



UKGCC
UK - GHANA CHAMBER of COMMERCE

BUSINESS CLIMATE REPORT 2020

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The UK Ghana Chamber of Commerce (UKGCC) exists to promote trade cooperation between Ghana and the United Kingdom by helping to create a conducive environment for business success. All of our dedicated work, revolving around advocacy, networking and trade services provide our members in both countries the necessary support to grow their businesses and contribute to the long and enduring relationship between the two countries.

In keeping with our promise of providing up-to date and relevant business information, we are pleased to release the second edition of our annual Business Climate Survey Report for the year 2020. The 2020 report is quite unique in the sense that it provides the perspectives of a business environment, overshadowed by the profound impact of the global COVID-19 pandemic.

The number of businesses who participated in the 2020 survey was 67 as compared to 41 in the 2019 survey. The range of company sizes and economic sectors covered however remain substantially the same. We have presented the results in a straightforward fashion with graphics to make the report easy to read.

Respondent businesses acknowledged positive changes in some reforms, but there remain challenges. It is important to build on the positives and tackle the remaining constraints with all hands-on deck. As an extraordinary year, which brought not only a global health crisis but an economic crisis as well, 2020 presents a test case for how businesses respond to major economic shocks. The lessons that can be drawn from this experience are numerous, not least of them, how businesses and governments plan for risks and build enough resilience to withstand unforeseen shocks.

It is the hope of the UKGCC that stakeholders will make use of the information presented in this report in their strategic policy and operational decisions. On our side, the report adds to the solid foundation of business promotion services we are laying and is set to contribute to the remarkable engagements between the Chamber and its business and government partners.



Anthony Pile
Chairman



Adjoba Kyiamah
Executive Director

The drivers and constraints of business are many and diverse. This Business Climate Report attempts to analyse a wide variety of these factors from the perspectives of Ghanaian businesses. Respondents were given the opportunity to rate ten business environment components, namely: access to capital, presence of quality infrastructure, taxation policy, telecommunications facilities, and quality of labour, regulatory framework, quality of government processes, availability of logistics partners and other service providers, utilities, crime-free environment, security and effectiveness of the legal system.

The general rating of the business environment components produced mixed results; however the negative ratings were more than the positive ratings. Access to capital, infrastructure and quality of government processes had the highest negative rating while utilities (water and power) and telecom's facilities had the least negative ratings.

Assessing the cost of doing business, skilled labour emerged as the cheapest of the business environment components. Not far behind was marketing and selling in the domestic market whose cost was assessed by most businesses as economical or very economical. Capital once again topped the list of the most costly business environment components presenting a two-pronged problem – poor access and high cost. Similarly, land which was assessed as the second most costly in 2020 also presents other problems especially in urban areas where its acquisition can be very cumbersome. Following capital and land was machinery as the third most costly.

Part of the survey was to give businesses the opportunity to assess changes in the business environment components over the last five years. Majority of businesses surveyed indicated that telecoms facilities available for business operations was improving over the last five years. Availability of power and presence of quality infrastructure ranked second and third respectively in the order of business environment components deemed to be improving in the last five years. On the flip side, access to capital topped the list of those deemed to be declining. Comparing the 2020 ratings with those in the 2019 report, changes in tax policy and regulatory environment were observed to be shifting in a more favourable direction.

Governance issues such as corruption and stability of the political system were some of the cross-cutting issues on which businesses shared their perspectives. The level of corruption was assessed as very high. The stability and effectiveness of the political system on the other hand received a favourable rating, which is not surprising given the relative peaceful and democratic environment in the country.

The major highlight of the 2020 business year was the impact of COVID-19 on business operations. The most frequent effects of the pandemic on Ghanaian businesses as revealed by the survey results were decreased revenues, financial challenges, increased cost of production, supply chain challenges and workforce challenges. Companies adopted a diverse range of strategies to cope with the pandemic, the most common one being, working from home, followed by online sales. Less than 10% of companies laid off workers during the pandemic while only 1.5% filed for bankruptcy. The results show that the combination of strategies adopted did help companies to stay in business. Some companies also received

support from government and private sector COVID-19 support schemes, but this was only to a limited extent. Most either applied and had not received at the time of the survey or did not apply at all. At the same time, more than half of those who received some support indicated that the support did not help their businesses. This is intriguing, given that majority of the businesses faced challenges with decreasing revenues and increasing costs while cost of capital was deemed high. It is unclear why support would not be helpful in a crisis situation such as COVID-19 induced. It does however suggest that some business support schemes may not be aligned to the needs of businesses in their design or implementation or both, even if well intended.

On the African Continental Free Trade Area, the survey sought to gauge the preparedness of businesses to take advantage of the opportunities such a major trade deal presents. Only a small proportion (18.5%) of respondents were confident that Ghanaian companies can take advantage of the deal. The rest, either believed it will be tough (23.1%), very tough (6.2%) or were unsure how Ghanaian companies will fare under the AfCFTA.

The report presents four main recommendations based on the survey responses. First, attention should be paid to capital access and cost. Addressing this issue will have a significant impact on the post-crisis recovery of businesses. Second, businesses look forward to tax measures that will lessen the burden of operational costs so that more investments can be made. Third, it is important to continue efforts at reducing corruption and making government-business interfaces more transparent. Ongoing digitisation measures may go a long way to achieve this and should be encouraged. Finally, there is need for continued dialogues to understand the needs of businesses regarding their capacity to expand and trade under the AfCFTA.

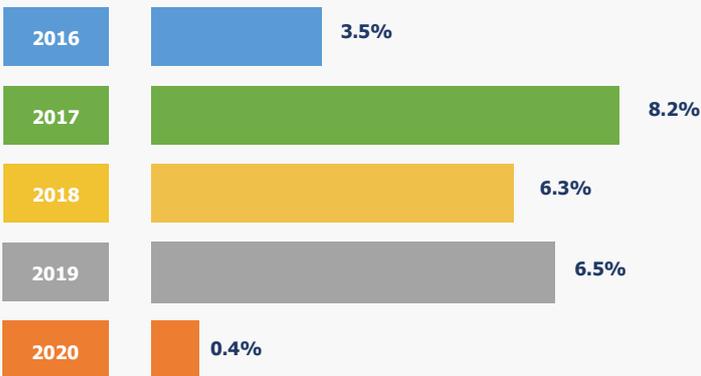
Overview of Economic Context

The Ghanaian economy experienced shocks in 2020 as a result of the COVID-19 pandemic. GDP grew at the rate of 0.4% compared to 6.0% for 2019. The outturn below the revised target of 0.9%.

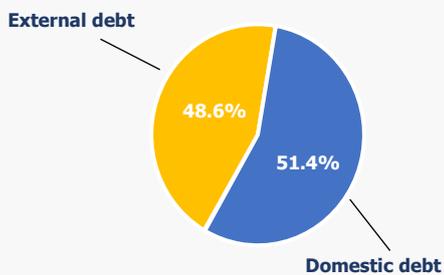
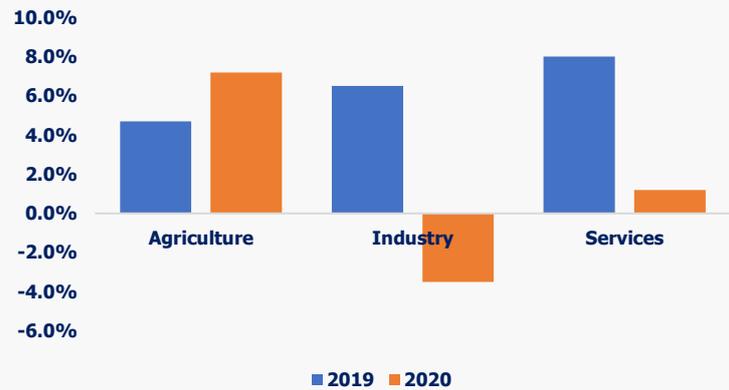
Industry contracted at -3.5% and services recorded a growth rate of 1.2%. The agricultural sector did better, recording growth rate of 7.2%. Even though total revenue and grants exceeded the revised target by 2.7%, increased expenditure due to COVID-19 resulted in a budget deficit of 11.7% of GDP.

Snapshot of 2020 macroeconomic and fiscal performance

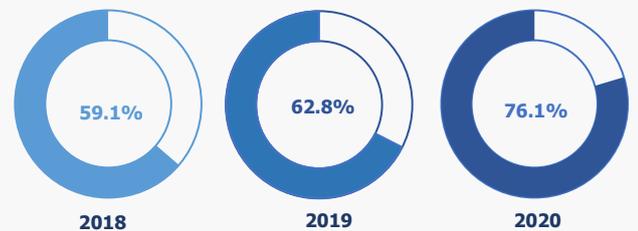
GDP growth rates



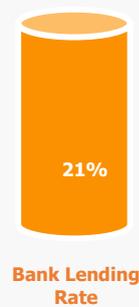
Sectoral growth rates



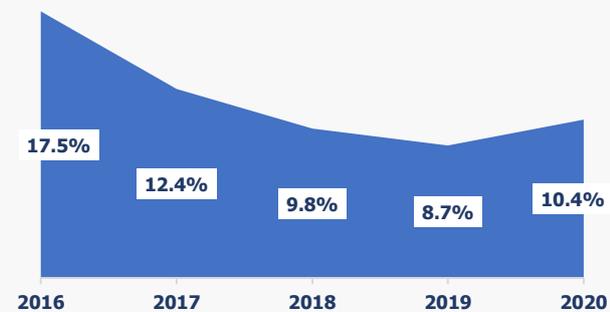
Debt-to-GDP ratio



Total Revenue and grants	GHC 55.1 billion
Total Expenditure	GHC 100.1 billion
Fiscal deficit	11.7% of GDP



Trend of end-year inflation rates



Sources: Ghana Statistical Service, Ministry of Finance, Bank of Ghana

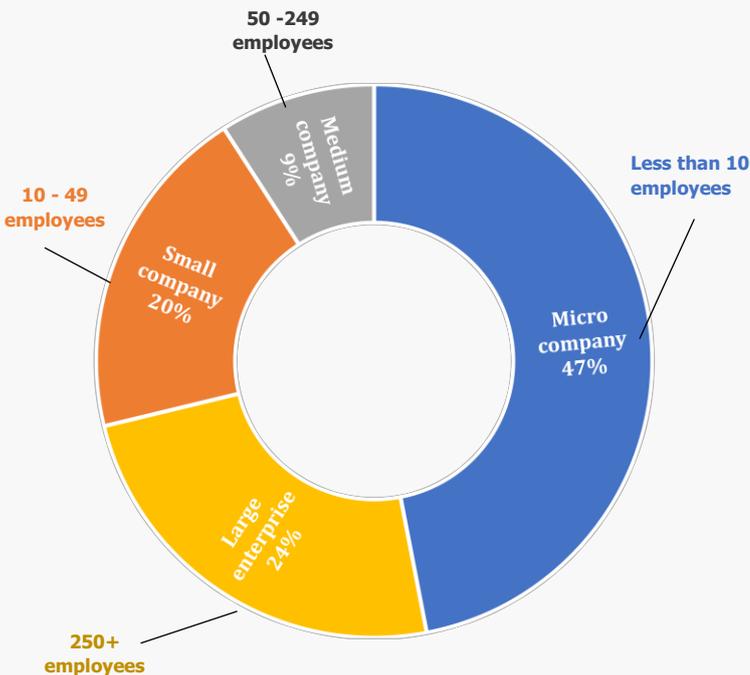
INTRODUCTION...

