

# BTI 2016 | Ghana Country Report

	scale	score	rank	trend
<b>Status Index</b>	1-10	<b>6.88</b>	# 30 of 129	
Political Transformation	1-10	7.90	# 20 of 129	➔
Economic Transformation	1-10	5.86	# 57 of 129	⬇️
<b>Management Index</b>	1-10	<b>6.41</b>	# 20 of 129	

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2016. It covers the period from 1 February 2013 to 31 January 2015. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

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**Key Indicators**

Population	M	26.8	HDI	0.573	GDP p.c., PPP \$	4089.8
Pop. growth <sup>1</sup>	% p.a.	2.4	HDI rank of 187	138	Gini Index	42.8
Life expectancy	years	61.1	UN Education Index	0.553	Poverty <sup>3</sup>	% 49.0
Urban population	%	53.4	Gender inequality <sup>2</sup>	0.549	Aid per capita \$	50.9

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | UNDP, Human Development Report 2014. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.10 a day at 2011 international prices.

## Executive Summary

During the period under review, political and economic development in Ghana has been problematic in some areas, especially in regard to the economy. Fiscal indiscipline and the failure to tackle an increasingly high inflation rate have put great strain on the Ghanaian economy. Though the economy still grew, its progress has been disappointing and the adverse effects of ever higher indebtedness (currently 60% of the GDP) and galloping prices have been felt in daily life. The depreciation of the Ghanaian cedi against all major currencies has reached an all-time high, foreign reserves have melted down, providing further incentive to the dollarization of the economy. Persistent problems with power generation – leading to severe shortages for major industries, as well as individuals – and problems reaping the full benefits of oil production have put additional pressure on the system. Up until the government signed a new comprehensive agreement with the IMF, it did not display a convincing management capacity for dealing with the crisis.

Growth rates were around 4-5% in the last two years, which is still a positive development, although below the economy's potential. Oil has overtaken gold as the commodity with the second highest income, only surpassed by cocoa. The problem remains that the economic benefits of growth continue to be distributed extremely unevenly and that disappointment on the part of the population may lead to legitimacy problems for the whole political system, of which the first signs are already visible.

In the political field, all the major parties have started to prepare themselves quite early for the 2016 elections, especially with regards to choosing their respective presidential candidates. The process has been hampered by violence in some cases and has, so far, not produced any surprise candidates.

In general, Ghana remains a stable democracy with good economic prospects. The last two years have shown some challenges, but measures have been put in place to address the most pressing of them, the big exception being providing broader segments of the population increased access to the nation's wealth.

## History and Characteristics of Transformation

Ghana's first steps toward economic transformation, which could be described as a classical "development dictatorship," preceded political reforms. After independence in 1957, the high hopes of the father of independence, President Kwame Nkrumah, were negated by socialist experiments and an increasingly oppressive state apparatus with a high degree of personality cult centered on the president. These circumstances led to Nkrumah's downfall in a military coup in 1966, the first of many. Ghana then suffered several regime changes which mostly resulted in military dictatorships.

From this point on, aside from the current civilian leadership, there have been only two short periods of civilian rule in Ghana – from the late 1960s to the early 1970s, and from 1979 to 1982. Neither military nor civilian leadership has been able to stop the continuous decline of one of the world's biggest cocoa producers after prices fell in the 1960s and never again reached the heights of the 1950s. During this period of economic decline, the political situation worsened, accompanied by a considerable increase in corruption and human rights abuses, and by inept efforts to stem the accelerating downturn in all areas of life. After the second coup d'état by Jerry Rawlings on New Year's Eve 1981, an era of political stability was established – the first "revolutionary" years of the regime notwithstanding. Succumbing to pressures both from economic realities and from international monetary institutions, Ghana's government decided to pursue a structural adjustment program "to the letter," including a strategy for curbing rising social violence through repression. After initiating economic reforms, the Rawlings regime hesitantly bowed to calls for political reform. This was due in part to the growing self-confidence of the political opposition after the end of the Cold War and to the acceleration of the political reform process in neighboring countries like Benin. The introduction of multiparty politics was accompanied by heavy criticism of Rawlings' tight control over the political process. Unsurprisingly, the first democratic election of 1992 was characterized by certain irregularities. Nevertheless, despite fears of another period of dictatorship dressed up in civilian disguise, the Rawlings administration, now duly elected, proved different. As a civilian president, Rawlings was willing to adhere to constitutional procedures in general and accepted the separation of powers that enabled the establishment of a thriving free press and an independent judiciary. Rawlings was re-elected in 1996, but did not follow the example of other African presidents in changing the constitution to allow him a third term.

