF programme. Also, a greater number of firms' engaged perceive that the regulatory environment is not transparent. This can be attributed to the high exposure of the respondents to paying unofficial fees to facilitate processing permits and port clearance.

Figure 25: Perception of the Business Environment – Political and Economic Stability



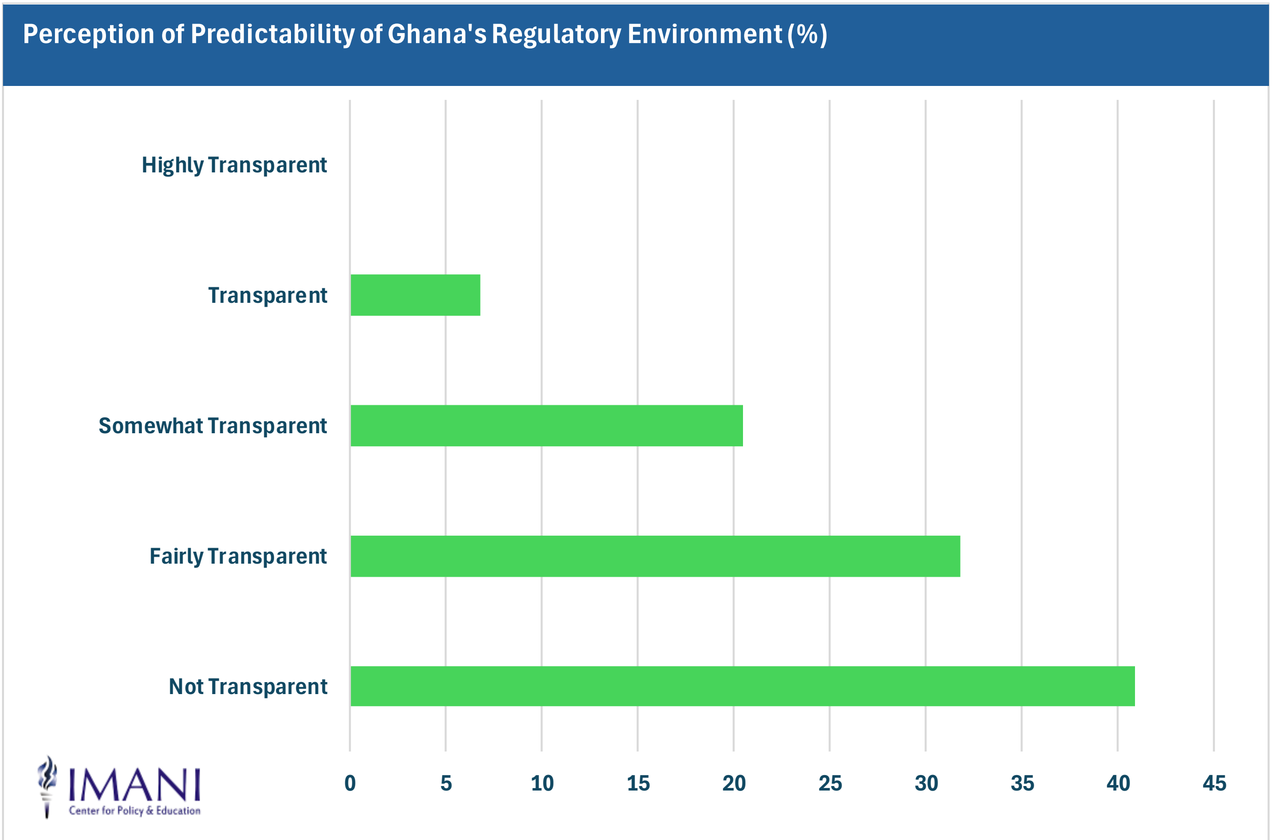


Chart: IMANI CPE | Source: GNBCC

5 Challenges to Doing Business in Ghana and the Future Investment Outlook of the Firms at GNBCC

This section of the analysis critically examines the challenges to doing business in Ghana from the perspective of the members of the GNBCC. The analysis also reveals the future investment plans and outlook for the businesses and the key factors that would influence the investment decisions. The section ends by providing some recommendations from the businesses on the critical actions to address the constraints in the investment environment in Ghana.