The Business Climate Report is a flagship initiative of the UK-Ghana Chamber of Commerce established to monitor the business climate within which members of the Chamber operate. The present report is the second in the series. This report is the result of a survey conducted in 2020 to assess the business environment of Ghana as perceived by businesses in Ghana as well as the level of confidence of the business community. The survey sought to analyse the drivers and constraints to doing business in Ghana by asking businesses to answer questions based on their experiences. Sixty-seven (67) businesses drawn from 11 sectors and ranging from micro to large enterprises participated in the study. Data were gathered between October and December 2020 through a questionnaire administered online to the participants.

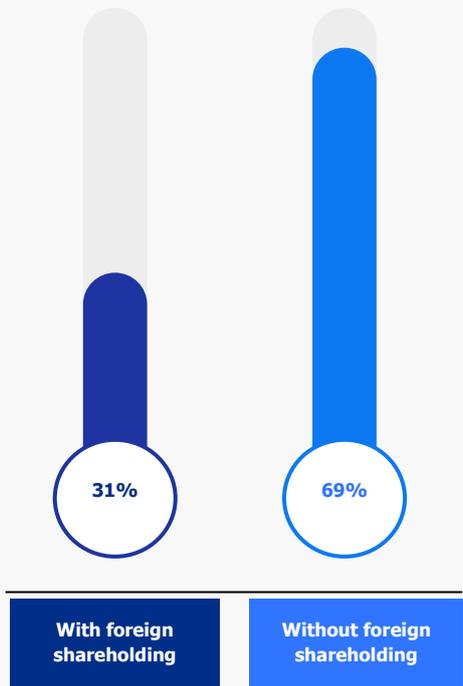
Distribution of respondents by sector



Distribution of respondents by size of company



Distribution by ownership structure

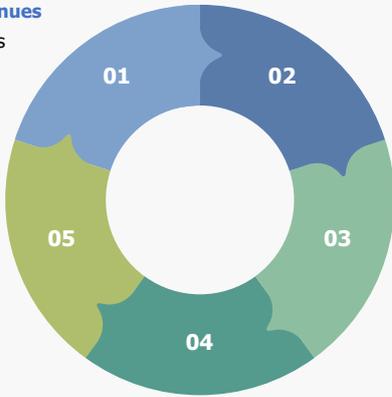


Key highlights

Top 5 COVID-19 effects on businesses

Decreased revenues

60% of businesses had decreasing revenues.



Workforce challenges

29.2% of businesses had workforce challenges like workers getting ill.

Supply chain challenges

39.6% faced supply chain challenges.

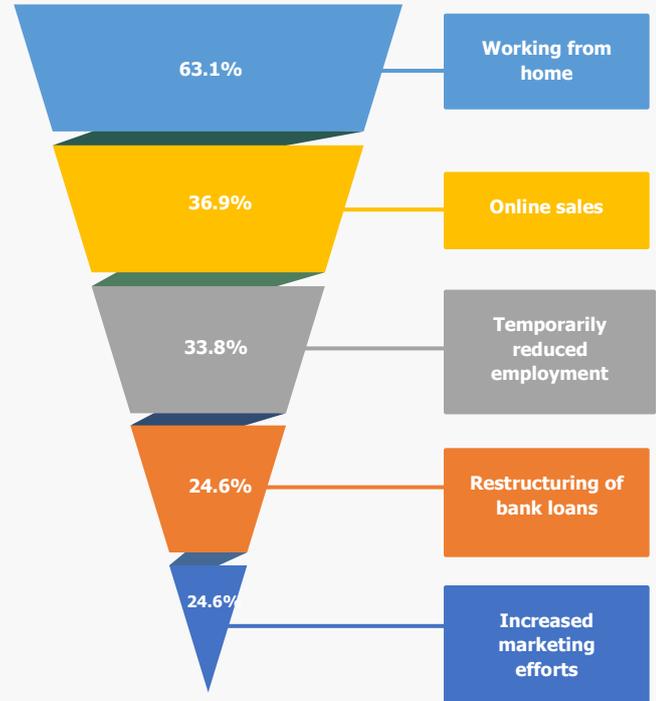
Financial challenges

49.2% of businesses suffered financial challenges such as cashflow issues.

Increased cost of production

Cost of production increased for 44.6% of businesses.

Top 5 strategies adopted to cope with COVID-19



Top 5 suggested reforms



Top 5 factors that will influence businesses to invest more and expand



CHAPTER ONE....

General perceptions of business environment components

Business environment includes both formal and informal institutions, processes and values that place constraints on what a business can and cannot do as well as how it goes about what it can do. The quality of a business environment is determined by how it helps companies to achieve their business objectives. Respondents were asked to rate 10 categories of business environment components as outlined below. This chapter presents the survey results on the general perceptions of the respondents of these components.



Access to capital



Taxation policy



Presence of quality infrastructure



Telecommunication facilities



Quality of labour



Regulatory framework



Quality of government processes



Availability of logistics partners



Security and crime-free environment



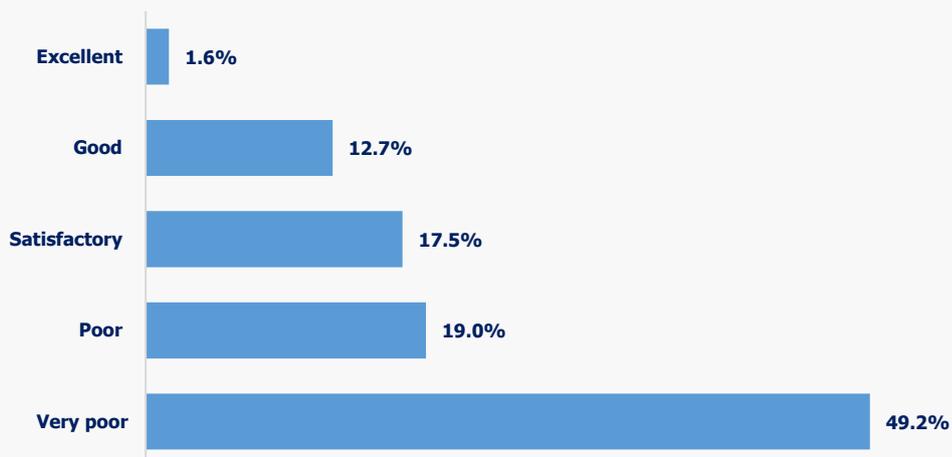
Utilities



Access to capital

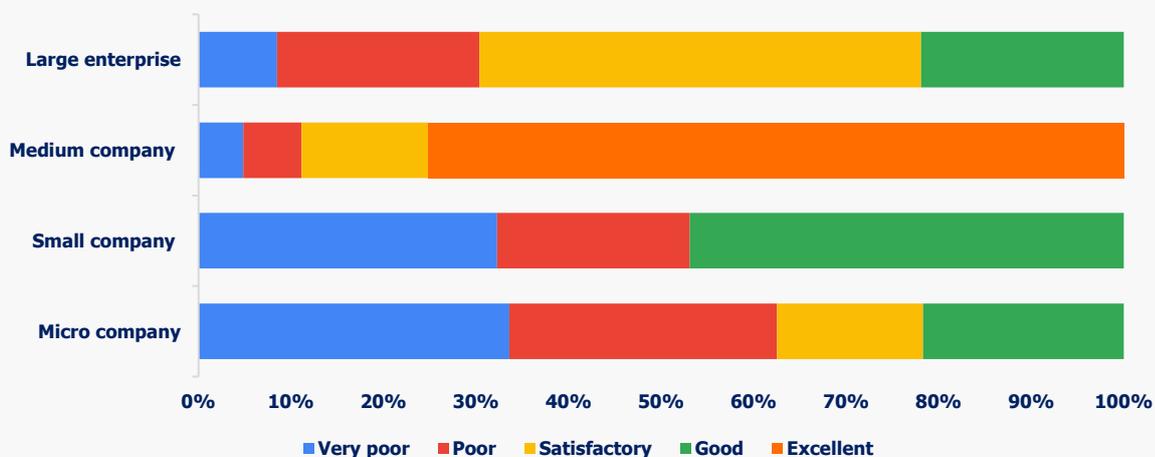
The requirements businesses need to meet to obtain credit for investment are usually daunting. In some cases, the financial system may have its own challenges especially with capitalisation, as the recent financial sector clean-up showed. By end of 2020, the financial system was deemed to be back on track with a well-capitalised banking system posting assets of GHC 149.3 billion, up from GHC 129.0 billion in 2019. However, new loan advances dropped sharply year-on-year from 23.8% in 2019 to 5.8% in 2020¹. This reflects the perspectives of businesses regarding access to capital. Nearly half of survey respondents rated access to capital as very poor, requiring urgent attention.

Rating of access to capital 2020



The perspectives on access to capital vary by size of company. Micro and small companies with less than 50 employees were more likely to rate access to capital as very poor. 58.1% of micro companies and 25.8% of small companies rated access to capital as very poor. This is not surprising since bigger companies are usually better placed to access credit from the financial system due to their potential bigger asset base.

Rating of access to capital by size of company



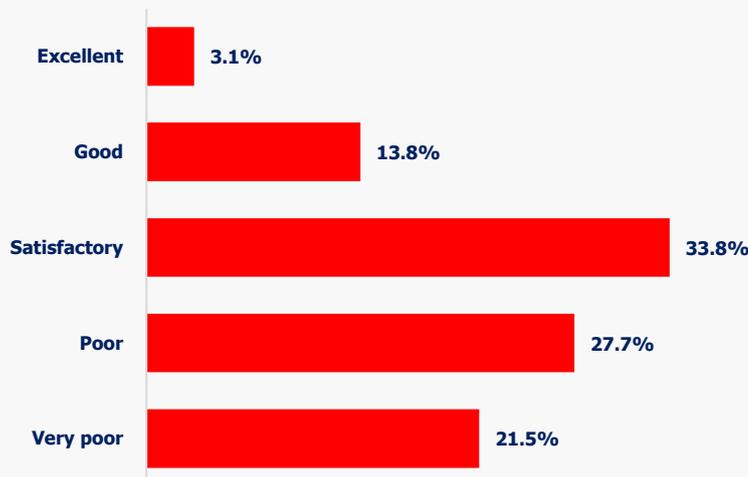
Sources: Business Climate Survey 2020

¹ Source: The Budget Statement and Economic Policy of the Government of Ghana for the 2021 Financial Year

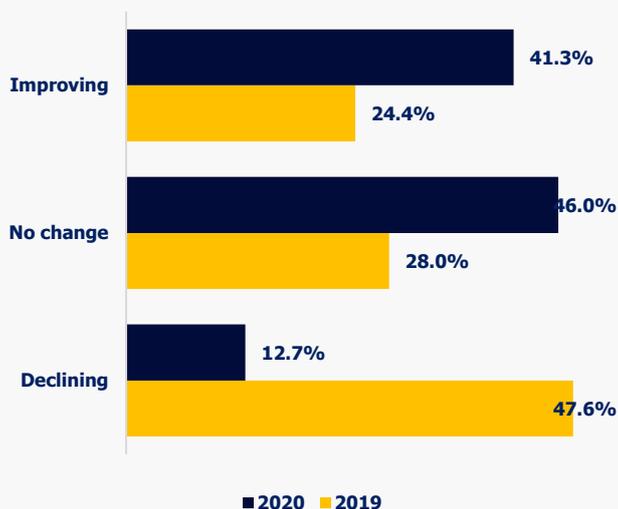
Tax policy

16.9% of the businesses surveyed rated tax policy as either good or excellent, requiring no attention soon. However, 47.2% see it as poor or very poor. The general perception on tax policy in the last five years has changed somewhat favourably. In 2019, only 24.4% said it was improving. This has increased to 41.3% in 2020.

