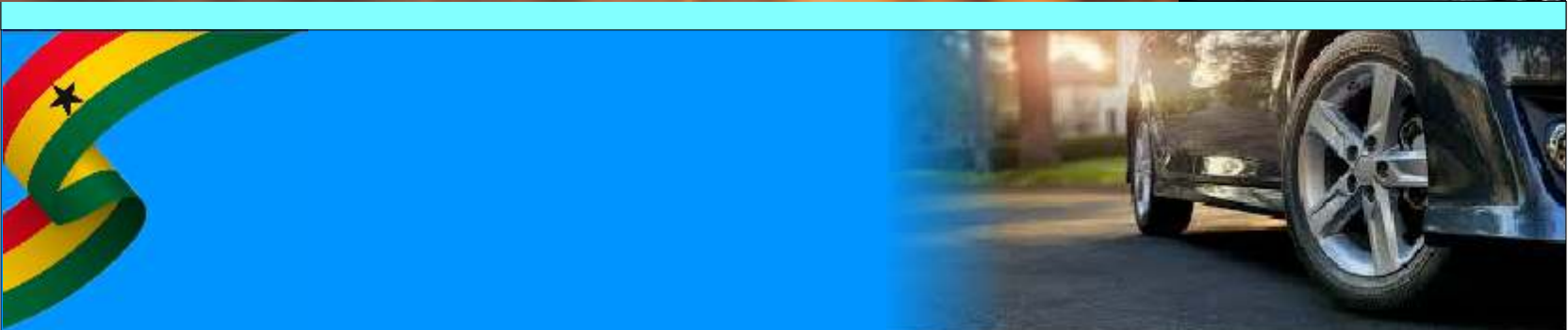




THE GHANA AUTOMOTIVE DEVELOPMENT POLICY



MINISTRY OF TRADE AND INDUSTRY
REPUBLIC OF GHANA





THE GHANA AUTOMOTIVE DEVELOPMENT POLICY

VISION

The vision of Government for the implementation of the Ghana Automotive Development Policy (GADP) is to make Ghana a fully integrated and competitive industrial hub for the Automotive Industry in the West Africa sub-region.

STRATEGIC OBJECTIVES

The strategic objectives of the Ghana Automotive Development Policy are:

- To establish a fully integrated and competitive industrial hub for automotive manufacturing 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 spill over 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.

SCOPE OF THE POLICY

The initial scope of the Ghana Automotive Development Policy (hereafter referred to as “the Auto Policy”) is to provide the necessary framework to establish assembly and manufacturing capacity in Ghana. The initial coverage of vehicles to be assembled under the policy includes new passenger cars, SUVs and light commercial vehicles which would include pickups, minibuses 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. For the purpose of policy implementation and effective regulation of incentives, Ghana has categorized auto assembly into Semi-Knocked-Down (SKD), Enhanced SKD and Completely-Knocked-Down (CKD), based on the qualifying list of local or foreign assembly, and Fully-Built-Units (FBUs). Each category is defined according to place of assembly or manufacture.

POLICY THEMATIC AREAS

1. Incentive and Regulatory Framework
2. Market Development and Trade Facilitation
3. Environment, Standards and Safety
4. Access to Industrial Infrastructure
5. Automotive Skills and Technology Upgrading
6. Developing Local Component Supply Chain
7. Labour Relations and Productivity
8. Legislative Measures
9. Participation in the Auto Programme
10. Institutional and Governance Structures



1. INCENTIVE AND REGULATORY FRAMEWORK

Fiscal Incentives on new vehicles for Registered Assemblers in the GADP

Tax Holidays

Policy Objective:

To provide attractive investment incentives and tax benefits for auto-assemblers of a similar nature under the Income Tax Act 2015 (Act 896), Value Added Tax Act, 2013 (Act 870), and under Chapter 82, 87 and 98 of the Ghana Harmonized System and Customs Tariff Schedules.

Policy Prescriptions

- Corporate Tax holiday of 5 years for Enhanced SKD Registered Assemblers.
- Corporate Tax holiday of 10 years to Registered CKD Registered Assemblers and Component Manufacturers to attract Component Manufacturers into Ghana and encourage Registered Assemblers to upgrade their investment to CKD Assembly.