5.1 Challenges to Doing Business in Ghana

The key challenges to doing business identified by the respondents were ***complex regulatory and compliance procedures, excessive taxation of foreign companies, bureaucratic discretion of public entities, and improper business planning and lack of institutional coordination (*****See Fig. 26*****)***. Complex regulatory and compliance procedures was the top challenge to doing business in Ghana. Since 2017, the government has embarked on a raft of measures to digitize regulatory compliance processes, however, the findings of this study suggest that these are yet to significantly influence the ease of doing business in Ghana. Additionally, this is confirmed in the respondents' perception of the cost of doing business where they indicate regulatory and compliance costs as major cost items. This suggests that the firms engaged have not had a positive experience with the reforms in the compliance and regulatory processes.

Figure 26: Challenges to Doing Business in Ghana

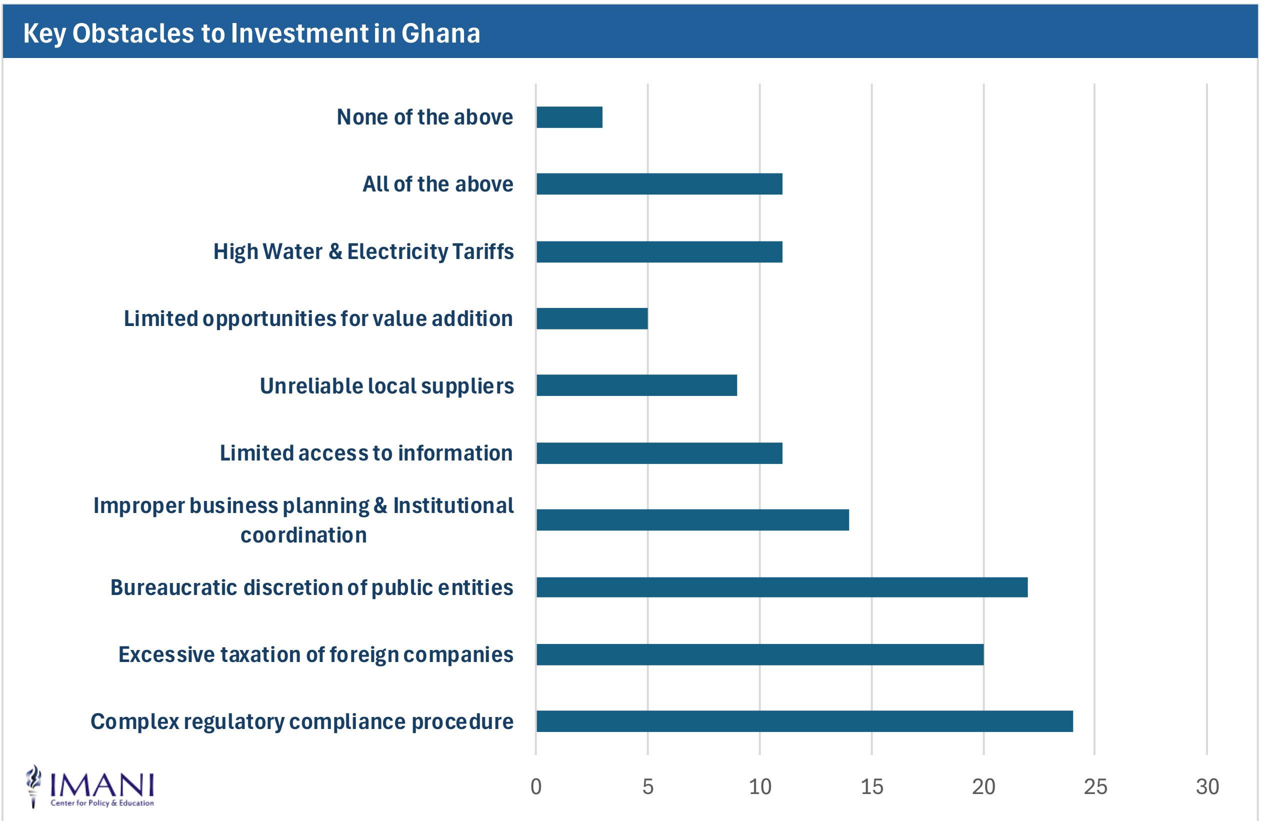


Chart: IMANI CPE | Source: GNBCC

Moreover, the findings also identified excessive taxation as one of the key challenges to doing business in Ghana. This can be attributed to the introduction of additional tax instruments to address the existing fiscal challenges. The new taxes and reforms to the existing tax instruments tend to target formal businesses, thereby increasing the tax burdens of formal businesses. For instance, the Growth and Sustainability Levy typically targets formal firms and compounds the already high fiscal regime. Furthermore, some of the tax reforms are purposely designed to respond to the conditions in the IMF programme, however, the government must consider how such taxes increase the risk and cost of doing business in Ghana. Moreover, most of the firms engaged indicated the bureaucratic discretion of public agencies as one of the major challenges to doing business in Ghana. This can be attributed to the fact that most of the firms do not understand the regulations and provisions as indicated in the previous sections. As a result, they are more likely to experience interference from public agencies. Also, these findings can explain the high exposure to paying unofficial fees to facilitate permits and procedures. Furthermore, the incidence of bureaucratic interference in public agencies can also be linked to weak institutional coordination between public agencies. As already indicated in the cost of doing business, high electricity tariffs were also identified as one of the key challenges to doing business. Given that the existing IMF programme requires a quarterly adjustment of tariffs and the key drivers of tariffs (inflation and exchange rate) are unstable under the current macroeconomic environment, it is extremely difficult for businesses to accurately predict the tariffs in their forecasting. As a result, businesses cannot accurately predict the cost of doing business over a financial year. Other obstacles to doing business in Ghana include limited opportunities for value addition, unreliable local suppliers, and lack of information.