The New Patriotic Party (NPP), the sole non-Nkrumahist party, had emerged as the only relevant opposition in the 1990s, but boycotted the elections in 1992. In 2000, the NPP won the election, marking the first, but not last, change of government by means of democratic election since independence. Rawlings' National Democratic Congress (NDC) candidate, John Atta Mills, conceded defeat and settled into his role as leader of the opposition. The Fourth Republic survived this crucial development without difficulty, and President Kufuor's new administration embraced an accelerated political and economic reform program. It did away with the last remnants of

dictatorship – especially certain limits to the freedom of press – and refocused its concerns on economic development, to spur on growth after a stagnant period and a major economic setback in 1999. While these reforms continued after Kufuor's re-election in 2004, the lack of immediate benefits for a wide range of the population led to the second democratic change in power in December 2008 – January 2009. The NDC's Atta Mills defeated the NPP's Akuffo-Addo by a very narrow margin in the second round. After his untimely death in 2012, former Vice President John Dramani Mahama was sworn in as president and narrowly won as the NDC candidate in December 2012.

The economic reform program first initiated by Rawlings in the 1980s, financed and monitored by the Bretton Woods institutions, was one of the most ambitious in African history. Its negative social side effects, which were controlled by the regime in a decisive manner, as well as its positive effects in stopping the slide of the economy and returning Ghana to a period of relatively stable economic growth, have been widely discussed. The program, which included the classical approach of liberalization and privatization, especially in regard to the highly controlled cocoa market, was executed with diligence. However, it was carried out with less enthusiasm after the return to democratic rule.

Progress has been made in many areas, particularly with regard to the import/export regime, regulations controlling economic activities, and the establishment of a thriving stock exchange. However, problems persisted. The banking sector continued to be a problem for years, and subsequent governments have never managed to control inflation up until now. Both issues have been tackled with some vigor, but only the banking sector has shown signs of recovery, while inflation remains a challenge. Nevertheless, this has had adverse effects on exchange rates, and on the country's dependence on the export of cocoa, and to a lesser extent, gold. Dependency on the export of raw materials has lessened as a result of the emergence of a thriving tourism industry, and will most probably deepen again with the start of oil production. Foreign debt management has caused some questions as liabilities rise continuously. Corruption and bureaucratic ineptitude remain a challenge.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

## Transformation Status

### I. Political Transformation

#### 1 | Stateness

Although the Ghanaian political system is still riddled with political and ethnic divisions, which sometimes lead to violence, the government's monopoly on the use of force has not been challenged in the period under review. Fears for civil unrest in connection with the NPP's appeal against the presidential election results of December 2012 did not materialize, and once the courts upheld the election results, the decision was accepted. While crime remains a concern, especially in urban areas, the general atmosphere is one of overall security. Law enforcement agencies are not generally regarded as competent enough to tackle future challenges. Still, they have been able to instill a certain degree of law and order in most parts of the country.

