



MINISTRY OF TRADE AND INDUSTRY

GHANA AUTOMOTIVE DEVELOPMENT POLICY

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Table of Contents

ACRONYMS.....	ii
BACKGROUND	1
INTRODUCTION	2
POLICY CONTEXT	3
POLICY THEMATIC AREAS.....	7
1. INCENTIVE AND REGULATORY FRAMEWORK	7
1.1. Fiscal Incentives for Assemblers in the GADP	7
1.2. Import Duties and Levies.....	7
1.3. Value-based Duty Rebate for some Imported FBUs (CBUs) of Registered Assemblers inside the Auto-Programme	9
1.4. Streamlined Processes at the Port (Direct Delivery Procedure)	10
2. MARKET EXPANSION AND TRADE FACILITATION	11
2.1. Government Procurement and Patronage.....	11
2.2. Vehicle Financing Schemes.....	11
2.3. Export Development.....	12
3. ENVIRONMENT, STANDARDS AND SAFETY	13
4. ACCESS TO INDUSTRIAL INFRASTRUCTURE.....	14
4.1. Access to Industrial Infrastructure.....	14
5. AUTOMOTIVE SKILLS AND TECHNOLOGY UPGRADING	15
5.1. Skills Training and Technological Capacity Upgrading	15
6. DEVELOPING LOCAL COMPONENT SUPPLY CHAIN	16
6.1. Supplier Development Programmes.....	16
7. LABOUR RELATIONS AND PRODUCTIVITY	18
8. LEGISLATIVE MEASURES	19
9. IMPLEMENTATION AND COORDINATION ARRANGEMENTS	20
9.1. MOTI Facilitation and Coordination	20
11. Duration of the GADP	25
12. Institutional Capacity Building	25

ACRONYMS

AAAM	African Association of Automotive Manufacturers
AfCFTA	Africa Continental Free Trade Area
ECOWAS	Economic Community of West African States
CET	Common External Tariff
CKD	Completely-Knocked-Down
FBU	Fully Build Unit
GADP	Ghana Automotive Development Programme
GETFund	Ghana Educational Trust Fund
GDP	Gross Domestic Product
MASLOC	Microfinance and Small Loans Centre
OEM	Original Equipment Manufacturers
SDF	Skills Development Fund
SKD	Semi-Knocked-Down
TRIMs	Trade Related Investment Measures
VAT	Value Added Tax

BACKGROUND

The Automotive Industry is one of the world's largest manufacturing industries and is considered to be a strategic vehicle for advancing national industrialisation and integration into global supply chains. The growth of African economies has stimulated an interest in global auto manufacturing companies to examine production possibilities in Africa to meet the rising demand for automobiles. South Africa and Morocco have advanced and relatively well integrated automotive manufacturing sectors. Against this background, the development of the automotive sector is increasingly gaining traction and recognition in some of the emerging economies of Africa.

Ghana has recently attracted considerable interest from the major global vehicle manufacturers in response to Government's prioritisation of the automotive sector as a key strategic anchor of Ghana's industrialisation plan.

Ghana's history in vehicle assembly dates back to the 1960s. The Auto Parts Vehicle Assembly Plant began assembling Nissan cars, buses, pick-ups and trucks in Accra in 1969, producing about 1,200 units per year. Other vehicle assembly plants were operated by UAC Motors, SCOA, RT Briscoe/ATS/KOWUS, GHAMOT and Neoplan Ghana Limited. The National Investment Corporation (NIC) also established an assembly plant and workshop as part of a state-led industrialisation programme.

Both the state-owned and private sector led initiatives in the auto industry were not sustained due to lack of policy support to see through the integrated development of the sector. The state-led NIC was put up for sale under privatisation.

Significant progress in turning around Ghana's economic fortunes has however occurred since then. Ghana is currently one of the fastest growing economies in the world, with a highly favourable investment climate, relatively efficient and rapidly expanding infrastructure (energy, ports, roads and rail). The aggressive pursuit of industrialisation policy, places it in a strategic position to become an automotive manufacturing hub in the ECOWAS sub-region (total population of 367 million).

The increasing rate of urbanisation in the ECOWAS sub-region, coupled with an expanding middle class, is also expected to drive increased demand for vehicles. Vehicle imports into the region are estimated at more than 450,000 per annum (mostly used vehicles and grey imports). This presents a significant opportunity for vehicle import replacement through local vehicle assembly at enhanced economies of scale. It also requires harmonisation of regional and national policies, application of rules of origin, and the enforcement of Compulsory Vehicle Standards and environmental standards.

In order to make a structurally significant contribution to Ghana's industrialisation and provide opportunities for higher value addition and highly skilled employment, the President of the Republic has charged the Ministry of Trade and Industry with responsibility to design a comprehensive package of incentives and policy measures to support the establishment of an automotive assembly and component manufacturing industry, as a strategic anchor of industrialisation and a new pillar of growth in Ghana.

THE AUTOMOTIVE DEVELOPMENT POLICY

INTRODUCTION

The Government of Ghana, as part of its transformational agenda has identified Vehicle Assembly and Automotive Components Manufacturing as a strategic anchor industry to be facilitated and supported as part of the Ten Point Plan for industrial development. As a result of this positive signal, Ghana is attracting investment in vehicle assembly from leading Original Equipment Manufacturers (OEMs) and investment partners, with positive projections of spillovers into local manufacturing.

Multinational OEMs play an important role in partnering with domestic investors to establish new assembly plants and attracting upstream component suppliers to follow suit. The industry develops over time, commencing with the assembly of semi-knocked-down kits (SKD) to more advanced manufacturing in the assembly of completely-knocked-down kits (CKD), with associated component production, to integrated manufacturing facilities, where there is a relatively high degree of local component production in the assembly process.

To anchor the interest of the OEMs, there is a critical need for Ghana to put in place a comprehensive Automotive Development Policy.

The Automotive Assembly and Component Manufacturing Industry is universally recognized as a key strategic sector for stimulating multiplier effects in terms of industrial transformation, and as a powerful driver of employment, foreign investment, innovation and economic growth, contributing directly and indirectly to GDP.