Note: Basic SKD Registered Assemblers can apply through GIPC act for tax holiday in line with their level of investment.

Import Duties and Levies

Policy Objectives:

- 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 under the Auto Programme in order to sufficiently differentiate tariffs for locally assembled vehicles from tariffs for imported vehicles.



- To encourage assemblers to move from SKD to CKD and thereby create more employment and forward/backward linkages in the national economy.

Policy Prescriptions:

Registered Assemblers in the Auto Programme

- Exemption of 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, Enhanced SKD and CKD Auto Assembly
- Waiver of the import duty and domestic levies on imported SKD, Enhanced SKD, and CKD kits and on Original Equipment components, including:
 - a. Import VAT
 - b. National Health Insurance Levy
 - c. GET Fund
 - d. EXIM Levy
 - e. Special Import Levy

Vehicle Imports outside the Auto Programme

- 35% of CIF value as Import Duty on New and Used Vehicles.

Stringent measures will be introduced to deal with the importation of the following:

- Overaged Vehicles
- Salvaged and Flooded Vehicles
- New vehicles without destination certificate certifying that the vehicle is produced for the Ghana market.

Value-based Duty Rebate Scheme for Imported FBUs by Registered Assemblers

Policy Objectives:

- To encourage manufacturers 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.
- To prevent multi-franchise manufacturers from cross subsidizing between different brands.
- To recognize the significant differences in the level of investments required to move from SKD to CKD, which will increase local value addition
- 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).
- To encourage globally competitive manufacturing practices in Ghana

Policy Prescriptions:

- 35% Import Duty Rebate for FBUs imported from global OEMs under the GADP based on the value of their imported SKD/CKD kits. All other domestic levies will apply. The formula for rebating the FBU imports of Registered Assemblers is as follows:

- a. A multiplier of one (1:1) for SKD
- b. A multiplier of two (2:1) for Enhanced SKD
- c. A multiplier of two (2:1) for CKD
- d. Registered Assemblers could also benefit from additional incentives for making progress with Local Content, awarded on a points-based system.
- e. The rebates will be granted on a rolling monthly basis, with values in each month available for usage from the following month onwards for 12 months. These rebates are not transferable to any other parties.
- f. For this purpose, a Rebate Certificate will be issued.

2. MARKET DEVELOPMENT AND TRADE FACILITATION

Government Procurement and Patronage

Policy Objectives:

- To expand the market of local Registered Assemblers in the Auto Programme
- To encourage Ghanaians to procure vehicles locally assembled in the Auto Programme
- To replace vehicle fleet with vehicles locally assembled in the Auto Programme

Policy Prescriptions:

- Preferential procurement policy for programme vehicles. The split between locally assembled and FBU will depend on the specific requirement from Government.
- Promotion of vehicle purchase/financing and ownership for public sector employees.

Vehicle Financing Schemes

Policy Objective:

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

Policy Prescription:

- Asset-based vehicle financing scheme to promote the purchase of locally assembled vehicles and vehicles imported by local assemblers (Programme vehicles), by the general public.

Streamlined Processes at the Port (Direct Delivery Procedure)

Policy Objective:

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

Policy Prescriptions:

- Direct Port Delivery Procedure for all cargo consignments imported by Registered Assemblers.
- Dedicated quay to speedily clear imported cargo consigned to Registered Assemblers.

Export Development

Policy Objective:

- To develop and systematically implement long-term strategies for exporting vehicles to the ECOWAS and African Continental Free Trade Area (AfCFTA) markets and collaborating in component manufacturing and supply.

Policy Prescriptions:

- Promotion and export of locally assembled vehicles to the ECOWAS market.