Rating of tax policy 2020



View on Tax policy over last five years

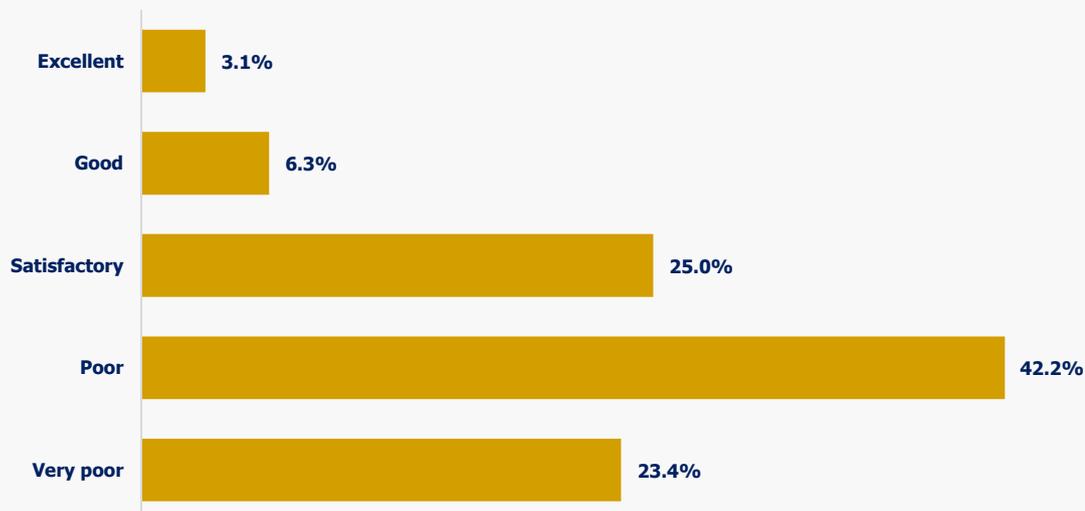


Sources: Business Climate Survey 2019 and 2020

Presence of Quality Infrastructure

When asked to rate the presence of infrastructure for enabling business in Ghana, 3.1% of UKGCC members surveyed give the country's infrastructure a clean bill of health, rating it as excellent. On the other hand, 23.4% indicated that the quality of infrastructure was poor, while 42.2% rated it as very poor, demanding urgent attention.

Rating of presence of quality infrastructure



Sources: Business Climate Survey 2020

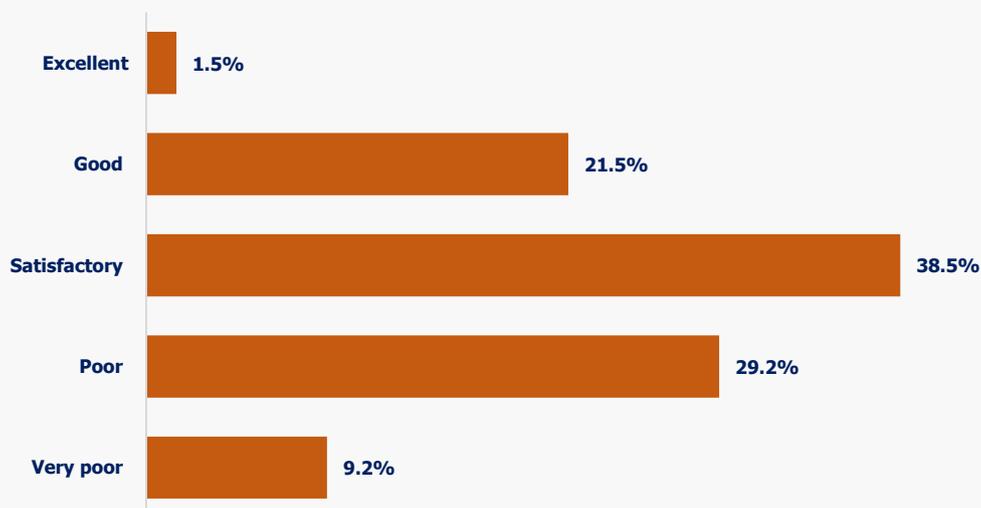
Telecommunication facilities

E-governance and digitisation have taken centre-stage in the past few years with the aim of easing business processes using modern telecommunications technology.

These technologies do not only fast-track business operations during normal times, but they also increase the capacity of a business to cope during crisis. For example, one of the strategies adopted by businesses to cope with the COVID-19 pandemic is working from home. The survey results show that 63.1% of respondents adopted this strategy. Almost 40% also adopted online sales.

The rating of telecommunication facilities was better than that of infrastructure. While 23% saw this component of the business environment as good or excellent, 38.5% saw it as satisfactory.

Rating of telecommunication facilities

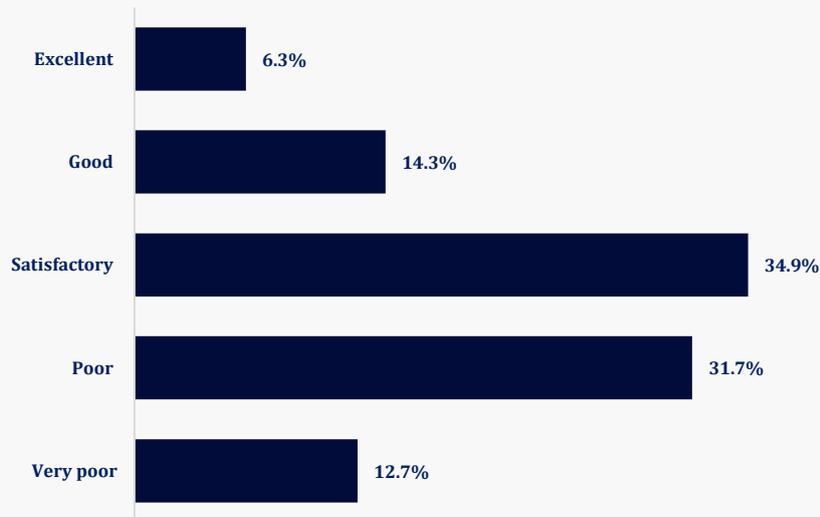


Sources: Business Climate Survey 2020

Quality of labour

A fifth of the respondents in the survey perceived the quality of labour in Ghana as good or excellent while 34.9% rated it as satisfactory. Industry players have consistently complained about the nature of human resource churned out of the nation's training institutions. If reforms are implemented in this area, there will be adequate skills and expertise to help companies produce the goods and services the evolving economy will need. Priorities have begun to be articulated regarding the need for more STEM and vocational/technical education. These will be crucial in training the needed human resource for economic development of the country.

Rating of quality of labour

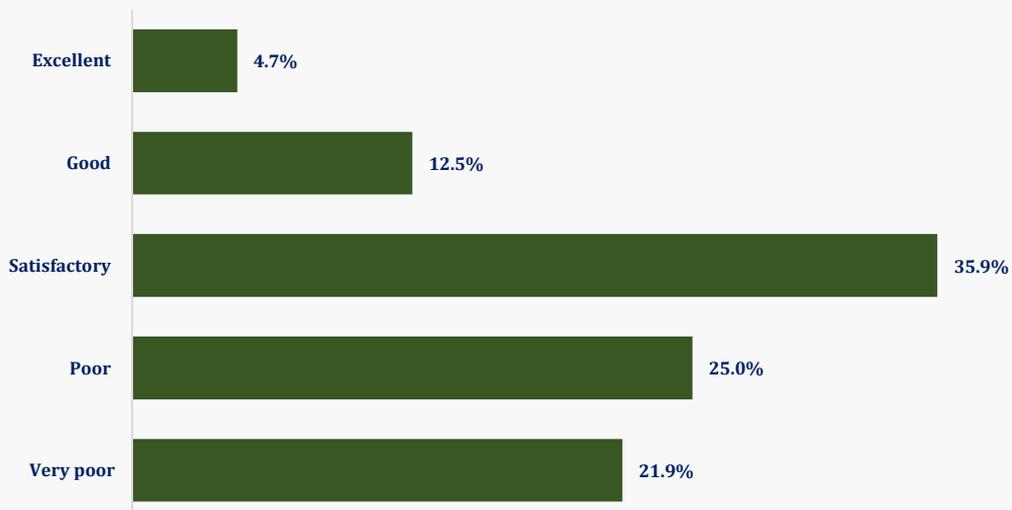


Sources: Business Climate Survey 2020

Regulatory Framework

There is room for improvement in the regulatory environment in Ghana as less than 20% of businesses surveyed perceived it as good or excellent. In fact, 47% gave at least a poor rating with 22% saying it was very poor and required urgent reform. 36% however considered it satisfactory. To this group, there is no need for concern at present regarding the regulatory framework, but it will need attention in future.

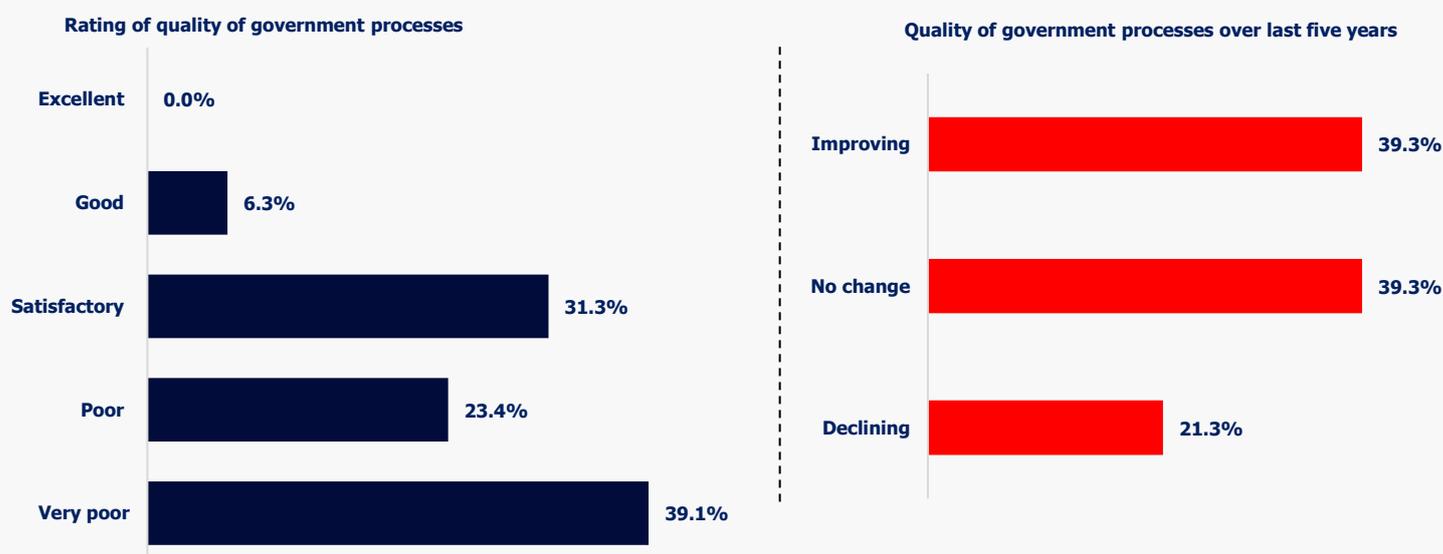
Rating of Regulatory Framework 2020



Sources: Business Climate Survey 2020

Quality of government processes

Many processes have been initiated to implement public sector reforms in the country aimed at increasing productivity, efficiency, and effectiveness of the public sector. But the findings show that these have yet to yield much results as almost the same proportion of businesses who consider the quality of government processes as poor or very poor also saw it as either unchanged or declining over the last five years.