STRUCTURE OF THE POLICY

The fundamental principle underlying the Policy is that the private sector is the engine of growth, with Government providing an enabling environment designed for automotive manufacturing to thrive over the long term. This is to be achieved through the full spectrum of policy instruments across the following nine (9) thematic areas:

1. Incentive and Regulatory Framework
2. Market Expansion and Trade Facilitation
3. Standards and Safety
4. Access to Industrial Infrastructure
5. Automotive Skills and Technology Upgrading
6. Supplier Development Programmes
7. Implementation and Coordination Arrangements
8. Labour Relations
9. Legislative Measures

To ensure clarity of presentation, each policy component within the nine thematic areas, has been analyzed on the basis of the policy context, policy objective and policy prescriptions. This will ensure that the specific policy prescriptions to be adhered to, are not only clearly identified, but also properly understood within the relevant context.

The Automotive Development Policy presented in this document essentially provides the broad guidelines and agreed framework for formulating and implementing the 10-year Automotive

Development Programme (Auto Programme). The Auto Programme is a comprehensive set of related projects, each with a defined plan of action, budget and objectively verifiable results to be achieved within specific timelines. Provision will be made in the Programme, for a Mid-term Review by all stakeholders in order to assess impacts and make any adjustments considered necessary.

The Management Coordination and Governance structure instituted for the Auto Policy and Programme includes, but is not limited to:

- An umbrella **Automotive Industry Development Council** established for key stakeholders to provide strategic direction and participate in consultations.
- A **Technical Committee** comprising all relevant MDAs, established to coordinate technical decision-making and advise the Minister(s) on policy matters
- An **Automotive Unit** established by MOTI to serve as a “one stop” point of contact within Government for programme implementation.

POLICY CONTEXT

The Automotive Development Policy is set within the context of Ghana’s strategic vision of becoming a leading manufacturing hub and industrial country in Africa. The policy provides clear and transparent guidelines for the implementation of Government’s automotive sector development agenda. It is designed to ensure a consistent and stable policy environment within which the private sector and Government can operate effectively and with certainty.

Ghana’s national vision, articulated in the Government’s medium-term Coordinated Programme of Economic and Social Development Policies, (2017-2024), is to *“Create an optimistic, self-confident and prosperous nation, through the creative exploitation of our human and natural resources, and operating within a democratic, open and fair society in which mutual trust and economic opportunities exist for all.”*

Job creation is Government’s topmost priority. This is being pursued by promoting industrialisation and entrepreneurship backed by a strong and resilient economy capable of withstanding internal and external shocks; an enabling business environment; expanded energy to guarantee reliable and affordable electricity; infrastructure for multiple modes of transport; modernised agriculture and transformed industry to spur economic growth and improve balance of payments.

The target is to increase Ghana’s per capita GDP from US\$1,515.6 in 2016 rising to US\$3,500 by 2024. This requires maintaining a 7.2 percent average annual GDP growth rate between 2018 and 2024. Aggressive implementation of industrial policy underpins Government’s plans for achieving and sustaining GDP growth at 7% to 8%, primarily by expanding manufacturing, promoting high value-added exports and replacing costly imports with domestic production.

In this regard, Government’s industrialisation plan concentrates on ten (10) inter-related intervention areas including the *1 District 1 Factory* policy designed to add value to the natural resource endowments of the 260 administrative districts in Ghana; and the development of 10 large scale strategic anchor industries as new pillars of job creation, innovation and growth in the Ghanaian economy. The industrialisation plan also includes interventions to establish Industrial Parks in all the ten regions, programmes to diversify exports, promote made-in-Ghana products, establish an electronic exchange for industrial subcontracting, implement business regulatory reforms and improve public-private dialogue.

- Establish a competitive automotive industry;
- Generate highly skilled, well paid jobs (direct and indirect) in automotive manufacturing;
- Pursue import substitution and export development to improve the balance of payments (vehicle imports amount to USD1.7 billion in 2017);
- Improve vehicle safety for all Ghanaian (67% of road accidents involve cars and minibuses – over 2,000 deaths and 10,000 injuries per year);
- Safeguard the natural environment (used 5 -12-year-old vehicles constitute about 70% of imported vehicles);
- Provide affordable financing for vehicle buyers
- Transform the quality, safety and asset value of the national road transport fleet (by renewing the fleet and enforcing compulsory vehicle standards)

VISION

To make Ghana a fully integrated and competitive industrial hub for the Automotive Industry in the West Africa sub-region.

SCOPE OF THE POLICY

The initial scope of the policy is to provide the necessary framework to establish assembly and manufacturing capacity in Ghana for new **passenger cars, SUVs and light commercial vehicles which would include pickups, and cargo vans**. Additional Policy interventions will be introduced in the course of implementation for assembling medium and heavy-duty commercial vehicles and for the assembly of buses. This has the added advantage of developing and improving the regulatory framework before building capacity for assembling vehicles for the total transportation needs as production skills, technology and investments increases in the automotive sector. This will further lay the foundation for the assembly of vehicles used in other sectors including the mining and agricultural sectors.

STRATEGIC OBJECTIVES

The strategy to establish an automotive assembly industry in Ghana will have a very positive effect on the country's manufacturing and industrial capacity in general. It is an advanced manufacturing activity dependent on international standards, competitive production processes, economies of scale, connection to the supply chains of global Original Equipment Manufacturers (OEMs) and the development of the efficient logistics required for the high level of trade involved. The scale, quality, expertise, technology and market opportunities generated in the automotive industry benefits other industries upstream – metals, glass, plastics, rubber and electronics; and services downstream – vehicle finance and insurance, warehousing, automobile parts, after-market services, used car market, car hire, rentals and other transportation services.

The Strategic Objectives of the Ghana Automotive Development Policy include:

- To establish a fully integrated and competitive industrial hub for automotive assembling in collaboration with the private sector – global, regional and domestic;
- To generate highly skilled jobs in automotive assembly and the manufacture of components and parts, with spillover effects into other sectors of the economy;

- To establish an asset-based vehicle financing scheme for locally manufactured vehicles to ensure affordability for vehicle buyers;
- To improve balance of payments through competitive import substitution and export market development;
- To improve vehicle safety and environmental standards; and
- To transform the quality of the national road transport fleet and safeguard the natural environment.

OPERATIONAL DEFINITION

Countries that have succeeded in supporting the development of an auto industry through implementation of auto policies with targeted incentives and dedicated programmes apply clear and concise operational definitions for SKD and CKD imports to ensure customs compliance and prevent abuse.