5.2 Future Investment Outlook of the Firms at GNBCC

This section analyses the potential future investment decisions of the members at GNBCC and the key factors that are likely to shape the firm's investment behaviours. Despite identified challenges to doing business and the perceived high cost of operations for most of the firms in GNBCC, the findings on future investment demonstrate relatively high levels of optimism in the investment environment in Ghana (**See Fig. 27)**. For instance, about 6 out of every 10 of the businesses engaged indicated that they plan to increase their investments in the future despite the high cost of doing business and the existing obstacles to investments. Additionally, about a fifth of the firms engaged indicated that they are likely to keep their investments at the same level, and fewer than 1 out of every 10 of the businesses indicated they intend to decrease their investment. The relatively high optimism in the investment climate in Ghana can also be linked to the fact that the businesses experience relatively better revenues, profits and return on investments in Ghana compared to other African countries where they operate. In addition, a good number of the businesses are wholly established in Ghana, and thus they may be willing to explore other sectoral opportunities rather than decrease their investments.

Furthermore, the study examined the certainty of the investment plans of the firms engaged (**See Fig. 28)**. The findings suggest that about 6 out of every 10 of the firms were very certain or somewhat certain about their investment plans for the future. This implies that if a firm decides to increase its investment, they were more certain about the trajectory and vice versa. Only a fifth of the businesses indicated that they are somewhat uncertain about their future investment plans in Ghana, and almost another fifth are very uncertain of their investment plans in Ghana. This implies that addressing the obstacles in the investment environment can potentially influence more businesses to shift towards a positive investment outlook.

To clearly understand the investment outlooks, the study mapped the responses of certainty of investment against the overall investment plans of the firms (**See Fig. 29)**. The findings suggest that most of the firms that have decided to increase their investments are more certain about their decisions. Similarly, most of the firms that have decided to keep their investments at the same level are very certain of their decisions. These clearly show the high demonstration of optimism in the business and investment climate despite the existing obstacles. Even in the case of the firms that were unsure of their investment plans, most of them were uncertain about that decision. Additionally, most of the businesses that have plans to decrease investments were largely unsure of their investment plans, which also supports the high demonstration of optimism in the business and investment climate in Ghana.