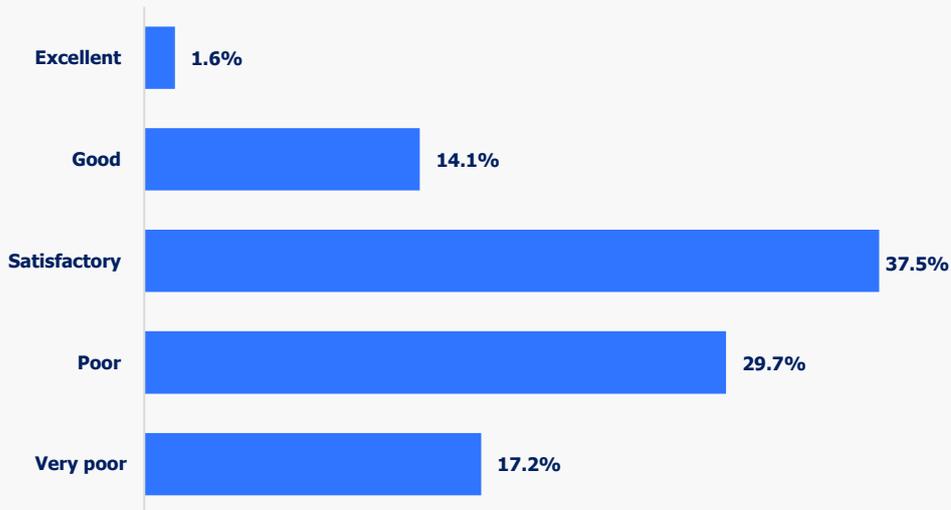


Sources: Business Climate Survey 2020

Availability of logistics partners and other service providers

When asked to rate the availability of logistics partners and other service providers required to run their businesses smoothly, businesses returned a not-so-confident verdict. While 36% of them considered it satisfactory, only about 16% thought there was good or excellent availability of logistics partners and other service providers. Meanwhile a little below half of businesses were not satisfied with it. This finding points to a number of possibilities. First, it is possible that these partners and service providers exist but are not known by those who may need their services. Second, certain specific categories of services are unavailable and need to be identified through a comprehensive business ecosystem scan. In both cases, there is need for collaboration between business facilitators to improve the availability of service provision. UKGCC will take lead in this direction.

Rating of availability of logistics partners and other service providers



Sources: Business Climate Survey 2020

Further analysis revealed that four categories of companies were more likely to rate the availability of service providers as poor or very poor while seven were more likely to rate it as satisfactory or good. All (100%) metal and machinery manufacturing businesses considered this component of the business environment as excellent. Similarly, 100% of utilities providers saw it as satisfactory while all manufacturers of textiles and apparel rated it as poor. Food and accommodation service businesses were divided equally between very poor and satisfactory availability of logistics and other service providers.

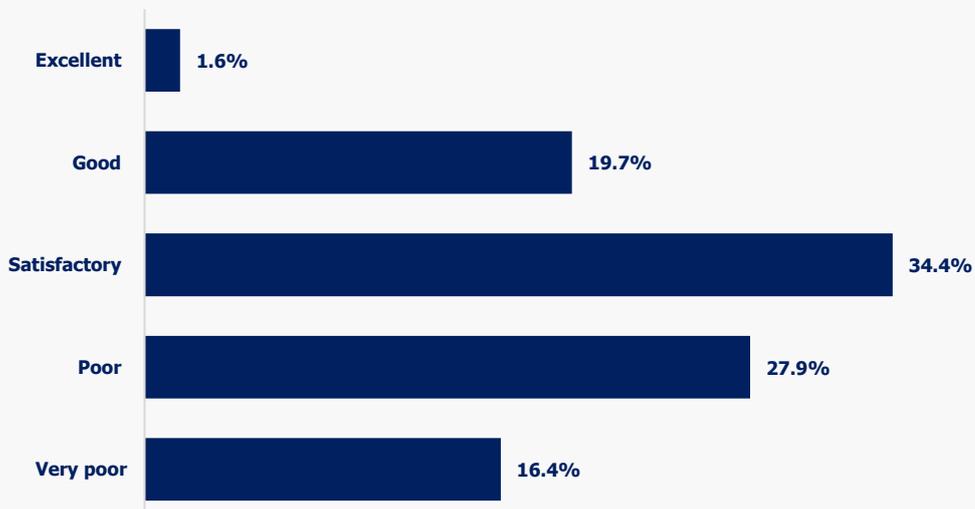
Poor or Very Poor	Satisfactory	Good or Excellent
<ul style="list-style-type: none"> Professional, Scientific, and Technical services 	<ul style="list-style-type: none"> Information: Media, Telecom, and Data processing Construction and Real estate 	<ul style="list-style-type: none"> Manufacturing: Metal and Machinery
<ul style="list-style-type: none"> Wholesale and Retail Trade 	<ul style="list-style-type: none"> Manufacturing: Food & Beverage 	
<ul style="list-style-type: none"> Manufacturing: Textile and Apparel Finance and Insurance 	<ul style="list-style-type: none"> Other Manufacturing Utilities Agriculture, Forestry and Fishing 	

Source: Business Climate Survey 2020

Crime-free environment, security, and the effectiveness of legal system

To more than a fifth of businesses surveyed, security and the effectiveness of the legal system were either good or excellent while about a third thinks they were satisfactory.

Crime-free environment, security, and the effectiveness of legal system

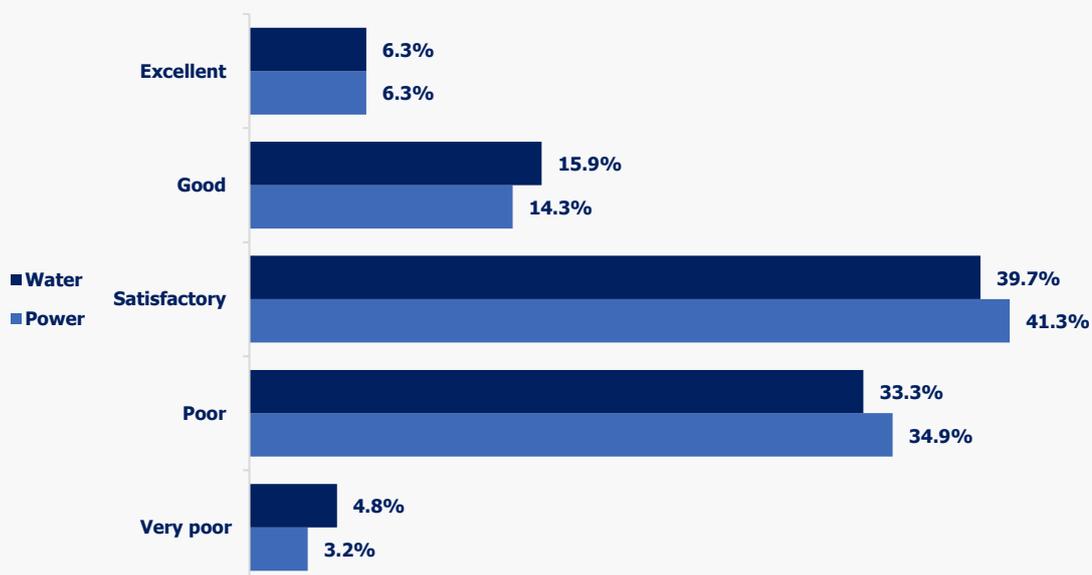


Sources: Business Climate Survey 2020

Utilities

Availability of water was satisfactory, according to 39.7% of businesses surveyed, almost the same proportion considered the availability of power as satisfactory. Utilities form part of the day-to-day operational needs of businesses and their availability is crucial to business sustenance. A mixture of measures helped to ease power crisis that affected businesses in the past. The survey results may be reflective of a general cautious optimism regarding the continuous reliability of the power sector in terms of consistency of supply and guarantee of affordability.

Rating of utilities (power and water availability)

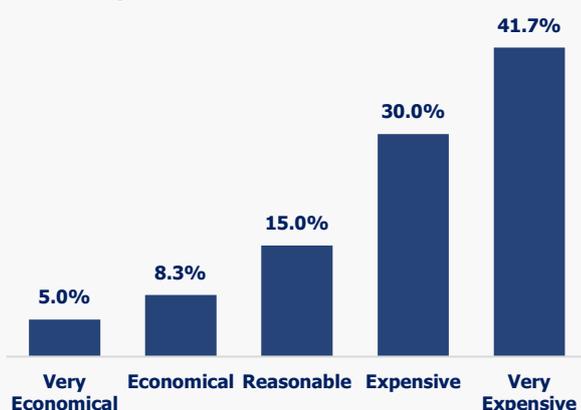


Sources: Business Climate Survey 2020

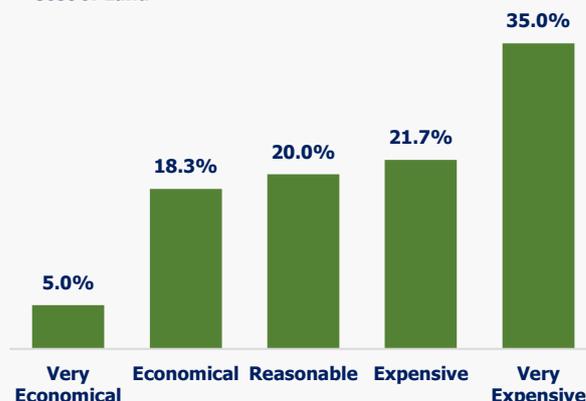
UKGCC's Business Climate Survey series gathers and analyses perspectives of businesses on the cost of a number of business environment components. Capital emerged as the costliest business environment component with 71.7% saying it is either expensive or very expensive. This is not surprising given that majority of the respondents considered access to capital as very poor, suggesting that capital was both costly and inaccessible. There is need to pay attention to this challenge especially in a post-COVID era when businesses will play a crucial role in the recovery of the economy. Land was the next costliest, considered so by 56.7% of businesses. The issue with land is also double-barrelled. Apart from the cost, the land tenure system puts some constraints on the ability of entrepreneurs to access large tracks of land for commercial activities. In certain urban areas, getting land free of any encumbrances is a difficult process and one piece of land can often be sold multiple times. In spite of many reforms and plans introduced by the Land Use and Spatial Planning Authority, these issues persist. In 2020, government announced the intention to implement a blockchain-powered land digitisation programme. Perhaps if this is carried through, it could resolve most of the challenges with access to and cost of land.