Semi Knocked Down Assembly

Semi Knocked Down Assembly means the process of assembling a semi knocked down kit into a fully built motor vehicle.

- (a) The floor panel, body sides and roof panels (vehicle cabin/body) are not knocked down but shipped as a whole.
- (b) The imported vehicle cabin/body is partially trimmed.

Enhanced Semi Knocked Down Assembly

Enhanced Semi Knocked Down Assembly means the process of assembling enhanced an enhanced semi knocked down kit into a fully built motor vehicle that may contain local components.

- (a) The floor panel, body sides and roof panels (vehicle cabin/body) are not knocked down but shipped as a whole.
- (b) The imported vehicle cabin/body is not trimmed (bare body).

Completely Knocked Down Assembly

Completely Knocked Down (CKD) Assembly means the process of assembling a completely knocked down kit into a fully built motor vehicle. The floor panel, body sides and roof panel are separately supplied and assembled locally. This Body Shell and all other parts are welded and fitted locally.

The qualifying list for SKD, Enhanced SKD and CKD kits and their assembly condition (foreign or local) permitted under this Policy are listed in the list below:

DEFINITIONS FOR ASSEMBLY OF VEHICLES UNDER GHANA AUTO POLICY			
ASSEMBLY CONDITION	SKD	Enhanced SKD	CKD
Vehicle cabin/body	Foreign Assembly	Foreign Assembly	Local Assembly
E-Coating	Foreign Assembly	Foreign Assembly	Local Assembly
Sealing & Painting	Foreign Assembly	Foreign Assembly	Local Assembly
Glass - Windscreen, Rear Window and side glass	Foreign Assembly	Local Assembly	Local Assembly
Electrical harnesses	Foreign Assembly	Local Assembly	Local Assembly
Braking & clutch systems, including pipes	Foreign Assembly	Local Assembly	Local Assembly
Instrument panel	Foreign Assembly	Local Assembly/ Foreign Assembly	Local Assembly
Roof Trim	Foreign Assembly	Local Assembly	Local Assembly
Carpets	Foreign Assembly	Local Assembly	Local Assembly
Seats	Foreign Assembly	Local Assembly	Local Assembly
Door Trim Panels	Foreign Assembly	Local Assembly	Local Assembly
Fuel tank	Foreign Assembly	Local Assembly	Local Assembly
Cab & Load box to Chassis Assy for framed vehicles	Local Assembly	Local Assembly	Local Assembly
Monocoque Vehicle RR SubFrame Assy to Body	Local Assembly	Local Assembly	Local Assembly
Centre Console	Foreign Assembly	Local Assembly	Local Assembly
Frt & RR bumpers	Local Assembly	Local Assembly	Local Assembly
Head and tail lamps	Local Assembly	Local Assembly	Local Assembly
Exhaust systems	Local Assembly	Local Assembly	Local Assembly
Engine & Gearbox Fitment	Local Assembly	Local Assembly	Local Assembly
Prop Shaft Fitment (if applicable)	Local Assembly	Local Assembly	Local Assembly
Battery	Local Assembly	Local Assembly	Local Assembly
Tyres & wheels	Local Assembly	Local Assembly	Local Assembly
Radiator Grille	Local Assembly	Local Assembly	Local Assembly

POLICY THEMATIC AREAS

The Policy consists of nine thematic areas that cover the development of the entire value chain of vehicle assembly and component manufacturing.

1. INCENTIVE AND REGULATORY FRAMEWORK

The framework is designed to provide an attractive package of tax incentives for automotive assembly manufacturers to invest in Ghana long term and participate in an efficiently regulated Ghana Automotive Development Programme (GADP).

1.1. Fiscal Incentives for Assemblers in the GADP

Context:

Fiscal incentives will be introduced under the Ghana Automotive Development Programme (GADP) to attract investment into the auto manufacturing sector. The investments will commence with the assembly of Semi-Knocked-Down (SKD) Kits progressing to more advanced manufacturing of components in the assembly of Completely-Knocked-Down (CKD) Kits.

Objectives:

1. To provide attractive investment incentives and tax benefits for auto manufacturers of a similar nature under the Income Tax Act 2015 (Act 896), Value Added Tax Act, 2013 (Act 870), and under Chapters 82, 87 and 98 of the Ghana Harmonized System and Customs Tariff Schedules and any other enabling legislations.

Prescriptions:

Government will grant the following specific incentives:

- a. Corporate Tax holiday of 5 years for Enhanced SKD (SKD II) Registered Assemblers to encourage them to invest in SKD II level start-up plants.
- b. Corporate Tax holiday of 10 years to Registered CKD Registered Assemblers and Component Manufacturers in order to encourage them to upgrade their investment to CKD Assembly and to attract Component Manufacturers into Ghana.

Note:

- Basic SKD Registered Assemblers can apply through GIPC Act for tax holiday in line with their level of investment.
- Tax holidays are not progressively accumulating.

1.2. Import Duties and Levies

Context:

Vehicle assemblers require appropriate tariff differentiation of their locally assembled vehicles from used, grey market and new imported vehicles to encourage buyers to migrate to new vehicles manufactured locally within an auto programme. The current rate of duties and levies ranges between 26.95% and 46.95% whilst experience in other markets demonstrates that a differentiation rate of around 70% is deemed optimal. The policy seeks to progressively transition to an optimal differentiation rate.

Currently Chapter 87 of the Ghana Harmonized System and Customs Tariff Schedules (2017) does not distinguish between parts to be used for manufacturing and parts for after sales services. The separation of OE components used for the manufacturing of the vehicles and the after-sales service parts is critical to effectively regulate the Auto Programme incentives with precision. There are many non-standard parts available in the market and mainly for quality and safety reasons, it is important that these “pirated” parts do not find their way into the Auto Programme.

Under the ECOWAS Common External Tariff (CET), Government can add a Chapter 98.13 to the Ghana Harmonized System and Customs Tariff Schedules (2017) for the effective Customs Administration of Auto Programme imports not covered in Chapter 87.

Objectives:

1. To create a stable tariff regime that ensures that at any point in time the applicable duty and waivers are maintained at a total rate of 65% differentiation in favour of locally assembled vehicles in the Auto Programme in order to sufficiently differentiate tariffs for locally assembled vehicles from tariffs for imported vehicles.
2. To encourage assemblers to move from SKD to CKD and thereby create more employment and forward/backward linkages in the national economy.

