

INFORMATION BRIEF FOR PROSPECTIVE VEHICLE ASSEMBLERS UNDER THE GHANA AUTOMOBILE DEVELOPMENT POLICY (GAMDP)

VISION

The vision 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 Auto 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 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 **passenger cars, SUVs, pickups and mini-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. (See Annex 1)

POLICY THEMATIC AREAS

INCENTIVE AND REGULATORY FRAMEWORK

1.0 Fiscal Incentives for Manufacturers in the GAMDP

1.1 Tax Holidays

- Corporate Tax holiday of 5 years for Enhanced SKD Assemblers.

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

1.2 Import Duties and Levies

Vehicle 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 and CKD Auto Assembly.
- Waiver of the domestic levies on imported SKD and CKD kits and on Original Equipment components, namely:
 - 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.

The importation of the following vehicles is banned:

- Vehicles exceeding 10 years old
- Salvaged Vehicles
- New vehicles without destination certificate issued by an OEM certifying that the vehicle is produced for the Ghana market.

1.3 Value-based Duty Rebate Scheme for Imported FBUs of Assemblers

- 35% Import Duty Rebate for FBUs imported from global OEMs under the GAMDP. All other domestic levies will apply.
- The formula for rebating the FBU imports of Assemblers is as follows:
 - i. A multiplier of one (1:1) for SKD for 3 years (to be renewed based on progress made in meeting targets under the investment plan of the assembler);
 - ii. A multiplier of two (2:1) for Enhanced SKD for 5 years (to be renewed based on progress made in meeting targets under the investment plan of the assembler); and
 - iii. A multiplier of two (2:1) for CKD without term limit. (See Annex 2)

- iv. Assemblers could also benefit from additional incentives for making progress in Manufacturing Value Added and Local Content, awarded on a points-based system. (See Annex 3)
- v. The rebates will be granted on a rolling monthly basis, with values in each month used in the following month.

2.0 MARKET DEVELOPMENT AND TRADE FACILITATION

2.1 Government Procurement and Patronage

- Preferential procurement policy for vehicles assembled in Ghana.
- Promotion of vehicle purchase and ownership for public sector employees.

2.2 Vehicle Financing Schemes

- Asset-based vehicle financing scheme to promote the purchase of locally manufactured vehicles by the general public.

2.3 Streamlined Processes at the Port (Direct Delivery Procedure)

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

2.4 Export Development

- Promotion and export of locally assembled vehicles to the ECOWAS market.
- Dedicated vehicle export programme to be implemented under the CFTA

3.0 ENVIRONMENT, STANDARDS AND SAFETY

- Compulsory Vehicle Standards for all new 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.
- Vehicle Marking System to identify vehicles throughout their life span.

4.0 ACCESS TO INDUSTRIAL INFRASTRUCTURE

- Establishment of a purpose-built Automotive Park.

- Facilitation of access to private sector operated industrial parks and properties.
- Access to serviced land on concessionary terms

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 will,

- Develop and effectively administer a Two-Tier Registration System to register vehicle assemblers into the Auto Programme as follows:
 - Pre-assembly Bonafide Manufacturer:* 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).*
 - Bonafide Manufacturer:* This status is granted to assembly plants that are ready to start volume production.
- Register the manufacturer with Ghana Revenue Authority (Customs Division) to ensure that their details are incorporated into the Customs and Domestic Tax Systems.

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

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 under supervision of such global OEM. The corporate entity and its structure must be clearly identified.

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 GIPC Act 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.
6. Hand tools for assembly process.
7. The Applicant should present a Manufacturing and Investment Plan clearly indicating 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 plan.
- d) Human resource plan, including organisation structure and skills development plan.

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 Manufacturer.
- b. Qualification as Bona Fide Manufacturer

To be accredited as a Bona Fide Manufacturer within the GAMDP the following conditions and procedures must be complied with:

- 1 The Bona Fide manufacturer 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 provisions of A 5 above.
- 3 The Technical Committee must confirm that the Manufacturer will be capable of complying with all standards and regulations that are applicable.
- 4 The Manufacturer must register with the GRA as having the capacity and facilities to comply with the customs administration procedures as will be required by Chap 98.13 of the Customs Book. Non-compliance with such customs administration procedures can result in the revocation of the Bona Fide Manufacturer 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 Manufacturer status.

MINIMUM PRODUCTION LEVELS, PRICING AND MODELS OF VEHICLES

- To qualify for incentives under the GAMDP, assemblers must assemble a minimum of 5000 vehicles per year
- Investment plans submitted by prospective assemblers should specify proposed models and their indicative prices.

INSTITUTIONAL AND GOVERNANCE STRUCTURES

Auto Desk	end-July
Auto Technical Working Group	end-July
Auto Council	end-July
Inter-Ministerial Facilitation Team	end-July
CEOs Consultative Group	end-July
Submission of Investment Plans	end-July

Final Round of Consultations with Stakeholders

- Consolidation and Harmonization of Policy and Regulatory measures—end-July

Launching of Auto Policy

- First week of August

Roll-out of first vehicles

- It is expected that the first vehicle would roll out by the end of Q2 2020.

ANNEXES

Annex 1

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	Local Assembly	Local Assembly	Local Assembly
Monocoque Vehicle RR Sub-Frame Assy to Body	Local Assembly	Local Assembly	Local Assembly
Centre Console	Local 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	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

Annex 2

Manufacturing value added (MVA)

$$= \frac{\text{Ex Factory price of assembled vehicle} - \text{CIF price of all imported parts}}{\text{Ex Factory price of the assembled vehicle}} \times 100$$

Annex 3

The formula that will be used to calculate for the Local Content is as follows:

$$\text{Local content} = \frac{\text{Ex factory price of local components}}{\text{CIF price of all imported CKD parts} + \text{Ex factory price of local components}} \times 100$$

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<u>a</u>	Manufacturing Process	Multiplier	Manufacturing value added	Total incentive (as a product of Customs value declaration)
<u>b</u>	SKD Assembly	1	X	1+X
<u>l</u>	Enhanced SKD Assembly	2	X	2+X
<u>e</u>	CKD Assembly	2	X	2+X

Illustration of Value based incentives

Calculation example 1:-

A local manufacturer has an SKD operation and imported \$10 million worth of SKD kits in a quarter. The total Ex-Factory prices of these assembled vehicles was \$12 million.

$$MVA = \frac{(12,000,000 - 10,000,000)}{12,000,000}$$

$$= 0.166667$$

$$\begin{aligned}\text{Total Import complementation} &= (1+0,166667) \times 10,000,000 \\ &= 11,666,700\end{aligned}$$

So, he can import FBU's to the value of \$11,666,7000 at zero duty.

Calculation example 2:-

A local manufacturer has a CKD operation and imported \$9 million worth of CKD kits in a quarter. The total Ex-Factory prices of these assembled vehicles was \$12 million. He also used \$1 million worth of localized parts in these vehicles

$$\text{MVA} = \frac{(12,000,000 - 10,000,000)}{12,000,000}$$

$$= 0.166667$$

$$\text{Local Content} = \frac{1,000,000}{9,000,000 + 1,000,000}$$

$$= 0,1$$

$$\begin{aligned}\text{Total Import complementation} &= (2+0,166667+0,1) \times 10,000,000 \\ &= 20,400,030\end{aligned}$$

So, he can import FBU's to the value of \$20,400,030 at zero duty.