Perceptions on costs of business environment components 2020

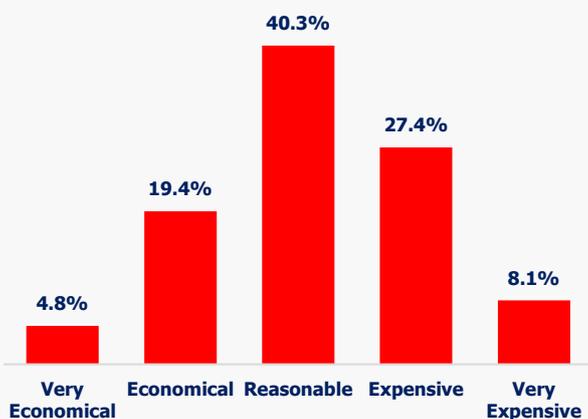
Cost of Capital



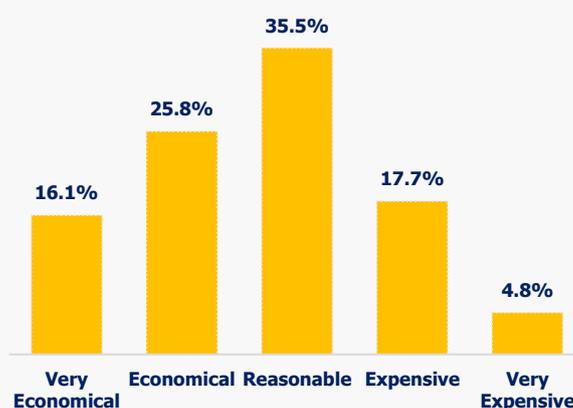
Cost of Land



Cost of Power



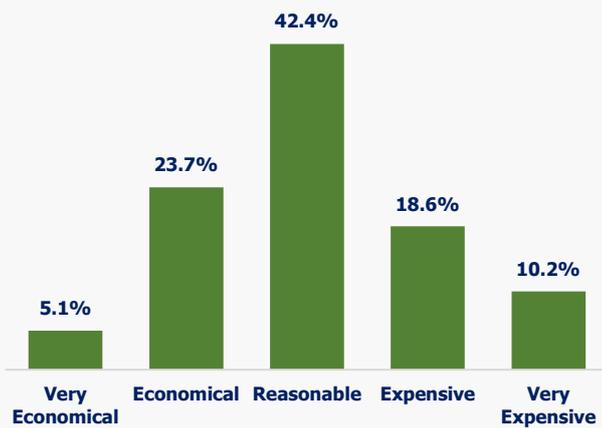
Cost of Skilled Labour



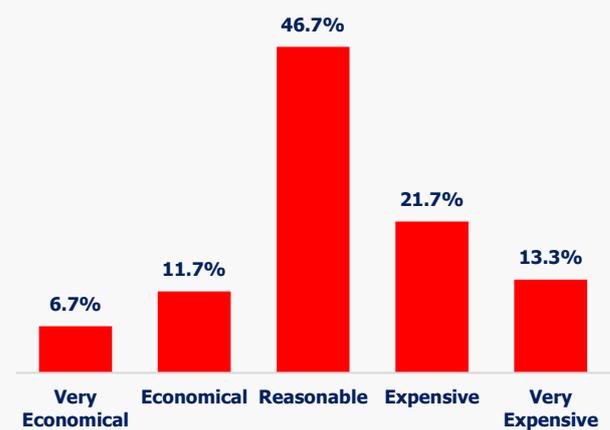
On the positive side, 41% of businesses considered skilled labour as either economical or very economical. Certifications and quality control measures had the highest proportion of respondents with an assessment of a reasonable cost i.e neither expensive nor cheap. Cost of marketing and selling in the domestic market followed with 42%, followed by cost of power with 40% saying it was reasonable.

Perceptions on costs of business environment components 2020

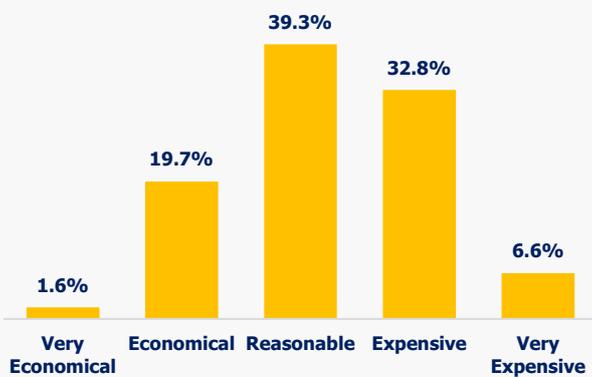
Cost of Marketing and Selling in Domestic Market



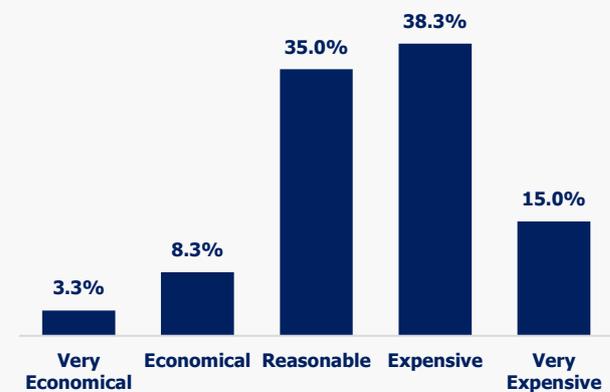
Cost of Certifications and Quality Control Measures



Technology



Cost of Machinery

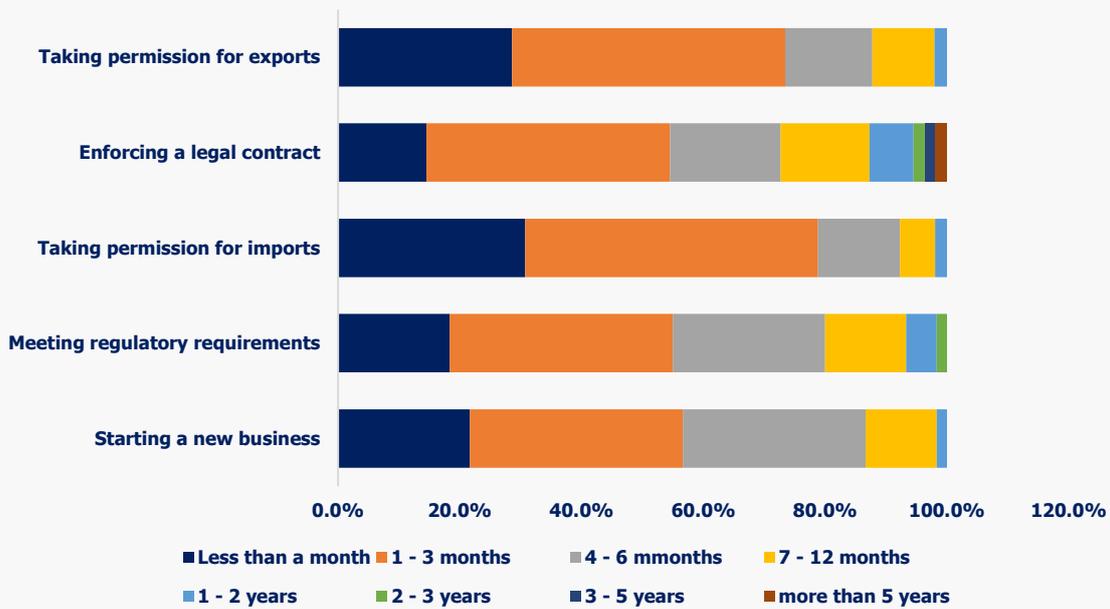


Source: Business Climate Survey 2020

Time taken to obtain business-related services.

Majority of the businesses who take permits for exports and imports indicated that they spent one to three months doing so. For imports, 48% of respondents took 1 – 3 months to secure permission while 30.8% took less than one month. It took 45% of exporters one to three months to obtain the necessary permissions needed for their exporting activities.

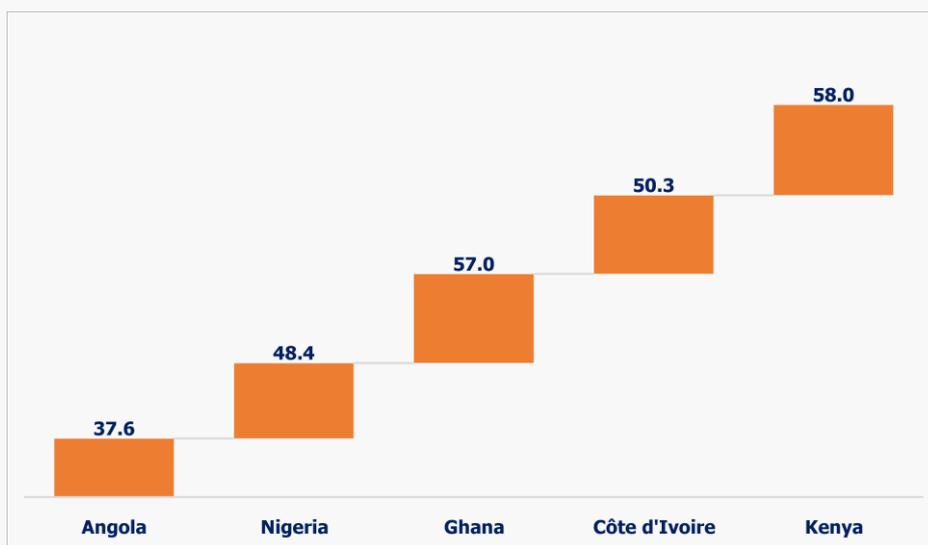
Time spent in obtaining government services for business.



Source: Business Climate Survey 2020

Time, cost, and procedures are the three variables considered by the World Bank in measuring its global doing business indicators from which it derives the ease of doing business rankings. In the 2020 rankings, Ghana fell four (4) places yet again from 114 in 2019 to 118². As a comparator, Ivory Coast, another lower middle-income economy in the sub-region improved from 122 in 2019 to 110 in 2020. It also obtained a higher score than Ghana, so did Kenya which ranked 56. Ghana however scored higher than Nigeria and Angola.

Ease of Doing Business 2020 scores: Ghana and comparator countries.



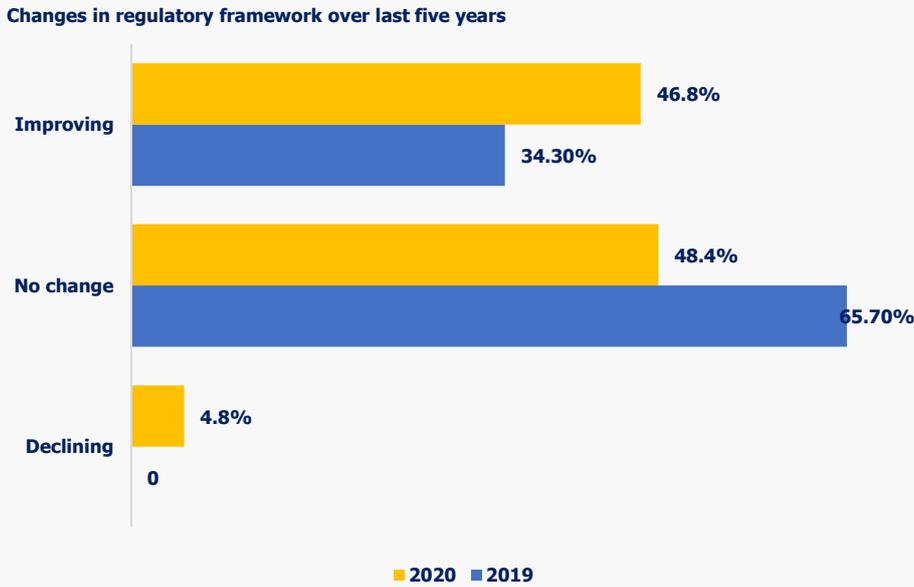
Source: World Bank Doing Business database

² World Bank. 2020. *Doing Business 2020: Comparing Business Regulation in 190 Economies*. Washington, DC: World Bank

The fruits of Economic Reforms; perspectives from businesses

In the last few years, several reforms have been undertaken to transform the business environment. Initiatives have included the One District One Factory programme to drive private sector-led industrialisation, the digitisation of the economy to reduce corruption and fast-track services, warehousing programme to support the storage of grains. Respondents were asked about a wide range of areas affecting the business environment and to indicate whether these areas were declining, improving, or stagnating in the last five years. The results of the survey clearly show that there have been improvements in some sectors while other areas require attention.