Prescriptions:

Vehicles assembled in the Auto Programme

Government will:

1. Exempt import duties and related charges on any plant, machinery, equipment or parts of the plant, machinery or equipment (that are not already zero-rated) imported for SKD and CKD Auto Assembly.
2. Waive the Import Duty as well as the following Domestic and Import levies on SKD and CKD kits imported by Registered Assemblers:
 - a. Import VAT
 - b. National Health Insurance Levy
 - c. GET Fund
 - d. EXIM Levy
 - e. Special Import Levy

Note: All vehicles sold are subject to Domestic VAT.

Vehicle Imports outside the Auto Programme

Government will:

1. Adjust Import Duty upwards on **new and used** Fully Build Units (FBUs)/Completely Build Units (CBUs) imported outside the Auto Programme from the existing tariff rates to 35% of CIF value or the maximum applicable CET level.

2. Effect necessary revisions specific to auto-related imports under Chapters 82, 87 and 98 of the Ghana Harmonized System and Customs Tariff Schedules (2017).

1.3. Value-based Duty Rebate for some Imported FBUs (CBUs) of Registered Assemblers inside the Auto-Programme

Context:

A key strategic objective of Government is to develop a modern Automotive Industry in Ghana to create opportunities for higher skilled employment and rapidly progressing to CKD assembly and component manufacturing. Most Registered Assemblers will start with SKD and only migrate to invest more heavily in a CKD plant, when they have generated the right economies of scale. Once the assembler progresses to Enhanced SKD or CKD, economic benefits of localizing some of the components will be considered, especially bulky components or components with a high take-off in the aftermarket. Import Duty Rebates are offered to Registered Assemblers to enable them import FBUs from their OEMs to augment their local production and increase sales in terms of volume and range of models, and offer them to customers at the right price. Interested assemblers are also concerned about the negative incentive provided by the current tariff regime for grey market and used vehicle imports to flood the market. Unless resolved, it will continue to be the major disincentive for long-term investment in automotive assembly and eliminate any prospects for downstream component manufacturing to take off in Ghana.

Objectives:

1. To encourage assemblers to focus on producing longer runs of higher volume models locally, while importing other lower volume models at concessionary duty rates from the same Global OEM registered in the Auto Programme.
2. To prevent multi-franchise assemblers from cross subsidizing between different brands.
3. To recognize the significant differences in the level of investments required to move from SKD to CKD, which will increase local value addition.
4. To incentivize the pioneers in the infant automotive industry to invest long-term in the industry and contribute to developing other industries and services essential to the consolidation and growth of the auto industry (e.g. training, technology upgrading and innovation).
5. To encourage globally competitive manufacturing practices in Ghana

Prescriptions:

1. Registered Assemblers will be allowed a rebate of the 35% import duty on some FBUs imported from their global OEM. The Rebate will only be on the Import Duty. All other domestic levies will apply.
2. The Rebate will be based on a multiplier of the assessed Customs Value of SKD, Enhanced SKD, or CKD kits:
 - a. For a semi-knocked down assembly, the rebate on fully built units derived from a semi-knocked down kit is the assessed customs value of one complete kit (multiplier of one (1:1)).

- b. For an enhanced semi-knocked down assembly and a completely knocked down manufacture, the rebate on fully built units is derived from a semi-knocked down kit or completely knocked down kits is the assessed customs value of the two complete kits (multiplier of two (2:1))

This Value based incentive is aimed at encouraging rapid progression to CKD.

- c. The rebates will be granted on a rolling monthly basis, with values in each month available for use from the following month for a 12-month period. These rebates are not transferable between entities.
- d. After 3 years, there will be a market volume review. Based on the outcome of this review, the complementary ratios would be reconfirmed.
- e. Each Registered Assembler will also be awarded points based on calculation of the Local Content in their assembled automobiles. The points earned will then be added to the Customs Value Declaration of the imported kits.
- f. The formula that will be used to calculate the Local Content is as follows:

Local Content (LC)

$$= \frac{\text{Invoice price of local components}}{\text{CIF price of all imported CKD parts} + \text{Invoice price of local components}} \times 100$$

Table 2. Illustration of Value based incentives

Assembling Process	Multiplier	Local Content	Total incentive (as a product of Customs value declaration)
SKD Assembly	1	LC	1+LC
Enhanced SKD Assembly	2	LC	2+LC
CKD Assembly	2	LC	2+LC

1.4. Streamlined Processes at the Port (Direct Delivery Procedure)

Context:

Vehicle assembly and component manufacturing is an advanced manufacturing activity relying on multiple global supply chains and just-in-time delivery. The industry requires a dedicated Direct Port Delivery Procedure for the just-in-time clearance of SKD/CKD consignments from the Port. The Direct Port Delivery (DPD) model is designed to drastically reduce port processing and delivery time. Under the DPD model, Registered Assemblers will arrange for the rapid clearance of the entire shipment and transportation of the same from the port to factory.

Objectives:

1. To ensure an uninterrupted and reliable supply pipeline of equipment and components to the production line “just-in-time” in order to prevent stoppages.

Prescription:

Government will,

1. Establish a dedicated Direct Port Delivery Procedure for clearance of SKD/CKD consignments imported by Registered Assemblers.
2. Streamline processes (Dedicated quay) at the port to speedily and efficiently clear containers with FBU imports consigned to Registered Assemblers.

2. MARKET EXPANSION AND TRADE FACILITATION**2.1. Government Procurement and Patronage****Context:**

Government is the largest institutional buyer of new imported vehicles and can use this financial power to encourage vehicle producers to standardise and supply its vehicle fleet requirements. In addition to having an interest in maintaining the asset value, safety and security of its extensive transport fleet, Government also has an interest in ensuring that workers have unhindered access to safe and affordable means of transportation at all times.

Objectives:

1. To expand the market of local Registered Assemblers in the Auto Programme by supplying Government's new vehicle requirements.
2. To encourage Ghanaians to procure vehicles locally assembled in the Auto Programme.
3. To replace Government's aging vehicle fleet with vehicles locally assembled in the Auto Programme

Prescriptions:

Government will,

1. Implement a Preferential Procurement policy for products from Registered Assemblers (Programme Vehicles) in Ghana registered in the Auto Programme.
2. Facilitate vehicle purchase/financing and ownership from the Auto Programme for public sector employees.