Figure 27: Future Investment Plans of the Firms Engaged

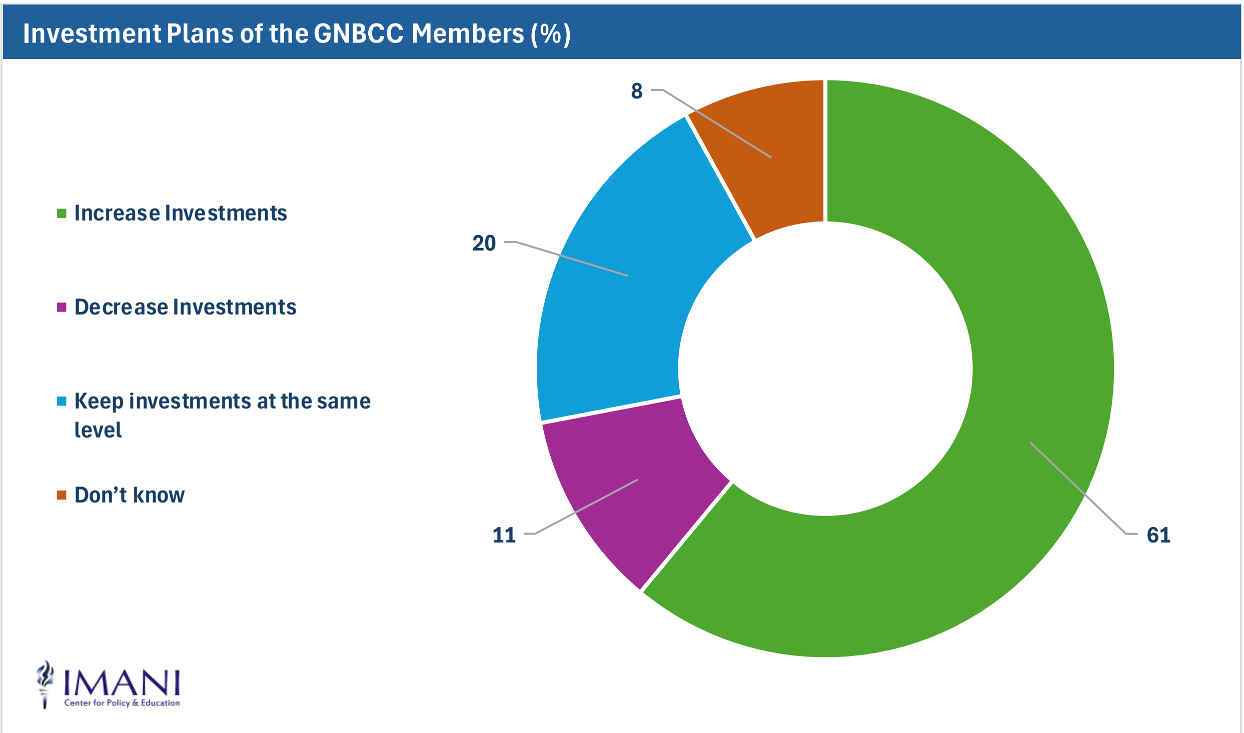


Chart: IMANI CPE | Source: GNBCC

Figure 28: Certainty of Investment Decisions in Ghana

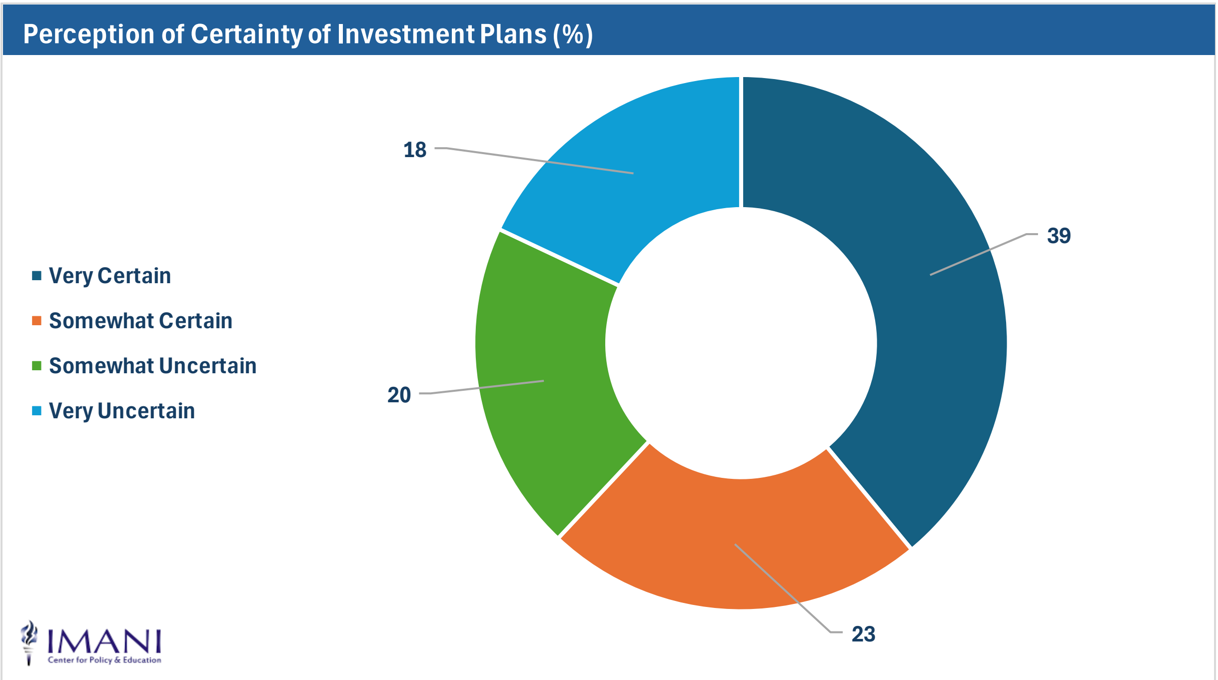


Chart: IMANI CPE | Source: GNBCC

Figure 29: Investment Plans and Certainty of Investments in Ghana

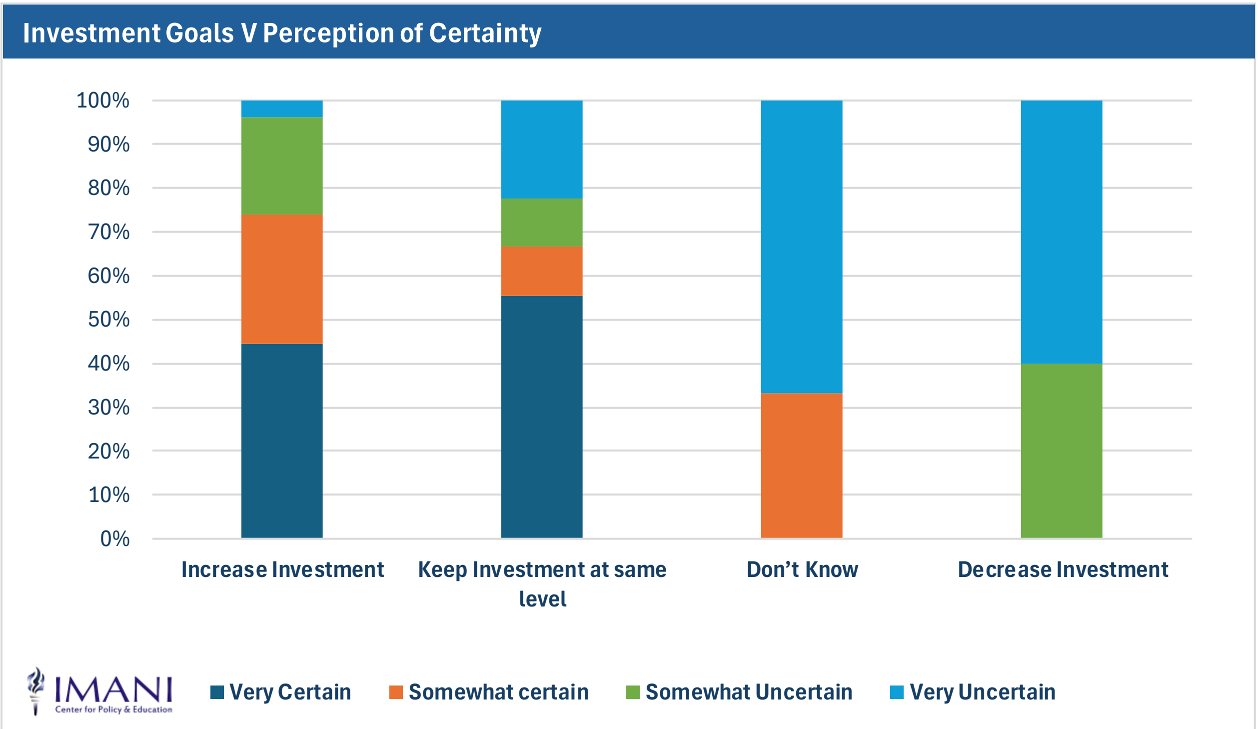


Chart: IMANI CPE | Source: GNBCC

5.3 Key Factors that Will Influence the Firms' Investment Decisions

Against the background of a high demonstration of optimism in the business and investment climate, the businesses were asked to further indicate the key factors that would drive their investment plans in the future. The key factors that will potentially drive investment among the firms engaged are the ***market size, the tax regime, the political environment, the legal and regulatory environment, interest rate, and investor protection*** **(See Fig. 30)**. The findings indicate that the market size of the businesses would be a key investment decision to determine the plans of the firms. This is unsurprising given the fact that the existing macroeconomic indicators have had some effect on the overall demand for the final products of the firms, and thus, growing their market size would be a key indicator for investment decisions. In addition, Ghana is known to be a highly import-driven market, and domestic firms face fierce competition with huge imports, and thus growing their market shares would be critical to their investment plans.