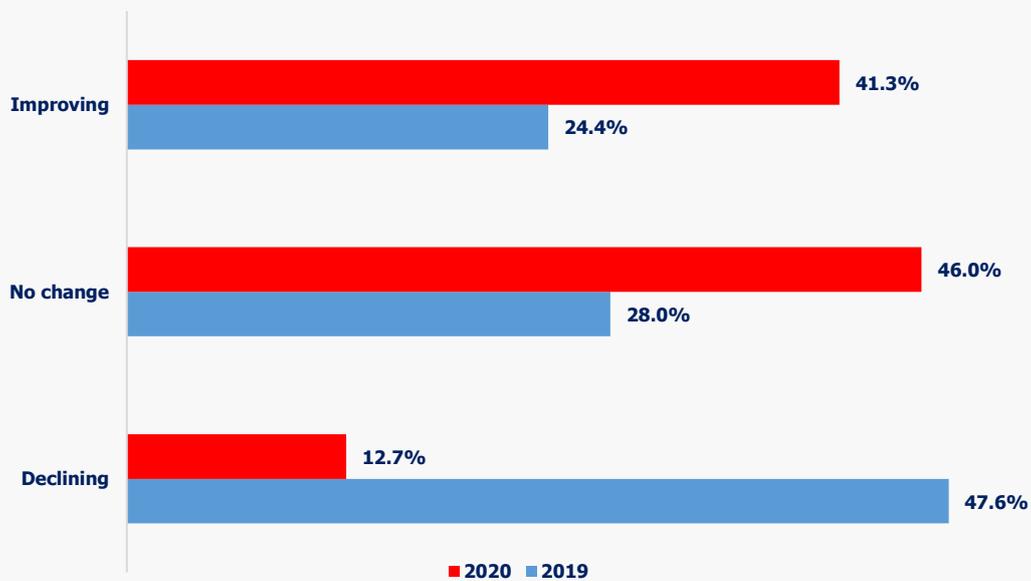
Less than half of business owners felt that the regulatory framework was improving while 53.2% felt it was either declining or had not changed over the past five years. This however represents an increase over the proportion who felt the regulatory environment was improving in 2019. On the other hand, there was a decrease in the proportion who felt there was no change in the regulatory framework from 65.7% in 2019 to 48.4% in 2020, indicating a smaller negative rating.



Source: Business Climate Survey 2020

Assessing the taxation policy, 41.3% felt it was improving in the context of the last five years. A larger proportion (58.7%) either did not see any changes in taxation policy or felt that it had declined. In 2019, this figure was 75.6%, indicating a reduction in negative rating.

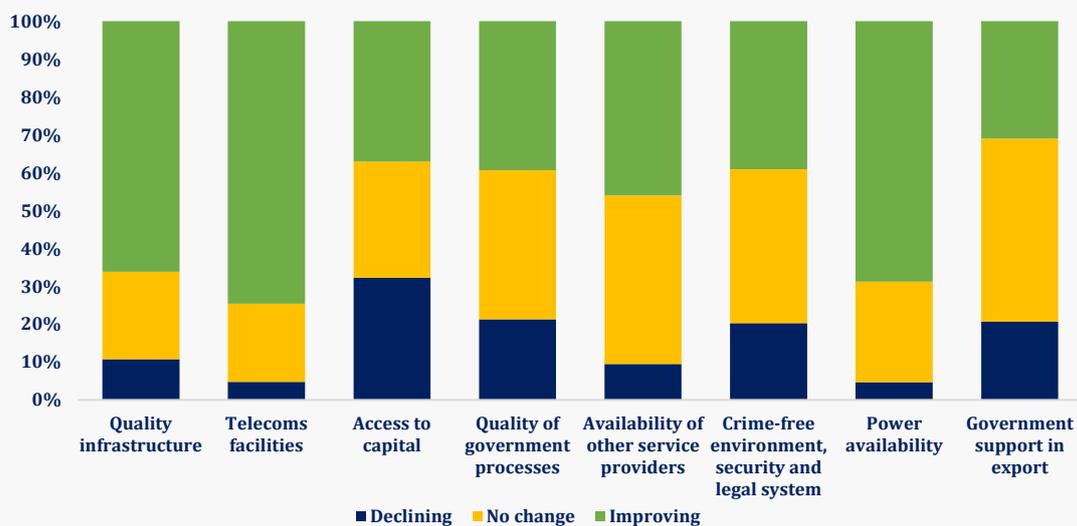
Changes in Tax policy over last five years



Source: Business Climate Survey 2020

Thus overall, the perceptions of business owners regarding the regulatory framework and tax policy in Ghana are shifting to more favourable assessments. The chart below shows the assessments of other components of the business environment.

Changes in business environment components over last five years



Source: Business Climate Survey 2020

The presence of quality infrastructure, telecoms facilities for business in the country and power availability are the indicators that have been improving over the last five years with 66%, 72% and 69% respectively of businesses indicating that they have seen improvements in these indicators. On the other hand, 48%

perceived that government support in exports and marketing outside the country had not changed in the last five years while 21% perceived that it had declined.

These results reflect the historical performance of the country in the global ease of doing business report by the World Bank. In the five years from 2016 to 2020, Ghana moved 3 points from a score of 57.0 to 60.0. Nigeria on the other hand moved almost 9 points from 48.4 in 2016 to 56.9 in 2020. Other comparator lower middle-income countries did even better. The neighbouring Ivory Coast moved from 50.3 to 60.7, gaining more than 10 points in the five-year period. Kenya gained 15 points jumping from 58 to 73.2 from 2016 to 2020. Considering the five lower middle-income countries, Kenya had the highest five-year average of 66.1, followed by Ghana with 58.8 and then Ivory Coast 54.7. However, in terms of year-on-year improvements Ghana ranked lower than all comparator countries. The chart below shows the annual percentage increase in scores for Ghana and the four comparator African countries within the same lower middle-income economic group.

Ease of Doing Business Scores 2016 - 2020



Source: World Bank Doing Business Database

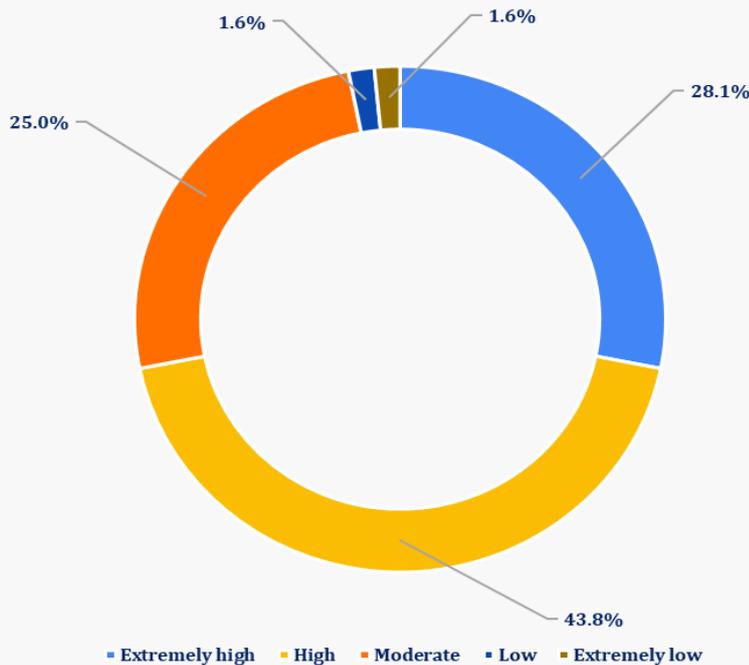
Cross-cutting issues

Other issues on which the opinions of UKGCC businesses were surveyed include corruption, transparency, political stability. These bother on governance and the socio-political context, which exert influence on the business environment in a way that cannot be ignored.

Corruption

The degree of corruption was deemed high in Ghana according to 71.9% of businesses surveyed. 43.8% of this proportion considered it extremely high.

Perceptions on the degree of Corruption in Ghana



Effects of corruption on business

Corruption affects the business environment in many ways. It brings about hidden costs to businesses if they want to get basic things done, thereby increasing the cost of doing business. This is especially the case when state officials demand bribes before providing services to businesses. Sometimes it can affect the time taken to accomplish business operations and make otherwise simpler things very complex. But corruption can sometimes occur within businesses as well, with employees, management or external people working on behalf of companies.

Source: Business Climate Survey 2020

Corruption affects businesses not just in Ghana but in Africa as a whole. The World Bank's Enterprise³ Surveys revealed that 27% of companies in Africa south of the Sahara are expected to give "gifts" to public officials to "get things done". Also 44% identified corruption as a major challenge in this region. It also found that almost 50% of companies in South Asia need to bribe public officials to get government contracts while 26.2% of companies in Eastern Europe and Central Asia faces the same challenge, evidence that this canker is not a challenge for Africa only. In fact, the survey conducted in 135 countries found that 27.1% of companies in all the countries are expected to pay bribes to get government contracts.

³ Kumar (2015). *How corruption affects businesses around the world in 5 charts*. World Bank.

Lack of transparency, protection of property and intellectual property

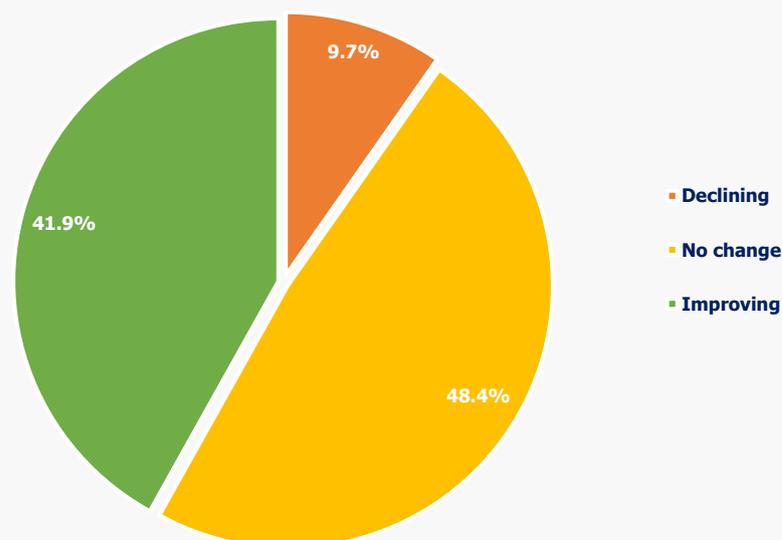
Businesses also expressed their feelings about transparency, protection of property and intellectual property. The availability of information to the public builds trust and confidence, which are both necessary for all stakeholders to play their roles effectively in economic growth and development. On the other hand, opaque dealings by actors breed uncertainty and derails business. One of the cardinal characteristics of a free environment is the protection of property. Businesses and private citizens must be able to acquire property legitimately without any threat of losing it to the government under a forceful take-over. Article 20 of the 1992 Constitution of Ghana guarantees this right, and companies or individuals can challenge any such acts in a court of law. When asked what they thought about lack of transparency, protection of property and intellectual property, 77.4% indicated that there had been either been no change over the previous five year or it was declining.

Stability and effectiveness of political system

48.4% of businesses considers the stability and effectiveness of the political system unchanged over the last five years while 41.9% thinks it is improving. Almost a tenth however considers it as declining. Businesses are usually concerned about whether their investments will be safe in a polity.

It is important for the relative stability of the country to be safeguarded by identifying and addressing threats. For business to thrive, an enduring peaceful environment is non-negotiable.