2.2. Vehicle Financing Schemes**Context:**

Vehicle financing is a major challenge for Ghanaian consumers mainly due to weak financial inclusion and the lack of asset-based vehicle financing in the banking sector. Banks in Ghana tend to tie their vehicle loan facilities to the borrowers' personal accounts. In other countries, vehicle financing is tied to the vehicle as an insurance

asset because of the high level of lender's certainty of the asset value at any point in time, based on enforcement of quality and safety certification standards. Without this, sales volumes will not grow fast enough to meet the expected demand for locally assembled vehicles to renew the national fleet and achieve other strategic objectives of the Policy. It is very important that this scheme should be available at the beginning of policy implementation to exclusively finance the acquisition of vehicles in the Auto Programme as soon they become available.

Objectives:

1. To make financing for the purchase of new vehicles easily accessible to consumers through affordable payment plans.

Prescriptions:

Government will,

1. Provide technical assistance to facilitate collaboration between vehicle assemblers and financial institutions and the insurance industry to develop appropriate vehicle financing schemes and products.
2. Establish partnership with the most innovative participating financial institutions to deliver a vehicle financing scheme exclusively for public sector workers.

2.3. Export Development

Context:

The increasing rate of urbanisation coupled with an expanding middle class in the ECOWAS sub-region is expected to drive the demand for vehicles. Vehicle imports into the sub-region are estimated at over 450,000 per annum, mostly used vehicles and grey imports. This presents a significant opportunity for vehicle import replacement through local vehicle assembly, enhancing vehicle affordability. The Africa Continental Free Trade Area offers an even larger market space for vehicle exports as Ghana develops into an Automotive Assembling hub. At present, within Africa, only South Africa and to more limited degree Morocco have well-developed industrial capacity for auto manufacturing. The considerable potential demand for vehicles in Africa presents opportunities for regional cooperation to structurally alter the continental vehicle market.

Objective:

1. To develop and systematically implement long-term strategies for exporting vehicles to the ECOWAS and AfCFTA markets and collaborating in component manufacturing and supply.

Prescription:

Government will,

1. Facilitate the promotion and export of locally assembled vehicles to ECOWAS and AfCFTA member states.
2. Foster collaboration with ECOWAS member states and parties to the AfCFTA to regulate the importation of used vehicles

3. ENVIRONMENT, STANDARDS AND SAFETY

Context:

Ghana's vehicle fleet is dominated by vehicles of varying and uncertified standards. Over 70 percent of passenger vehicles imported into the country are 5-12 years old. No homologation certification is currently required to distribute or import a vehicle into Ghana. As part of measures to transform Ghana's vehicle fleet into a safe, modern and environmentally efficient vehicle fleet, Compulsory Vehicle Standards are required to ensure all vehicle components and parts meet the appropriate international standard, and their proper assembly and testing are confirmed before vehicle homologation by the Ghana Standards Authority based on test reports from the OEM's or an accredited test facility. This will have positive effects and linkages in the auto value chain by allowing for asset-based vehicle finance and insurance, and an efficient distribution and aftermarket service network that will benefit all market players. It will over time help phase out older vehicles that are not energy efficient and environmentally friendly.

Objectives:

1. To ensure safety of road users and vehicle owners by protecting them against vehicles not suited for the climatic and road conditions in Ghana.
2. To increase the overall level of security and protection from vehicle theft and cloning.
3. To enable local assemblers and importers to provide effective warranty and replacement part control guarantees
4. To enable insurance and finance industry to improve risk management and traceability for vehicles in Ghana.
5. To enable dealers and retailers to provide suitable equipment fitment to older vehicles.

Prescriptions:

Government will,

1. Develop the technical and equipment capacity of the Ghana Standards Authority and other regulatory bodies to introduce and enforce compliance with compulsory vehicle standards and homologation certification of locally assembled and imported new vehicles as well as roadworthy certification of imported used vehicles.
2. Introduce Compulsory Vehicle Standards for all Locally Assembled and Imported New Vehicles, including standards on emissions, in accordance with the relevant regulations.
3. Require all vehicle importers and distributors to provide legitimate Test Reports to facilitate Homologation by the Ghana Standards Authority before the vehicles can be imported or sold.
4. Require all importers of used vehicles to submit an Emissions Test Report and Road Worthy Test Certification (Certificate of Conformance) by a Ghana Standards Authority (GSA) approved test facility in the country from where the vehicle will be shipped for all imported used vehicles to GSA before shipment.

5. The importation of the following vehicles is banned:
 - Vehicles older than 10 years
 - Salvaged vehicles and flooded vehicles
 - New vehicles without destination certificate issued by an OEM certifying that the vehicle is produced for the Ghana market.
 - Vehicles assembled from parts imported as spare parts will not be allowed
6. Develop a Vehicle Scrap Policy in consultation with stakeholders to guide the scrapping of over-aged vehicles.
7. Implement an efficient Vehicle Marking System (e.g. Micro Dots) to positively identify vehicles throughout their life span and to limit:
 - a. Loss of taxes for Revenue Authorities due to smuggling of vehicles;
 - b. Avoidance of custom duties when transit vehicles end up permanently in the country;
 - c. Misclassification of vehicle class and type to avoid payment of requisite taxes and duties. (SKD, CKD, FBU etc.);
 - d. Fraudulent transactions involving Vehicle Registration, Licensing and Change of Ownership where all documentation is 'legitimate' but not for the original vehicle;
 - e. Collusion between criminal elements and those in licensing and registration centres;
 - f. Ability to make illegal changes to the identity of whole-vehicles or to amalgamate several stolen vehicles into one.

4. ACCESS TO INDUSTRIAL INFRASTRUCTURE

4.1. Access to Industrial Infrastructure

Context:

Adequate access to affordable and efficiently managed infrastructure for industrial production is essential for the growth of a competitive automotive industry, especially during the migration from SKD to CKD where assemblers co-locate with a large number of suppliers and service providers (Supplier Parks). For CKD, stable electricity and the quality of water supply and waste management systems are three of the critical requirements of an auto-assembly plant. Ghana has land allocated for Industrial Parks and identified land which can be used in the future for the development of industrial parks. It is preferable to develop a dedicated Park for Automotive Assembling, designed to provide adequate land, efficient and reliable electricity, water supply, waste management, communications, logistics infrastructure and research and development for CKD assembly and component manufacturing.