There are no serious problems regarding the definition of citizenship or who is a citizen, although documentation of citizenship can be a challenge if a birth certificate is missing. Likewise, there is no systematic policy of denying certain groups their constitutional rights. There are no significant groups, which fundamentally reject the idea of the Ghanaian nation-state or are in the process of implementing other forms of stateness. Ethnic conflicts, mostly over land use or succession issues in traditional leadership settings, continue to happen periodically. While there is no state-driven discrimination against certain ethnic groups, the politicization of ethnic loyalties remains a disturbing and potentially dangerous feature of Ghanaian politics. The dividing line between a political and an ethnic conflict is not always clearly drawn. The incumbent president, John Mahama, descends from a multi-religious family and has shown no inclination for applying religion as an instrument to solve political conflicts.

Question

Score

Monopoly on the  
use of force

8

State identity

9

Officially, there is separation between religion and state, especially because the country is divided into a poor and marginalized Muslim north and a better developed Christian dominated south. This division continues to cause migration to the megacities of Kumasi and Accra, with incalculable risks. Politicians of all parties are careful to avoid allowing religious sentiments to spill over into political discussions, and a certain religious balance is respected concerning top government appointments. Ghanaian society is deeply religious and the emergence and strength of Pentecostal and Charismatic churches has contributed to this characteristic, fueled by funds sent to Ghana mostly by Ghanaian Americans. No politician can survive politically without portraying himself as a devout religious person. Religious dogmas continue to play an important role, at least verbally, and have to be invoked persistently for politicians to be successful, sometimes leading to divisive speech. Because of the strong religious beliefs most Ghanaians hold, discrimination is possible in everyday life and takes place, sometimes also inside state institutions, and checks against discrimination do not always work properly.

No interference of religious dogmas

7

Basic administration is of fair quality, and is concentrated in urban areas, but remains advanced by sub-Saharan African standards. The CPIA quality of public administration rating (provided by the World Bank) rates Ghana continuously (2010-2013) at 3.5 (6 = highest quality, 1 = lowest quality), slightly above the African average. Despite efforts for administrative reform in recent years, the visibility of the state is still limited, especially in rural areas. Corruption remains a challenge, despite the fact that salaries have been paid on a regular basis. It is difficult to find civil servants willing to accept a post in rural areas, a problem which has hindered administrative effectiveness. Frequently, the legitimacy and image of state officials are questioned. Moreover, the north-south divide also applies to the outreach of public services, despite the fact that more resources were allocated to the north.

Basic administration

7

## 2 | Political Participation

Universal suffrage, the right to campaign, and democratic elections are assured both de jure and de facto. There have been no serious violations of the principles of free and fair elections during the last five elections from 1996 to 2012. Ghana is one of the few African countries with several peaceful changes of government through the ballot box. The recent election of 2012 was largely free from violence, apart from a few incidents during the campaign. The results of the presidential election, which handed the incumbent president John Dramani Mahama a narrow victory – previously vice president, Mahama succeeded John Atta Mills, who had passed away a few months before the election – were not initially accepted by the opposition and were contested in court by the opposition party NPP. The courts upheld the election results and eventually the NPP accepted the verdict.

Free and fair elections

8

The elected government enjoys both legitimacy and the effective power to govern, though within the limits of a fairly inefficient civil service. The opposition generally accepts the rules of the game, though it has repeatedly accused the ruling NDC party of electoral fraud and will most likely put extra scrutiny on the conduct of the upcoming elections in late 2016. Parliament and the president have real power and are not subject to any outside veto power. The military – a key player in former periods of Ghanaian politics – has lost influence during the last decade, no longer exercising any leverage over civilian authorities. As important economic players enjoy some influence in party finances and a good degree of wealth is needed for efficient campaigning in and outside political parties, economic interests have come to play an increased role in party politics.

Effective power to govern

9

In general, political and civil organizations can develop, meet, organize and campaign for their issues freely without state interference. Freedom of assembly in order to demonstrate exists, although the police are not well-trained or equipped to handle violence in such cases. New parties establish themselves regularly, although the electoral system discourages the successful emergence of new political forces. Currently, and for some time now, the biggest obstacle for change in the party system is the apparent inability of the small “Nkrumahist” parties to join forces and form a formidable “third party” to increase competition in the current two-party system, although the two major ones – the CPP and the PNC – have renewed their efforts in this direction. The parliamentary elections of 2012 diminished representation by third parties to just one representative in parliament and four independents. In three special elections in 2013, the NDC could only keep two mandates and lost one in favor of the CPP.