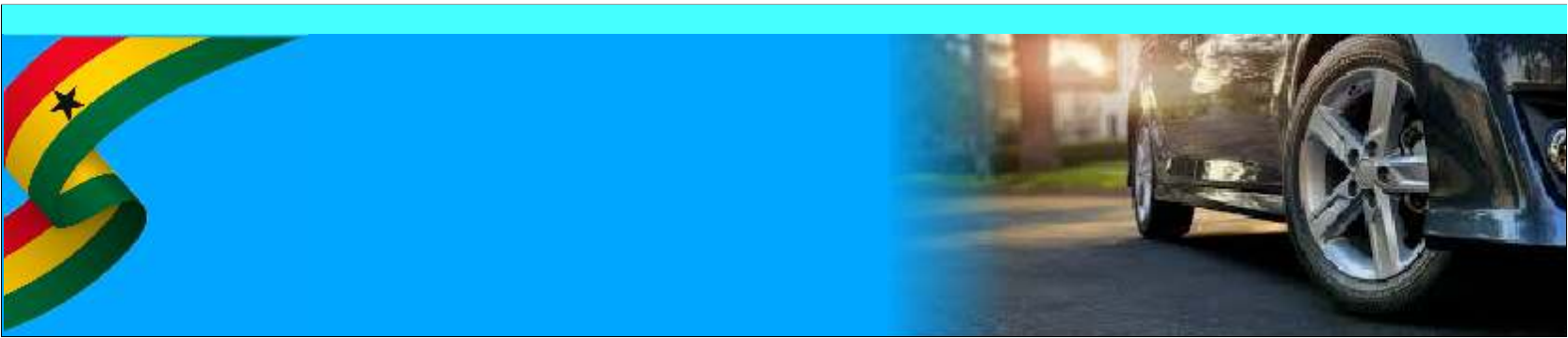
3. ENVIRONMENT, STANDARDS AND SAFETY

Policy Objectives:

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

Policy Prescriptions:

- Compulsory Vehicle Standards for all new and used vehicles.
- Legitimate Test Report from OEM required for all new vehicles to facilitate homologation certification from Ghana Standards Authority.
- Emissions Test and Road Worthy Test by an accredited test facility for all imported used vehicles to be submitted to GSA before shipment.
- Vehicle Marking System to identify vehicles throughout their life span.



4. ACCESS TO INDUSTRIAL INFRASTRUCTURE

Policy Objectives:

- To ensure that adequate and affordable serviced industrial land are made available to Registered Manufacturers, component manufacturers and suppliers
- To promote efficiency by co-locating assembly plants, their suppliers and service providers in an Automotive Park.
- (Note: It is not compulsory for manufacturers to locate within these automotive parks)

Policy Prescriptions:

- Establishment of a purpose-built Automotive Park.
- Facilitation of access to private sector operated industrial parks and properties.



5. AUTOMOTIVE SKILLS AND TECHNOLOGY UPGRADING

Skills Training and Technological Capacity Upgrading

Policy Objectives:

- To expand the skills base required locally for modern automotive assembly, component manufacturing and auto logistics/trading,
- To develop the requisite technological capacity for the development of local production and supply of components and parts.

Policy Prescriptions:

- Foster collaboration between OEMs and Educational institutions to implement training and skills development programmes required by auto assemblers, component manufacturers and suppliers.
- 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
- 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.
- Collaborate with OEMs to establish Advanced Manufacturing Technology Training and Innovation Centres in Automotive Parks, Universities and Technical Training Institutes.



6. DEVELOPING LOCAL COMPONENT SUPPLY CHAIN

Supplier Development Programmes

Policy Objectives:

- 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.
- To transfer the skills and technology needed by existing SMEs to find their niche in the automotive supply chain.

Policy Prescriptions:

- 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
- Collaborate with registered manufacturers to identify viable opportunities for developing products required in the automotive supply chain locally.
- Collaborate with registered manufacturers to provide suppliers with specialised training and technological support to develop quality products at competitive prices, in preparation for migration to CKD.
- 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