Objectives:

1. To ensure that adequate and affordable serviced industrial land are made available to Registered Assemblers, component manufacturers and suppliers
2. To promote efficiency by co-locating assembly plants, their suppliers and service providers in an Automotive Park.

(Note: It is not compulsory for Assemblers to locate within these automotive parks)

Prescriptions:

Government will,

1. Establish a purpose-built Automotive Park
2. Facilitate access to existing industrial parks operated by the private sector if required.
3. Assist interested auto-assembly plants and component manufacturers to procure adequate land at preferred locations
4. Develop additional Industrial Parks in partnership with the private sector.

5.AUTOMOTIVE SKILLS AND TECHNOLOGY UPGRADING**5.1. Skills Training and Technological Capacity Upgrading****Context:**

The automotive sector is an advanced manufacturing sector that requires highly skilled work force and a wide range of supportive engineering and technological development services to be in place. Ghana has a number of institutions offering automotive related courses. This will be enhanced further with industry-specific training and advanced skills and technology training. Existing operators in the auto-trade, repair and maintenance services sub-sector will also benefit from skills training and technology capacity upgrading to enable them integrate their activities seamlessly with the Auto Programme.

Objectives:

1. To expand the skills base locally required for modern automotive assembling and trading,
2. To develop the requisite technological capacity for the development of local component producers and suppliers
3. To transfer relevant manufacturing skills and culture to other sectors of the economy

Prescriptions:

Government will,

1. Foster collaboration between OEMs and Educational institutions to undertake early planning of the training and skills needs of the auto assembling industry.

2. Partner with the OEMs in the Auto Programme to provide training to build the technical skills base in Ghana for automotive assembly and component manufacturing;
3. Partner with the OEMs in the Auto Programme to provide hands-on training and technology upgrading for artisans operating small-scale auto-engineering/fabrication and auto-repair/servicing workshops
4. Partner with the OEMs in the Auto Programme to provide relevant training to potential suppliers, dealers and distributors as part of measures to formalise the auto-trade and improve standards.
5. Provide technical assistance for investment preparation, credit facilitation and technology sourcing or upgrading support to SMEs interested in participating in the Auto Programme.
6. Mobilise funding in collaboration with OEMs to establish Advanced Manufacturing Technology Training and Innovation Centres in the Automotive Park, Universities, Polytechnics and Technical Training Institutes.
7. Use the existing financial and non-financial assistance programmes (1 District 1 Factory, EXIM Bank, MASLOC, and Skills Development Fund), to address critical investment, technology upgrading, innovation and product development needs of SMEs interested in the specific opportunities likely to be created by Assemblers and Suppliers in Auto Programme.

6.DEVELOPING LOCAL COMPONENT SUPPLY CHAIN

6.1. Supplier Development Programmes

Context:

Government's strategic objective is to support Registered Assemblers to achieve the economies of scale needed to migrate to CKD production, where backward and forward linkages abound. In this regard, the development of the capacity of local suppliers to participate fully in the Automotive Assembly industry as a top priority. Ghana already has a large number of component/parts manufacturers and distributors, including those operating in industrial communities and market settlements (such Suame Magazine, Abossey Okai and Kokompe). With training, they can be assisted to upgrade successfully transition into the automotive supply chain as suppliers of some basic components and parts for CKD. This will enhance the manufacturing capacity of Ghanaian suppliers and allow them to participate profitably in the global auto supply chain. Original Equipment Manufacturers (OEMs) and the Original Equipment (OE) component manufacturers will play an important role in ensuring that the appropriate products are developed, produced and supplied in accordance with the appropriate OEM specifications and standards.

Objectives:

1. To establish and implement a comprehensive Supplier Development Programme to create viable domestic enterprises capable of supplying components for local assembly and the global supply chain.
2. To transfer the skills and technology needed by existing SMEs to find their niche in the automotive supply chain.

Prescriptions:

Government will,

1. Develop a comprehensive programme of support to upgrade the Local Supply Chain, particularly in respect of:
 - a. Parts and Accessories
 - b. Component manufacturing
 - c. Equipment manufacturing
 - d. Logistics
 - e. Support services
2. Work closely with registered assemblers to identify viable opportunities for developing products required in the automotive supply chain locally.
3. Work closely with registered assemblers to provide suppliers with specialised training and technological support to develop quality products at competitive prices, in preparation for migration to CKD.
4. Support domestic firms participating in the local supply chain to access:
 - a. Investment financing
 - b. Technical advice and business development assistance.
 - c. Product development support, research and development support
 - d. Access to technology and innovation

6.2 Attraction of international/regional OE and aftermarket component manufacturers**Context**

As the Ghanaian automotive industry develops it will be important to attract large, established international and regional OE and component manufacturers to invest and partner with the abovementioned local suppliers. This will bring with it the associated skills and technology migration required to serve the nascent assembly industry. It will also be useful to have a cohort of global suppliers who perform the anchor partner roles within the local supplier development programmes envisaged in point 1.1. The market opportunity currently exists in the aftermarket categories and easy to localise SKD parts, which will establish the base for component manufacturing to flourish as the assembly sector settles and migrates towards more complex CKD assembly.

Objectives

1. To develop a value proposition which attracts large global and regional component manufacturers to invest in the Ghanaian automotive industry
2. To leverage this base of large suppliers in developing existing domestic suppliers
3. To establish a base of component manufacturing that can service existing aftermarket/retail opportunities, especially in segments currently experiencing high import penetration levels

Prescriptions:

Government will:

1. Develop and/or package a value proposition of policy, infrastructure and incentives that attract global and regional component manufacturers to invest in Ghana
2. Create a conducive environment to allow skills and technology migration from these large component investors to domestic companies
3. Identify key component segments with current high import penetration levels and target global and regional producers to invest accordingly
4. Develop government to government agreements with regional partners that leverage partner country private sector capabilities

7.LABOUR RELATIONS AND PRODUCTIVITY**Context:**

Given the nature of the auto-manufacturing sector and its heavy focus on productivity dependence on advanced logistics and supplies, it operates within a sophisticated labour relations and collective bargaining environment with specific human resource development and labour relations features, including a high level of unionization. The sector not only provides quality employment opportunities but is also a major contributor to the industrial skill base of the economy's workforce. The importance of maintaining an efficient supply chain in the assembly process makes the effects of strike and other industrial actions very disruptive, thus the heavy emphasis on training and skills development.