Association / assembly rights

9

Freedom of expression is generally guaranteed and there is no organized repression of the media. There is a danger of capable journalists being attracted away from the media by better-paid positions in the civil service, therefore diminishing the vibrancy of independent media outlets. The state-owned media has established a certain degree of autonomy, but outright criticism of government policies is rare or relatively weak. The quality of reporting has been an increasingly contentious topic, especially in regard to sensationalist tabloid papers. Electronic media, especially radio stations and the Internet, have come to play a more important role. Internet access is freely available in most urban areas and increasingly so in some rural parts of the country, depending on the availability of sending masts for mobile telecommunication. In the 2013 ICT Development Index provided by the International Telecommunication Union (ITU), measuring access to and development of telecommunication services, Ghana ranks 113rd out of 166 countries. In the related subindex for access alone, it ranks 106th. Ghana is ranked “free” by the Freedom of the Press 2014 survey conducted by the Freedom House, and ranked third in Africa with an absolute score of 52, only surpassed by Cape Verde and Sao Tomé and Príncipe.

Freedom of expression

8

### 3 | Rule of Law

In Ghana's presidential system, checks and balances generally prevail, though the executive branch has a tendency to dominate the system, especially if the position of the president is filled by an energetic individual. Furthermore, the inherent attitude of "the winner takes it all" in election campaigns forecloses any meaningful cooperation between parties not in a coalition. The current majority of the ruling NDC party in parliament has increased since the 2012 elections with 148 seats against 123 for the NPP and four for one Nkrumahist-party and independents. Currently the NDC has 146 seats. Party discipline is not an overarching feature of any party. Infighting is clearly visible in both the ruling NDC, as well as in the opposing NPP, which are both highly fragmented into different factions. Sometimes internal conflicts erupt into political violence. Parliamentary discourse is marked by dissent. With the continued dissolution of the small Nkrumahist parties, Ghana can now be described as a stable two-party system (see below).

Separation of  
powers  
8

The judiciary is by now based on a firm tradition of independence, developed as far back as the Rawlings era. The system seems to be stable and well respected. There has been no apparent evidence of government meddling in judicial procedures, but the use of civil libel laws against critical journalists by individual politicians remains a problem. Corruption and limited administrative capacity continue to pose the biggest challenges, exemplified in unduly long legal procedures and sometimes incomprehensible verdicts. Going to court is too expensive for the average citizen. Only those with means can afford legal proceedings. The fact that after the elections the opposition decided to protest mainly through the courts and afterwards accepted the verdict is evidence of the general respect for the judiciary and its role.

Independent  
judiciary  
8

While high-ranking officials and politicians still enjoy a good degree of protection against prosecution, recent instances in anti-corruption activities show that even newly appointed officials of government are not safe from public scrutiny if they are found to be involved in illegal activity. Still, corruption seems to be increasing and public perception of how cases are dealt with has become more and more negative. As with the advent of oil money into the system, public awareness of high-ranking cases of corruption has been heightened. Public discourse has become more heated. Prosecution of known corruption cases takes place, but the proceedings are lengthy and convictions have been slow in coming. While there exists a Whistleblowers Act to protect witnesses in corruption cases from prosecution once they come forward with pertinent information, it is rarely implemented, as potential informants frequently fear losing their well-paid employment.