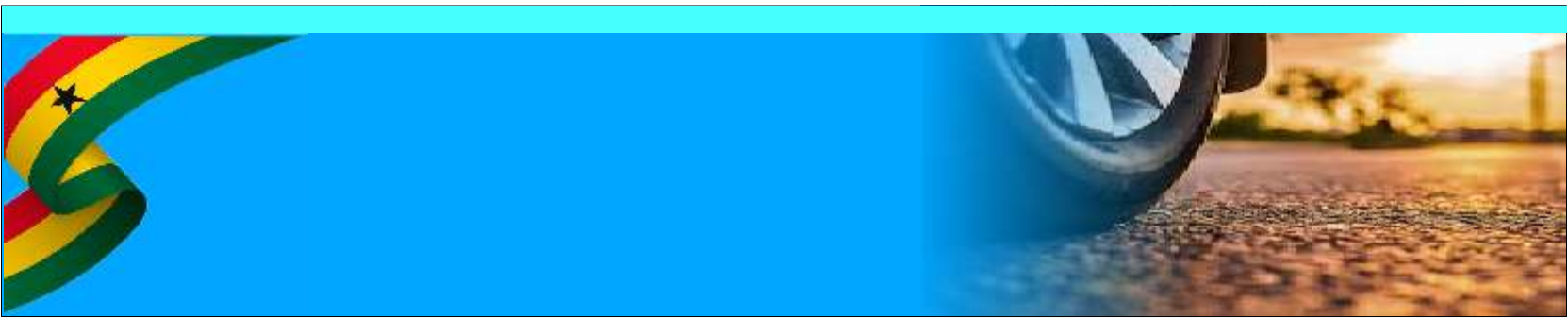
7. LABOUR RELATIONS AND PRODUCTIVITY

Policy Objectives:

- To ensure labour rights are protected, and participating assemblers and component manufacturers develop industrial relations in line with international best practice and structures in automotive industry.
- To encourage auto industry workers to unionise and establish affiliation with a relevant international labour unions.
- To ensure effective and mutual cooperation on issues of compensation, training and productivity improvement from the start of the auto assembly industry.

Policy Prescriptions:

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



8. LEGISLATIVE MEASURES

Policy Objective:

- To ensure that all critical legislative changes come into effect at the appropriate time.
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Policy Prescriptions:

- Revise and expand the relevant Chapter 98 of the HS and Customs Tariff Schedule to create a section assigned solely to SKD and CKD as defined in this policy document.
- Develop Compulsory Vehicle Standards and a Homologation process for Ghana, based on international best practice.
- Technical regulations will be introduced on Compulsory Vehicle Standards, Homologation and Vehicle Marking.

9. PARTICIPATION IN THE AUTO PROGRAMME

In order to participate in the Auto Programme, interested OEMs and investors are required to satisfy three main administrative requirements, namely:

- Qualifying Criteria
- Registration into the Auto Programme
- Inspection and Monitoring

Registration into the Auto Programme

The Ministry of Trade and Industry (MOTI) will,

- Develop and effectively administer a Two-Tier Registration System to register manufacturers into the Auto Programme as follows:
 - a. *Pre-assembly BonafideAssembler*: 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. *BonafideAssemblers*: 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)
- 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:

- a. 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 the supervision of such global OEM. The corporate entity and its structure must be clearly identified. 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 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 contract assembler to ensure that the planned commitments are met.

- b. 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 time frames). 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.
- c. The factory address to be provided at registration must include copies of title deed or lease document of the factory address.
- d. 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 GIPC Act and MOTI reserves the right to use it in the physical confirmation and tracking of the preparations for production.

The minimum requirements for SKD are: -

- At least 2 workstations for assembly process.
- Utility supply – compressed air, electricity and water.
- 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.
- Hand tools for assembly process.
- 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

Manufacturing 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.
- 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 Pre-assembly 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:

- a. 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.
- b. The Technical Committee must confirm that the factory complies with requirements stipulated in A 5 above.
- c. The Technical Committee must confirm that the Assembler will be capable of complying with all standards and regulations that are applicable.
- d. 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.

10. INSTITUTIONAL AND GOVERNANCE STRUCTURES

The following institutional structures will ensure that the Policy is implemented and monitored to deliver its vision and strategic objectives.

- a. Auto Desk at the Ministry of Trade and Industry – Main point of contact within government for the registration of auto assemblers and component manufacturers, and facilitation of their activities.
- b. Auto Technical Working Group - Oversees and monitors the implementation of the Policy and Programme including the adherence by SKD and CKD Registered Manufacturers to agreed commitments and regulations.
- c. Auto Development Council - An umbrella body to foster stakeholder consultations in the automotive industry
- d. Inter-Ministerial Facilitation Team– Composed of Ministers in key sectors and provides strategic direction for the implementation of the Automotive Development Policy.
- e. CEOs Consultative Group – A forum for CEOs of Automotive assemblers to engage in policy dialogue with the Ministry of Trade and Industry.