Stability and effectiveness of political system over last five years



Source: Business Climate Survey 2020

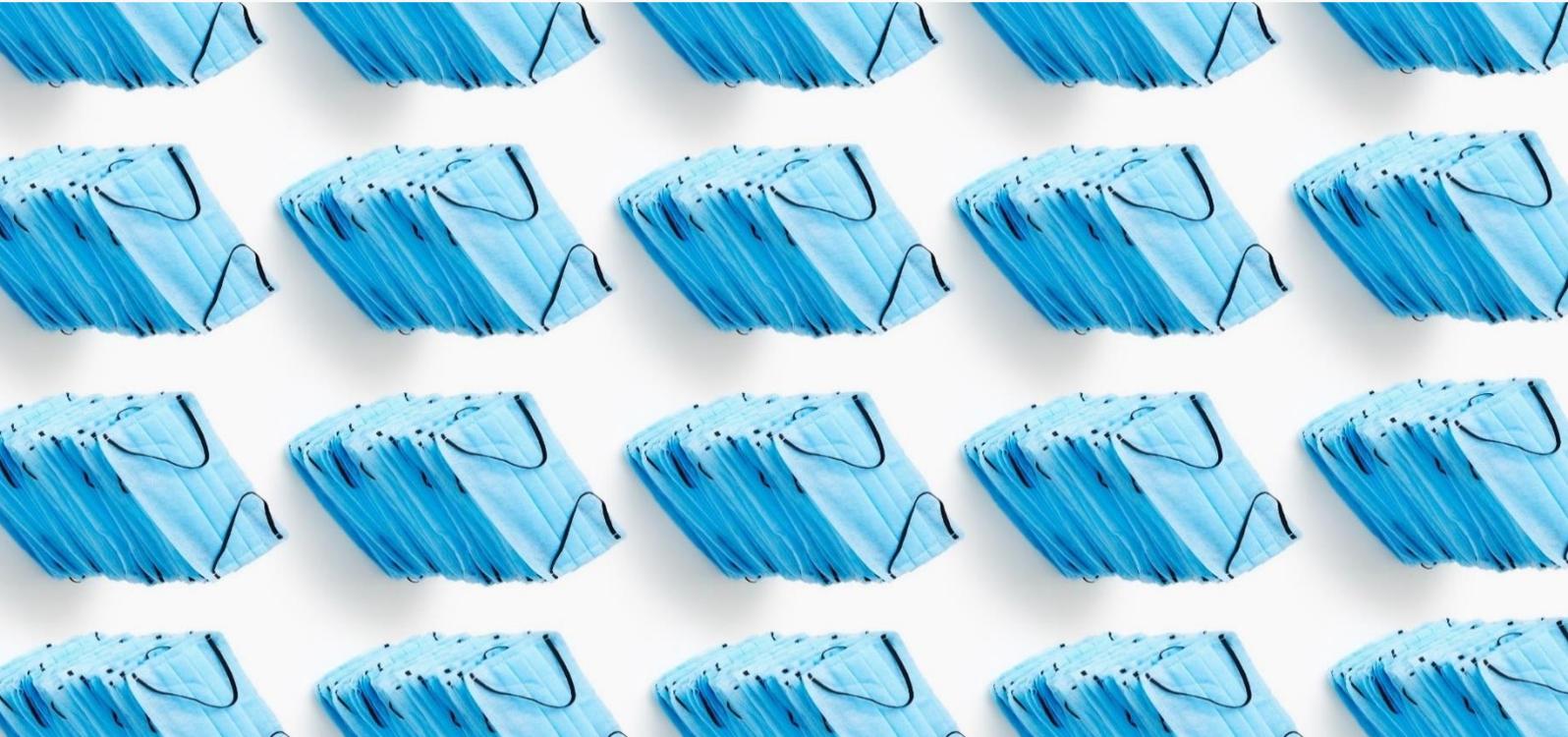
CHAPTER THREE...

COVID-19: Business in a pandemic

2020 brought not just a health crisis but an economic crisis as well. COVID-19 containment measures affected production systems, value chains and overall trade. As of June 2020, the World Bank had forecast that the global economy would shrink by 5.2% due to the impact of the pandemic, causing the deepest recession since World War II⁴. The International Labour Organisation warned of job losses in excess of 190 million⁵ while the World Trade Organisation forecast that global trade would decline by 15 to 32 percent by end of the year, with per capita incomes falling by 3.2% pushing millions into poverty.

Even though Africa was not hit as hard as the other regions, it was not spared the economic ravages. Commodity-dependent African economies suffered from plummeting commodity prices due to the pandemic. The price of petroleum, which accounts for 40% of all African exports and accounts for 7.4% of the continent's GDP dropped 50% according to UNECA's Economic Report for Africa 2020. Prices of metals and cotton crashed by 20% and 26% respectively from their 2019 levels (*op cit*).

In Ghana, GDP contracted in the second and third quarters of the year and only managed a marginal annual growth rate of 0.2% as compared to 6.5% in 2019.



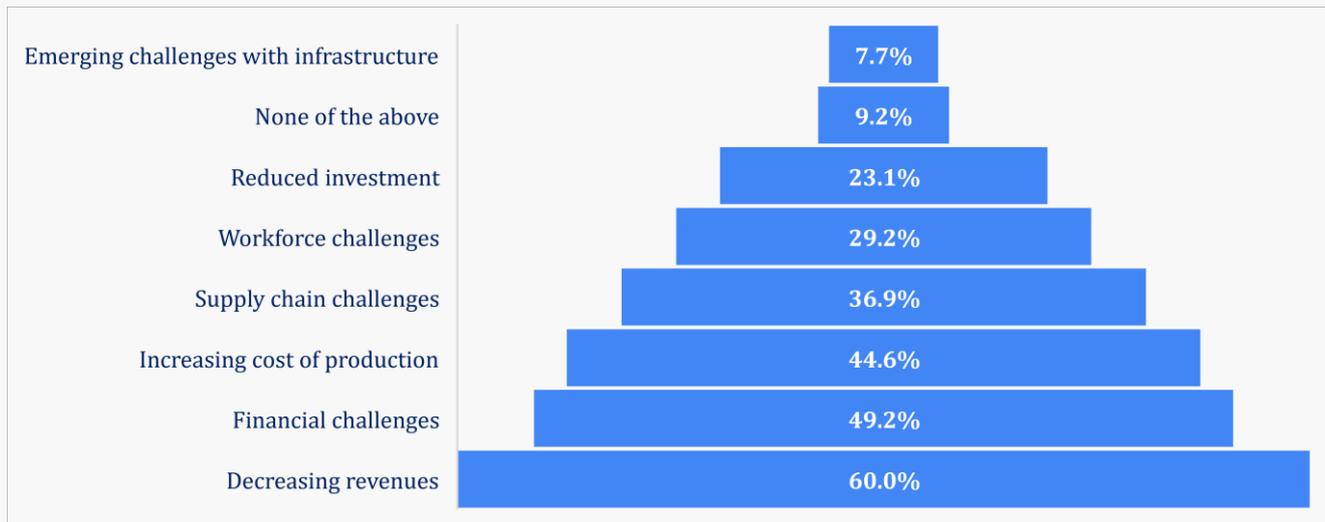
⁴ World Bank. 2020. *COVID-19 to Plunge Global Economy into Worst Recession since World War II*

⁵ United Nations. 2020. *COVID-19: impact could cause equivalent of 195 million job losses, says ILO chief*

Impact on businesses

Decreasing revenues was the most frequent challenge faced by businesses during the pandemic, 60% indicates having encountered this challenge, followed by 49.2% who encountered financial challenges. Businesses encountered more than one of these challenges, and it is important to consider that the full impact of the COVID-19 pandemic was the cumulative effect of multiple business challenges during the course of the year.

Challenges faced by businesses due to COVID-19.



Sources: Business Climate Survey 2020

Micro-companies (refer to page 4 for definition) tended to face decreasing revenues the most, followed by increasing costs of production and then financial challenges such as credit and cashflow issues. The top three impacts of COVID-19 on small companies were financial challenges, decreasing revenues and supply chain challenges. The same proportion of large enterprises had both their revenues decreased and their cost of production increased. Most companies had reduced demand for their products/services and had to cut production thereby reducing potential revenue. Also, in cases where employees could not work from home, lockdowns and other restrictions meant that businesses had to spend on operational areas that were not bringing revenue or contributing to production.

Challenges	Size of company			
	Micro company	Small company	Medium company	Large enterprise
Increasing cost of production	40.0%	38.5%	20.0%	68.8%
Decreasing revenues	56.7%	69.2%	40.0%	68.8%
Workforce challenges	26.7%	30.8%	0.0%	37.5%
Financial challenges	36.7%	84.6%	60.0%	43.8%
Supply chain challenges	30.0%	61.5%	20.0%	31.3%
Emerging challenges with infrastructure	6.7%	7.7%	20.0%	6.3%
Reduced investment	26.7%	7.7%	20.0%	31.3%
None of the above	16.7%	7.7%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	6.3%

Strategies adopted

To cope with the pandemic, businesses had to adopt certain strategies to keep production going, minimise costs and protect jobs. In most cases, adopted a combination of measures to help them beat the pandemic, the most frequently adopted being working from home, online sales, and temporary reduction of employment. Only 9.2% of businesses laid off workers completely whereas 33.8% temporarily reduced employment i.e cutting down the number of workers proportionate to reduced production levels, with the intent to call all such workers back when things return to normal. A smaller proportion of businesses reported filing for bankruptcy.

Strategy	% of companies
Working from home	63.1%
Online sales	36.9%
Temporarily reduced employment	33.8%
Restructuring and/or refinancing of bank loans	24.6%
Increase marketing efforts	24.6%
Diversified or changed its business model to produce or provide new goods or services	18.5%
Started sourcing from new suppliers	10.8%
Laid off employees	9.2%
None	4.6%
Loaned employees to other businesses	3.1%
Filed for bankruptcy	1.5%
Other	1.5%

Sources: *Business Climate Survey 2020*

Ghana Statistical Service's business tracker survey⁶ which was conducted nationwide after the lockdown found that 35.7% of businesses closed down operations during the lockdown imposed on parts of the country, about half of them remained closed even after the easing of the lockdown. Close to 50% of businesses reduced workers' wages while only 4% laid off workers completely, affecting an estimated 41,952 workers.

Support to businesses

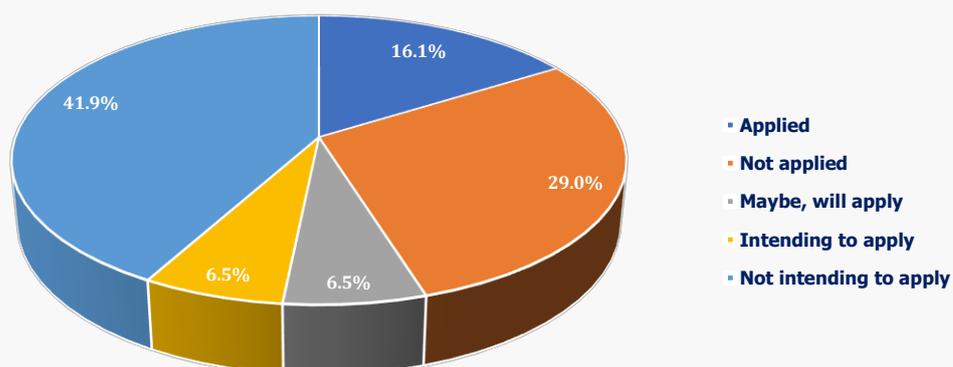
In July 2020 during the mid-year budget review, the Finance Minister announced the creation of the Coronavirus Alleviation Revitalisation Enterprises Support (CARES) program to support businesses in their quest to cope with the pandemic and recover from its shocks. Its first phase concentrated on stabilisation

⁶ Ghana Statistical Service (undated). How COVID-19 is affecting firms in Ghana; results from the Business Tracker Survey. Accra. Ghana Statistical Service

while the second phase from 2021 to 2023 would be more recovery oriented. GHC 100 billion was proposed for this program. Government also promised to increase funding to the CAP-BuSS programme meant to boost the capacity of MSMEs increase their productivity and create employment. For large companies, the *Guarantee Scheme* was announced with GHC 2 billion to help them obtain loans at low interest rates for longer periods. This would provide a breathing space to concentrate on production. There were some private sector initiatives as well. Local banks announced the provision of up to GHC 7 billion to borrowers between March and June 2020. The support was in the form of new loans, restructuring of existing facilities and reduction of interest rates⁷.

However, many businesses seemed not to have received any of this. Only 7.9% of businesses indicate having received any support from government or private sector initiatives. This could be because a lot did not express interest in the scheme. Only 16.1% applied for any assistance at all. 41% did not even intend to apply for any sort of assistance. This is an intriguing finding given that majority of the businesses had challenges with revenue reductions and increasing costs while cost of capital was deemed high.