Prosecution of  
office abuse  
5

Civil liberties do not only exist on paper. The government and state agencies are closely monitored by the media regarding violations of civil rights. Basic human rights are respected and there is no systematic policy of denying individuals' constitutional rights. Single instances of police abuse are more connected to poor training and challenging work conditions. In areas without a significant or permanent presence of public security officers, civil rights are often determined and protected based on traditional law, which does not necessarily follow the letter of public law. This specifically refers to individuals and groups who display socially unacceptable behavior or are accused of such (e. g. "witches"). In addition, widespread discrimination against homosexuals exists. Civil rights violations by third parties are not always prosecuted energetically, especially once significant economic interests become involved.

Civil rights  
6

#### 4 | Stability of Democratic Institutions

Democratic institutions can be described as fully functional and stable. Although the constitution affords the president vast powers, parliament is more than just a talking shop. The majority of parliamentarians do take their duties seriously. Presidents only exercise control over their own parties, and in some cases not even there, as both major parties are fragmented into various competing factions. Shortcomings in the administration are mostly of structural origin – corruption, education and underfunding – and are less connected with undue political interference. Legitimate processes are generally followed and constitutional regulations adhered to, although disputes about their implementation and accusations of breach of law are frequent.

Performance of  
democratic  
institutions  
9

Commitment to democratic procedures and institutions is high, although on different levels. For example, two changes of government through the ballot box, still quite an exception in Africa, have proved the high commitment to democratic institutions by the political elites, as well as the acceptance of court verdicts to electoral disputes. Moreover, a voter turnout of around 80% in 2012 is evidence of the public's faith in democratic institutions. This notwithstanding, the disparity between the affluent and the poor imposes a danger to institutional legitimacy, if the distribution of wealth does not improve significantly. Corruption scandals have weakened the legitimacy of democratic institutions among the broader population. According to the regular Afrobarometer surveys, a disturbing trend can be seen. While commitment to the democratic system remains high, acceptance of democratic institutions and their performance has dropped over the years. This may lead to diminished legitimacy of the whole democratic process, if not addressed properly.

Commitment to  
democratic  
institutions  
8

## 5 | Political and Social Integration

Ghana has a distinctive tradition of ideology-based political parties, which is quite unique in an African context. This tradition has been reflected in all democratic governments since independence, and has even persisted through Ghana's military dictatorships in an informal way. The Fourth Republic can boast a stable two-party system, with active, if weak, third parties. The process of establishing a two-party system was solidified during the 2012 elections. The two major forces are the opposition party, the NPP, and the ruling NDC party, founded by Jerry Rawlings. In addition, a number of parties aligning themselves with Kwame Nkrumah's socialist tradition exist and have been able to cling to a few parliamentary seats in the past. In 2012, though, only one of them, the People's National Convention (PNC), has returned to parliament with one seat, while all other third parties have been unsuccessful. While the NPP is based on the more liberal-conservative tradition of founding fathers J.B. Danquah and Kofi Abrefa Busia, the NDC, while claiming its own relationship to Nkrumahism, is basically a representation of the political vision of its founder, former military dictator Jerry Rawlings. With a moderate and a more radical left wing, it comprises two parties in one, already posing an internal challenge to his policies. Both big parties are fragmented, and splinter groups are formed on a regular basis. Still, no other party has been able to effectively challenge the supremacy of the two major players.

Both parties have certain ethno-regional strongholds (e.g., Volta region: NDC; Ashanti: NPP), which was displayed again in the 2012 elections and continues to shape internal party politics. Nevertheless, both parties have also been able to gain support outside their core regions and are in fierce competition in areas of Ghana where neither of them traditionally claims supremacy. By-elections have consistently shown the ability to turn a seat from one party to another if campaigns are fought well.

Civil society and its interest groups have, with prolonged civilian rule and a growing certainty that democracy has come to stay, asserted themselves and are visible mostly in urban areas. One major reason for this positive development is continued donor assistance for NGOs. Another factor is that more and more citizens appreciate the freedoms of a civil society, and they seem to be prepared to engage themselves also outside political parties. Steady economic growth has also placed some financial means into the hands of a small but consistently growing urban middle class, the traditional backbone of NGOs. In rural areas, more traditional forms of organization persist. Religious organizations, especially the ever-rising number of Pentecostal and African Independent Churches, with their accompanying institutions, are playing an increasingly important role. Trade unionism, on the other hand, remains relatively

Party system  
8

Interest groups  
8

weak and is only visible from time to time in organizing popular discontent. Traditional leaders still exercise considerable influence by informal means.