The high proportion of semi-skilled, skilled and technician's positions in the work force has implications for the grading systems that are used and this in turn has implications for collective bargaining. It is important from the outset to find ways of building sophisticated industrial relations structures for the relatively large workforces in the assembly process, in order to ensure effective cooperation around compensation, training and productivity improvement from the start.

Objectives:

1. To ensure labour rights are protected under GADP, and participating companies develop industrial relations in line with recognised best practice and structures in auto-manufacturing
2. To encourage auto-workers in the GADP to unionise and establish affiliation with a relevant international union of auto-manufacturing workers, e.g. the International Federation of Metal workers.
3. To ensure effective cooperation in issues of compensation, training and productivity improvement from the start.

Prescriptions:

Government will,

1. Collaborate with the automotive industry to provide training support to the auto unions to develop strong capacity for engagement in collective bargaining and productivity issues with management;
2. Ensure that the unions are represented on the Automotive Industry Development Council and participate in developing and implementing automotive industry and government programmes under GADP; and
3. Monitor and assess the state of labour relations as a key indicator of GAMP performance.

8.LEGISLATIVE MEASURES**Context:**

Auto Assemblers require a degree of policy stability and certainty to make long-term investments and build partners in developing an ecosystem of competitive local component manufacturing and supply. Some of the incentives to be granted under this Automotive Development Policy are already embedded in existing legislation (the GIPC Act and GFZA Act), and others such as those that alter taxes, duties and levies will be incorporated in tax legislation.

Objectives:

- To ensure that all critical legislative changes and new legislative instruments come into effect at the appropriate time.

Prescriptions:

1. The Ministry of Finance will update current tax legislation to the fiscal incentives and import duty tariff rates and institute a special import duty rebate scheme as prescribed in the final approved Automotive Development Policy. Subject to these changes, Ghana Revenue Authority will revise and expand Chapter 98 of the HS and Customs Tariff Schedule (2017) to create a section assigned solely to SKD and CKD as defined in this policy document.
2. The Ghana Standards Authority will be provided with technical assistance to develop Compulsory Vehicle Standards and a Homologation process for Ghana based on best practice.
3. Legislative Instrument will be introduced on Compulsory Vehicle Standards, Homologation and Vehicle Marking. This will be done in consultation with various stakeholders including the Ghana Road Safety Commission, Environmental Protection Authority, Vehicle and Drivers Licensing Authority, Ghana Police Service (MTTU) and other vehicle/environmental safety and transport stakeholders.
4. All key stakeholders, especially Parliament, will be extensively briefed on the Policy as part of the legislative process in order to broaden stakeholder understanding and support of the Policy.

9. IMPLEMENTATION AND COORDINATION ARRANGEMENTS

9.1. MOTI Facilitation and Coordination

Context:

Automotive policies are a variant of Trade Related Investment Measures (TRIMs) which require substantial domestic regulations and sophisticated international trading regimes. This requires a relatively high degree of industrial policy coordination with customs administration to ensure that benefits reach the intended target and leakages are prevented.

Objectives:

1. To register enterprises that wish to participate in the Auto Programme and ensure adequate monitoring and regulatory compliance.
2. To provide clear qualification criteria in order to avoid “fly by night” SKD assemblers with no intention to support the fundamental long-term objectives of the programme.
3. To protect the integrity of the Auto Programme and highlight deviations from the plans submitted by Registered Assemblers upon application for registration in the programme.

Prescriptions:

➤ Automotive Unit

The Ministry of Trade and Industry will,

1. Establish an Automotive Unit to co-ordinate all automotive related activities and serve as a “one stop” point of contact within Government for investors and other stakeholders.
2. Train the technical staff of the Automotive Unit to appreciate the technical, policy and programme requirements of administering an Automotive Development Programme.

Registration into the Auto Programme

The Ministry of Trade and Industry will,

1. Develop and effectively administer a Two-Tier Registration System to register assemblers into the Auto Programme as follows:
 - a. *Pre-assembly Bonafide Assembler*: This status enables a new assembly plant to import assembly plant equipment at 0% duty and also import CKD/SKD kits for trial/test production purposes at 0% import duty. To ensure that the investor can start preparations as quickly as possible, even while further checks and due diligence is being carried out by MOTI before final registration is granted (prior to the start of actual production).

- b. *Bonafide* Assembler: This status is granted to assembly plants that are ready to start volume production. (the registered assembler would only qualify for the benefits from the programme after this status has been confirmed)
2. Register the assembler with Ghana Revenue Authority (Customs Division) to ensure that their details are incorporated into the Customs and Domestic Tax Systems.

A. The following constitute the qualifying criteria for registration as a Pre-assembly Bona Fide Assembler.

The Applicant:

1. Should be a recognized global OEM or have a technical agreement or assembly agreement with such global OEM or have an appointed contract assembler operating under supervision of such global OEM. The corporate entity and its structure must be clearly identified. To ensure the objective of developing the assembly industry, the economic interest of the OEM and any equity participation in the corporate entity must be fully outlined. There is a distinct difference between the Registered Assembler and the Assembler. It could be the same entity, but it could also be separate entities. The commitment/contract with Ghana Government is with the Registered Assembler and he should also be the importer of SKD/CKD kits as well as the FBU's that he wants to get complementary benefits on. He will manage the assembler to ensure that the planned commitments are met.
2. Will be required to submit a local value addition development and progression plan towards CKD. In the event that the Applicant is not an OEM, such progression plan should include a technical partnership agreement with an OEM. The progression plan should be based on market growth and volume (rather than specific timeframes). The progression plan must be documented and lodged with MOTI so as to confirm the Applicant's intentions and to facilitate the technical monitoring of progress against the planned commitments.
3. The factory address to be provided at registration must include copies of title deed or lease document of the factory address.
4. The Applicant should submit to MOTI an Equipment List for the Vehicle Assembly Plant supplied by the OEM. Such list is necessary for tariff concessions provided under the Policy and MOTI reserves the right to use it in the physical confirmation and tracking of the preparations for production.
5. The minimum requirements for SKD are: -
 - i. At least 2 workstations for assembly process.
 - ii. Utility supply – compressed air, electricity and water.
 - iii. Tester line with:
 - a. Wheel alignment tester.
 - b. Brake tester.
 - c. Head light aiming.
 - d. Static Quality check.