Moreover, the political environment comes up as a key indicator of future investment decisions because of the upcoming elections. As a result, the firms are mindful of the political risk of a new government coming up with a different raft of measures that may amplify their cost of doing business. Similarly, stability in the legal and regulatory environment would be a key predictor of the firm's investment decisions. Ghana's economic growth trajectory relies heavily on the success of the IMF programme, and thus the firms are unsure of new measures that are likely to be implemented to ensure the programme is successful. As a result, the firms are likely to critically gauge the stability of the legal and regulatory reforms to determine their investment plans. Furthermore, the level of interest rates comes up as a key factor given the fact that most of the domestically established in Ghana rely on the domestic financing market for capital. As a result, the level of interest can significantly shape the path of investment for such firms. Even in the case of subsidiary firms, the use of blended finance requires that the domestic interest rate must be competitive. Moreover, the investor protection against bureaucratic interference and exposure to the payment of unofficial fees will be important for the firms to build confidence and trust in the ongoing reforms in public institutions. Other factors include the import duties and fees and local sourcing of inputs.

Figure 30: Key Factors that will Influence the Future Investment

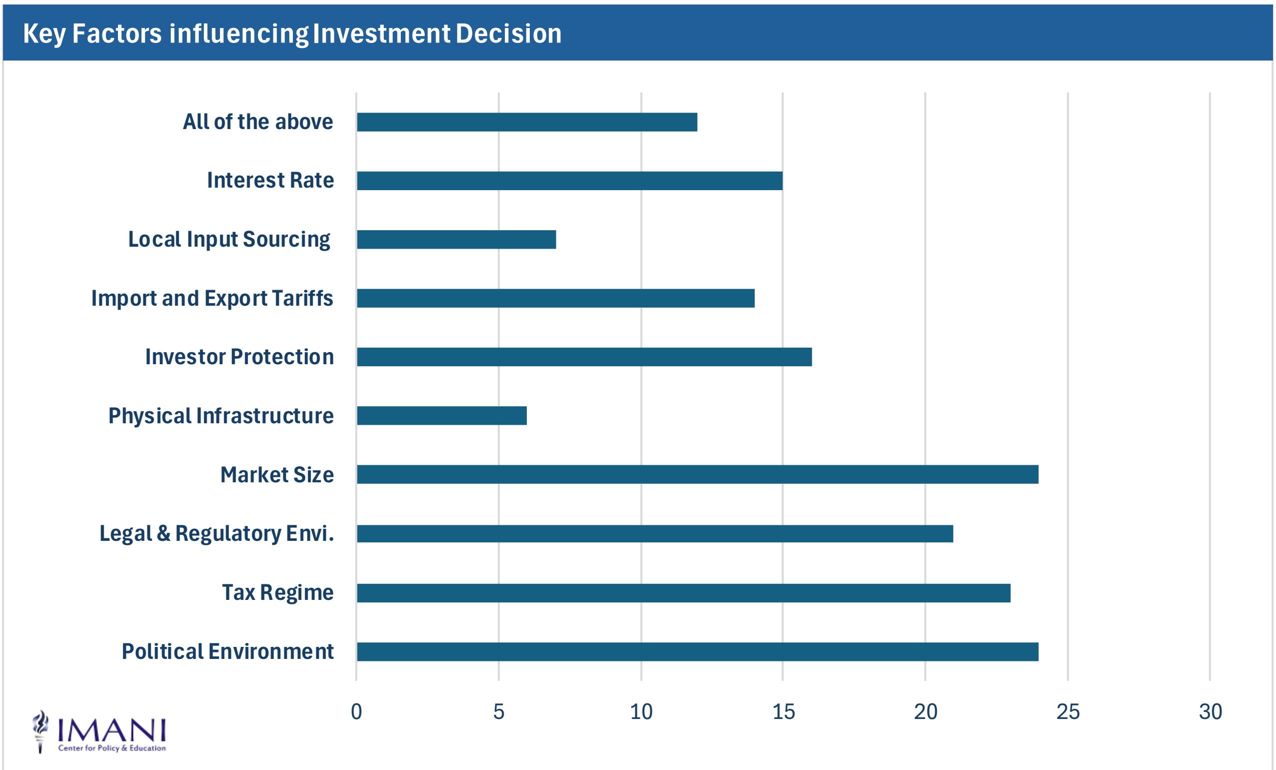
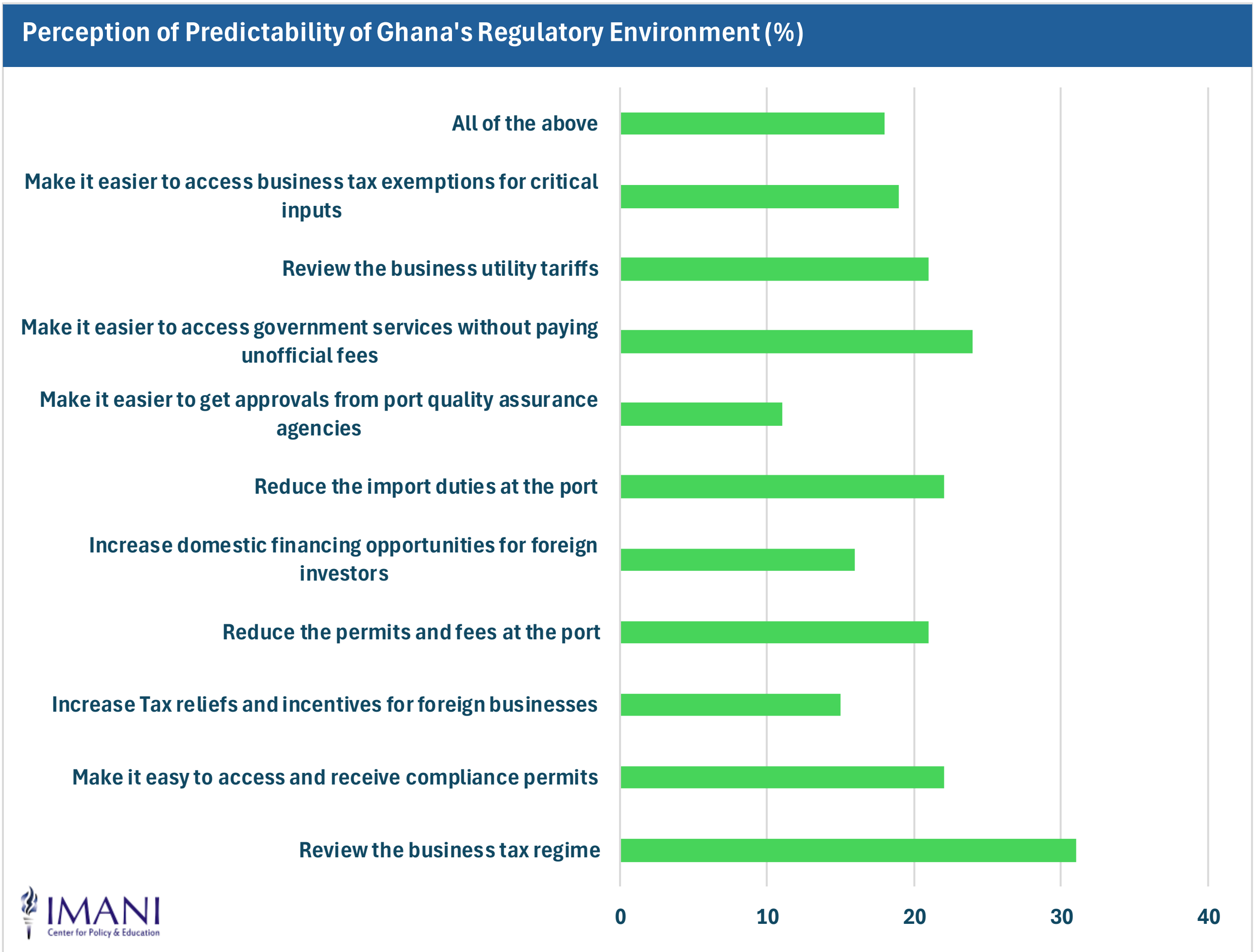


Chart: IMANI CPE | Source: GNBCC

Overall, a combination of administrative and regulatory reforms and adjustments to the fiscal regime are critical to positively influencing the behaviour of investors in Ghana. Already, there is a high demonstration of optimism in the business and investment climate, and thus addressing the pre-existing obstacles to doing business in Ghana would be crucial for driving investment in Ghana.