At this point in time, around 300,000 NGOs are registered with the Ghanaian Ministry of Manpower, Education and Youth, the state's regulating body, not counting international NGOs.

Popular consent to democracy and the basic pillars and norms of a democratic institutional set-up appears high despite some instances of violence and the use of popular discontent by the parties in the election campaigns. This judgment includes the economic and political elites, which are quite aware that their own success is dependent on the continuation of democratic governance in Ghana. The high degree of participation in the most recent elections in 2012 (slightly above 80%, some ten percentage points higher than in 2008) shows that the enthusiasm of voters is still considerable. It has to be noted that legitimacy problems exist, especially in regard to the non-delivery of certain public goods (poverty reduction, job creation) by the system, a sentiment which helped trigger the last change of government. Afrobarometer surveys conducted in Ghana since the 1990s have shown a strong and increasing commitment toward democratic values and processes, although with a diminishing support for the performance of institutions (see above).

Approval of  
democracy

9

Self-organization has stabilized at a comparatively high level, particularly in urban areas, and seems likely to be sustained. There is a relatively high level of trust among the population. Traditional leaders still exercise a great deal of influence and often function as mediators between the population and the government, especially in rural areas. These leaders are integrated in the "House of Chiefs," with regional "Houses of Chiefs" all over the country. A variety of these leaders – like the Asantehene of the Ashanti – enjoy considerable moral influence, and they mostly use it responsibly without fostering ethnic conflicts. Corruption scandals have also diminished the moral authority of traditional leaders in the last years. Spillovers from disputes, such as the nomination of new chiefs, sometimes reach the political arena. Still, most politicians are eager to align themselves with traditional leaders, as this approach enhances their legitimacy. Ethnic cleavages can be exploited by politics, and in these cases, trust between citizens is diminishing. The role and influence of religious leaders has been instrumental during election times, as their persistent calls for peaceful elections have had considerable influence in the orderly manner in which elections have taken place.

Social capital

7

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

Question  
Score

Ghana ranked 138th out of 187 countries in the 2014 Human Development Index. This rank places the country in the group of countries with “medium human development” with a score of 0.573, a slight improvement from the preceding year at 0.571. Ghana scored 0.144 in the Multidimensional Poverty Index (MPI), which has replaced the Human Poverty Index (HPI), the most current data is still only available for 2011.

Socioeconomic  
barriers  
4

Economic development is still uneven. The north of the country is considerably marginalized, which unfortunately correlates with the fact that most Muslims live in the north. This reflects inequalities with regard to income as well as access to education, and the infrastructure arrangements are better in southern Ghana. Within the country in general, distribution of wealth is relatively uneven. The HDI adjusted for inequality drops to a score of 0.394, a worse result than the average for medium-development countries. So far growth in specific areas, especially in agricultural commodities, has spread benefits within a wider part of the population, while, on the other hand, in general, wealth has continuously accumulated disproportionately for a few.

Still, some achievements have been made in regard to equality of opportunity in the area of education. Primary schools do not ask for school fees and both free meals and free transport have been provided.

Outside the educational system, a difficult situation persists in terms of gender equality mainly because of economic and social problems rather than prohibitive laws. In regard to gender equality, more policies have to be put in place. The recent 2012 Afrobarometer survey focuses on gender issues as well. The results show that around 80% of respondents are in favor of equal rights for both sexes and only a small percentage insists on maintaining different treatment, as dictated by tradition. This correlates strongly with replies in the survey in regard to school enrollment, where many strongly disapproved of statements that boys' education should take precedence over girls' if funds are limited. In the Gender Inequality Index (GII), Ghana ranked 122nd out of 149 countries (data from 2013), with no change from the year before.