- e. Road test.
 - f. Water test.
 - g. Repair station.
 - h. Final Buy-off.
- iv. Hand tools for assembly process.
- v. The Applicant should present an Assembly and Investment Plan clearly indicating the start of production timing and how it plans to progress to CKD assembly level. The minimum requirements for the Assembly Plan should be:
 - a) Plant Layout.
 - b) Future expansion towards CKD.
 - c) Utility supply requirement plan.
 - d) Human resource plan, including organisation structure and skills development plan.
- vi. The application should clearly indicate the installed capacity of at least 5,000 vehicles per year.

The Applicant may engage with MOTI to provide explanations and seek clarification. Likewise, MOTI may engage with the Applicant for like purposes. However, no material variation from these requirements will be accepted

MOTI will inform the Applicant in writing that it has become eligible for the status of a Preassembly Bona Fide Assembler.

B. Qualification as Bona Fide Assembler

To be accredited as a Bona Fide Assembler within the GADP the following conditions and procedures must be complied with after meeting all the requirements as a Pre-assembly Bonafide Assembler:

- 1 The Bona Fide Assembler should be the importer of SKD or CKD kits as well as the importer of the FBU's to qualify under the complementary import incentive scheme.
- 2 The Technical Committee must confirm that the factory complies with requirements stipulated in (A 5) above.
- 3 The Technical Committee must confirm that the assembler will be capable of complying with all standards and regulations that are applicable.
- 4 The assembler must register with the GRA as having the capacity and facilities to comply with the customs administration procedures as will be required by Chapter 98.13 of the Customs Book. Non-compliance with such customs administration procedures can result in the revocation of the Bona Fide Assembler status.

MOTI and the Applicant may engage for purposes of explanation, clarity and facilitation. However, no material variation of the above conditions will be permissible.

MOTI will inform the Applicant in writing that it has become eligible for Bona Fide Assembler status.

➤ **Inspection and Monitoring**

The Ministry of Trade and Industry will,

1. Establish a Technical Committee, comprising of all relevant Ministries, Departments and Agencies (MDAs), to oversee and monitor the implementation of the Policy and Programme including the adherence by SKD and CKD Registered Assemblers to agreed commitments and regulations.
2. Provide the Automotive Unit with qualified staff, adequate equipment and logistics to coordinate and manage the affairs of the Technical Committee.
3. Support the Technical Committee to constitute an inspection team led by the Automotive Unit to visit and assess the assembly sites for new entrants in the GADP.

10. Automotive Industry Development Council (AIDC)

Context:

The comprehensive nature of the programme will require a high degree of consultation and coordination with existing stakeholders in the sector. Government will establish an umbrella Automotive Industry Development Council, to provide strategic direction for the Auto Programme and its stakeholders. The objective is to ensure that the considerable opportunities offered by the programme can be realised. A particular focus will be on the integration of informal auto sector activities into the higher value adding formal sector. Through regular interactions and information sharing, the Development Council will fulfil a very important role in implementing the Auto Programme.

Objectives:

1. To develop an effective economic consultation structure effectively address any issues related to Automotive Assembly activities and to provide input into any policy review activities.

Prescription:

The Ministry of Trade and Industry in collaboration with assemblers will,

1. Establish the Automotive Industry Development Council as a consultative body between Government and the Assemblers. It will be co-chaired by the Minister of Trade and Industry and a senior representative of registered GADP assemblers
2. Establish an Inter-Ministerial committee.
3. Invite the following stakeholders to take up membership of the Council:
 - Ministry of Finance
 - Ministry of Transport

- Ministry of Employment and Labour Relations
- Ministry of Environment, Science, Technology and Innovation
- Ministry of Justice and Attorney General
- Ghana Revenue Authority
- Ghana Standards Authority
- Ghana International Trade Commission
- Ghana Free Zone Authority
- Ghana Investment Promotion Authority
- Ghana Ports and Harbours Authority
- Council for Technical and Vocational Education and Training
- Representative of Organized Labour
- Representatives of Tertiary Institutions (Engineering Faculty)
- Representatives of Auto Dealerships/Trade
- Representatives of all registered vehicle assemblers
- Representatives of all registered component manufacturers
- African Association of Automotive Manufacturers (AAAM)

3. The functions of the GAIDC are:

- To promote the harmonious development and growth of the Automotive Industry in Ghana in consultation with all stakeholders.
- To serve as a public-private consultative forum for discussing progress and bottlenecks in policy implementation.
- To advise government on the implementation of Compulsory Vehicle Standards and Homologation
- To advise government on the implementation of the Vehicle Financing Scheme
- To advise government on the implementation of the training and technology upgrading programme
- To advise government on the implementation of the Supplier Development Programme
- To advise government on policy implementation alternatives where necessary.
- To ensure that industry data on production, trade and services are available for decision making.
- To monitor compliance of Auto Industry regulations instituted under the Auto Policy.
- To assess and plan for the infrastructure, R&D and human capital needs of the Auto Industry.
- To advise on the strategic targeting of OE component manufacturers in order to speed up graduation from SKD to CKD
- To publish and disseminate an annual progress report on the Automotive Development Programme.

11. Duration of the GADP

The Policy and the Programme are designed to attract initial investment in the form of SKD or Enhanced SKD and progress those investments to CKD assembly and component production, to open up opportunities local content and supplier development. Government is expected to commence with the implementation of the Ghana Automotive Development Programme (GADP) in 2019.

The implementation of GADP will have an initial life of 10 years, with a mid-term review and fine-tuning after the 5th year and based on how successful the GADP performs some assessment of the clear intent to continue with some form of GADP after the 10th year. OEM life cycles and production source allocations are planned in 5-year cycles for passenger cars and 10-years for light commercial and commercial vehicles. The 10-year GADP provides predictability of the Ghana programme for interested OEMs and investors.

12. Institutional Capacity Building

In order to efficiently administer, support and regulate the Ghana Automotive Development Policy (GADP), key government agencies responsible for customs administration, vehicle registration, standards and homologation will upgrade their skills and systems to effectively administer the GADP. This will contribute immensely to upgrading Ghana's capacity to oversee other advanced engineering and manufacturing activities.