Key solutions proposed by the firms for creating a conducive investment climate in Ghana include reviewing the tax regime, making it easier to access permits, and making it easier to access government services without paying unofficial firms (**See Fig 31)**. These solutions call for deepening the recent digitization reforms in public services, particularly in port clearance and permit acquisitions. Other solutions proposed by the firms include reducing import fees and duties, increasing domestic financing opportunities for businesses, creating a transparent tax exemption process, and addressing the issues of high tariffs for businesses.

Figure 31: Potential Solutions for Creating a Conducive Economic and Investment Climate in Ghana



5.4 Way Forward

Ghana is recognized as one of the politically stable environments for investments in Africa. Over the last decade, Ghana has recorded relatively stable growth at an average real GDP growth of 3 to 4 per cent after the commercial production of petroleum resources and a robust services sector. The relative stability in growth opened the economy to significant FDI, making Ghana one of the major investment destinations for FDI in Africa. Recent external shocks caused by the pandemic and the conflict in Ukraine have amplified pre-existing fiscal and macroeconomic weaknesses and sent shocks across critical sectors of the economy. For most businesses, the macroeconomic hurdles have increased the cost of doing business and affected their profits and returns. This study set out to gauge the state of the current business and investment climate from the perspective of the members at GNBCC.

Overall, the study finds a strong agreement with the fact that the cost of doing business is high. The cost of doing business is largely driven by high taxes, high utility tariffs, and weak regulatory and compliance systems resulting in expensive compliance processes for businesses. The findings generally reflect the trends in the macroeconomic environment as well as raise key concerns about the digitization reforms in regulatory agencies. These factors have resulted in a strong perception of an unconducive business environment for investment in Ghana. Despite the negative experiences with the business environment, the businesses demonstrate a relatively high optimism in Ghana's investment climate, which can attributed to both firm resilience and recognition of the immense business opportunities in Ghana. While there is optimism in the business environment, significant challenges remain. Key among them are tax regime, regulatory and compliance processes leading to the payment of unofficial fees, and cost of utilities.

It is increasingly clear that businesses recognize that the cost of doing business is high, however, the opportunities available continue to create optimism in the investment climate. Thus, addressing the obstacles to investment can potentially increase investment in Ghana and contribute to deepening Ghana's position as one of the major investment destinations in Ghana. To this end, the following recommendations are proposed.

5. **Streamline regulatory compliance processes and deepen digitization in public service to address firms' exposure to corruption**. High regulatory and compliance cost is identified as one of the key cost components for the firms, and the less synchronization of regulatory and permit processes leads to firms paying extra costs through unofficial channels. Thus, the government must deepen the existing e-government services to ensure that the services are delivered efficiently and reduce the cost of compliance. This will help to reduce the bureaucratic interference of public agencies in the activities of investors.
6. **Review the existing tax regime**. Given that the existing macroeconomic challenges have already increased the cost of doing business for firms, the government must review and align the tax frameworks to minimize the incidence of "duplicating taxes" that make it expensive for businesses to operate in Ghana. Reducing the tax burden on businesses is crucial to making the firms competitive and increasing FDI attraction. Furthermore, the government must engage foreign investors to enhance their understanding of the tax administration system and how they can use the electronic platforms to their advantage. For instance, the government must provide capacity building on how firms can access tax exemption available in the provisions.
7. **Collaborate with business chambers to regularly understand the challenges of investors**. The findings indicate that most of the businesses heard the investment

opportunities through GNBCC, which also suggests that the GNBCC will be their first point of contact when they face challenges. The government must collaborate with the chamber of businesses to be ahead of addressing the obstacles to investment.

8. **Increase investors' access to information on support programmes available to investors.** Limited access to information was identified as one of the obstacles to doing business in Ghana. The government can work collaboratively with the chambers of businesses to consistently provide regular information on government support in the form of tax reliefs, exemptions, and financing opportunities to investors.