Interest in government or private sector COVID-19 support schemes



Sources: *Business Climate Survey 2020*

Of those who received support, 55.6% said the support did not help their business operations. It is unclear why support would not be helpful in a crisis situation such as COVID-19 induced. It does however suggest that some business support schemes may not be aligned to the needs of businesses in their design or implementation or both, even if well intended. A great deal of stakeholder engagement is therefore needed.

⁷ Budget statement and economic policy of the Government of Ghana for 2021 financial year

CHAPTER FOUR...

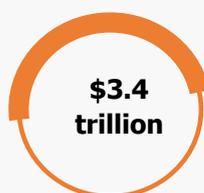
AfCFTA, external trade and global competitiveness

The African Continental Free trade Area will be fully operational in 2021. It has been under negotiation for several years as part of overall African integration efforts championed through the African Union. Its implementation is set to liberalise the trade in goods and services between African state parties with the aim of boosting intra-African trade and promoting integration.

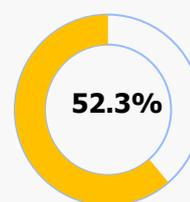
Quick facts



- AfCFTA - a market of 1.2 billion people
- the largest single market in the world



Projected African GDP because of increased trade and production under the AfCFTA



Set to boost intra-African trade by 53%



Potential to lift more than 30 million people out of extreme poverty



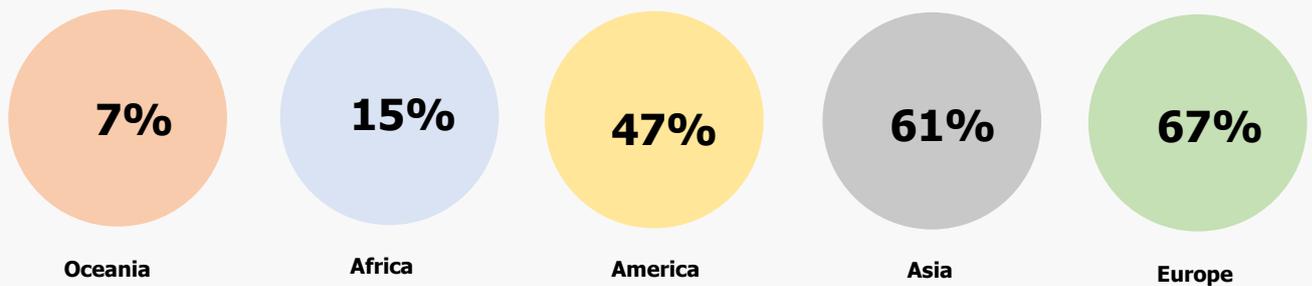
AfCFTA secretariat is in Accra, Ghana

Sources: UNECA



One of the main aims of the AfCFTA is to boost intra-African trade. The United Nations Economic Commission for Africa estimates that intra-African trade would see a 52.3% boost under the African Continental Free Trade Area. Data from the United Nations Commission for Trade and Development puts intra-African trade at a measly 15% as compared to 67% in Europe. Thus, African countries trade more with people in other continents than among themselves. The data show that for the period from 2000 to 2017, about 80 to 90% of exports from Africa was to other continents.

Intra-regional trade, 2015 - 2017

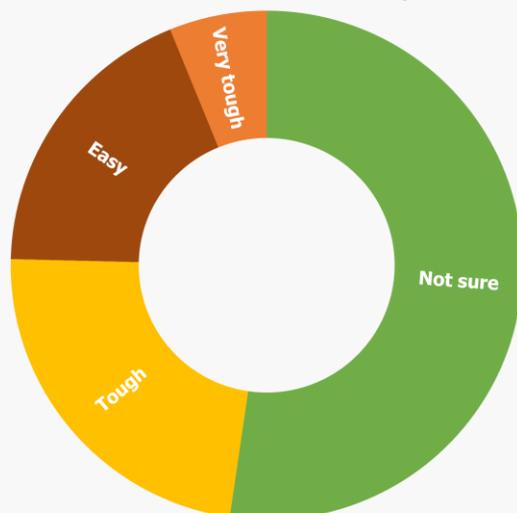


Source: UNCTAD 2019

Meanwhile, it is established that there can be better prosperity if Africans, trade more among themselves, hence the AfCFTA. However, merely implementing a free trade agreement will not necessarily translate into better outcomes unless certain critical issues are addressed. Conversations are afoot regarding how Ghanaian businesses can take advantage of the agreement to expand their operations, leverage on partnerships and gain more market for their goods and services.

Businesses shared their perspectives on this, and it is clear that most of them do not feel confident that they can take advantage of the AfCFTA.

What do you feel about the ability of companies in Ghana to take advantage of the African Continental Free Trade Agreement?

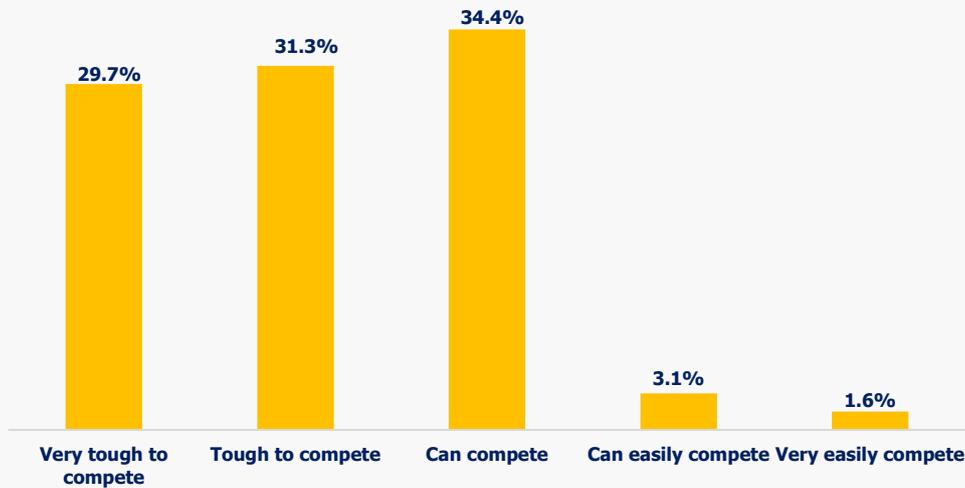


Only 18.5% of them said it would be easy for Ghanaian companies to take advantage of the agreement. The rest feel uncertain about the ability of companies in Ghana to compete with 23.1% saying it will be tough, 6.2% very tough and 52.3% unsure about how Ghanaian companies will

Source: Business Climate Survey 2020

Interestingly, a higher proportion (39.1%) has the confidence that their industries can compete in the global marketplace than those who believe Ghanaian companies can compete under the AfCFTA (18.5%).

Perceptions of ability to compete in the global marketplace in the next three years



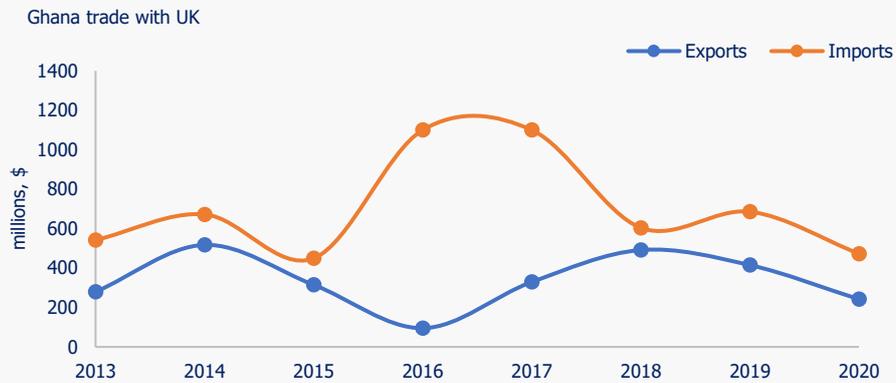
Source: Business Climate Survey 2020

One of the countries with which Ghana trades outside of Africa is the United Kingdom and the Ghana-UK Chamber of Commerce was established to provide services to Ghanaian promote the trade between the two countries.

Ghana-UK Trade

The United Kingdom imported \$242 million worth of goods and services according to data from the Office of National Statistics. On the other hand, Ghana imported \$473 million worth of goods from UK. Looking at the trend of trade between the two countries. While the value of exports from Ghana to UK indicated a reduction from \$491.5 million in 2018, the value of Ghana's imports from UK increased from \$604.1 million. As the graph below shows, the trend of trade between the two countries is not uniform. From a high of \$1.1 billion in 2016, the value of imports from UK to Ghana fell sharply to \$604 million in 2018 having increased from \$541 million in 2013. On the other hand, the highest export from Ghana to UK was recorded in 2014 when \$517 million worth of goods was exported. This however plummeted to \$95.2 million in 2016, before rising again to \$491.5 million in 2018.

The goods traded between the two countries have not changed substantially over the period. Ghana's exports to UK remain largely primary products while the imports from UK have mainly been manufactured goods. This accounts for the negative trade balance to the disadvantage of Ghana. Our forecasts show that this trend is likely to continue into the near future. The trend of total trade is expected to increase in 2021 and remain almost flat to 2025. The rate of increase could be higher if trade agreements recently signed between the two countries bring about a higher trade in goods and services between them.



Sources: Based on data from ONS, Comtrade

Top 5 exports from Ghana to UK	Top 5 imports to Ghana from UK
Mineral fuels, oils, distillation products, etc	Wood and articles of wood, wood charcoal
Meat, fish, and seafood food preparations	Nuclear reactors, boilers, machinery
Cocoa and cocoa preparations	Articles of iron or steel
Edible fruit, nuts, peel of citrus fruit, melons	Plastics and articles thereof
Edible vegetables and certain roots and tubers	Vehicles other than railway, tramway

The exit of the UK from the European Union meant that new trade pacts had to be signed between the two countries as Ghana-EU arrangements no longer apply to the UK. Prior to that development, Ghana-UK trade was governed under the Economic Partnership Agreements signed between the European Union and several West African countries. 2020 saw the signing of an Interim Ghana-UK Trade Partnership Agreement. Under the agreement, Ghanaian companies will enjoy tariff-free and quota-free access to the UK market for many goods while UK companies exporting to Ghana will get preferential tariff reductions. The state parties believe this agreement will substantially increase bilateral trade between the two countries. On March 2, 2021, the final agreement was signed, effectively reinstating the terms of trade negotiated under the Economic Partnership Agreements, but this time within a bilateral framework between Ghana and the UK.

Recommendations

The survey results present a mixed picture. While some business environment components saw positive ratings, others had higher negative ratings. Reforms have ensured improvements in some sectors while other areas still require attention. The following recommendations will help reform the business environment for Ghanaian businesses to triumph.

Capital

More efforts should be put into addressing both access to and cost of capital to enable businesses increase their production and recover faster from COVID-19 shocks. It is important that policies to address these issues are based on wide stakeholder consultation such that solutions are tailored to the needs of businesses, as some respondents indicated that support received did not help their businesses.

Tax policy

Even though ratings of tax policy have improved over 2019 ratings, there is still room for improvement. Going forward, businesses look forward to lower taxes that will go a long way to reduce operational costs, one of the top 5 factors influencing the decisions of businesses to increase their investments and expand.

Corruption and Transparency

Continue with ongoing digitisation efforts. Reduced human interface may help reduce corruption and increase transparency. It will also substantially reduce the time and cost of doing business.

Expanded market

AfCFTA offers opportunity for expanded market for Ghanaian businesses. However, only a small proportion feels confident that they can take advantage of this opportunity, suggesting the need to build the capacities of Ghanaian enterprises. There should be continued dialogues between government and businesses and other stakeholders to understand their needs and better formulate policies conducive to business expansion and competition.



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