Economic indicators		2005	2010	2013	2014
GDP	\$ M	10731.9	32174.8	48584.7	<b>38648.2</b>
GDP growth	%	5.9	7.9	7.3	<b>4.2</b>
Inflation (CPI)	%	15.1	10.7	11.6	<b>15.5</b>
Unemployment	%	3.8	4.2	4.6	-
Foreign direct investment	% of GDP	1.4	7.9	6.6	-
Export growth	%	-	24.6	-6.8	-
Import growth	%	-	21.0	-18.5	-
Current account balance	\$ M	-1104.6	-2747.3	-5685.1	-
Public debt	% of GDP	48.2	46.3	56.2	<b>69.0</b>
External debt	\$ M	7168.3	9300.1	15831.5	-
Total debt service	\$ M	331.9	363.0	931.2	-
Cash surplus or deficit	% of GDP	-1.4	-7.2	-	-
Tax revenue	% of GDP	21.3	13.4	-	-
Government consumption	% of GDP	15.3	10.4	16.4	-
Public expnd. on education	% of GDP	7.4	5.5	-	-
Public expnd. on health	% of GDP	2.9	3.8	3.3	-
R&D expenditure	% of GDP	-	0.38	-	-
Military expenditure	% of GDP	0.6	0.4	0.5	<b>0.5</b>

Sources (as of October 2015): The World Bank, World Development Indicators 2015 | International Monetary Fund (IMF), World Economic Outlook, October 2015 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2015.

## 7 | Organization of the Market and Competition

The institutional framework for promoting free markets and competition has been slightly improved, though progress was recently brought to a halt. In the 2014 World Bank Doing Business report, which scrutinized the ease of doing business in 183 countries, Ghana ranked 67th (as compared to 62nd in the 2013 report and to 63rd in the 2012 report). Still, within Africa, only Mauritius, South Africa, Botswana, Tunisia and Rwanda performed better. Economic reforms under the supervision of the Bretton Woods institutions have helped to create a market-driven approach. There is a high degree of market competition, hindered mostly by limited access to affordable loans and some red tape. Market distortion by subsidies still exists,

Market-based  
competition

6

especially with a substantial sum spent on utilities. Reducing subsidies is a very difficult task to accomplish politically. However, the issue is highly politicized and sensitive, especially in election years. The pricing regime is market-oriented and liberal. In general, direct intervention by government has been limited, though the state still plays a major role as a contractor of private businesses and the biggest provider of formal employment in the country. Labor laws remain quite restrictive, though the effectiveness of regulations is doubtful in view of the strong informal economy. Many of the problems businesses in the formal sector encounter do not stem from regulations, but rather from administrative inertia and corruption. Currency problems, especially high inflation and a strong tendency towards dollarization, persist and have still not been tackled efficiently. For most of the urban poor and rural dwellers, who do not participate in the production of cash crops, the informal sector remains a major source of income. A lot of economic activity only occurs in the informal sector because of the inability of the administrative system to properly register and supervise the economy. Still, the relatively strong performance of the non-oil-sector in recent years shows that, as of now, the influx of oil-money has not led to serious market distortions; this is supported by the government's ongoing problem to properly account for all the taxes it is legally entitled to collect from oil production.

The formation of monopolies or oligopolies is generally not regulated. Government monopolies have dwindled in size and reach, although state influence in marketing activities remains significant, especially in regard to cash crops like cocoa and through its system of subsidies. Private entrepreneurs produce and trade the major commodities with the major exception of oil, where production and sale is highly concentrated. While the influence of foreign investors is still significant, and the influx of foreign direct investment (FDI) has persistently increased in years before, it took a dip in 2013, totaling nearly \$4 billion, down from \$5 billion in the previous year. In cases where takeovers of local firms are significant for the market, public scrutiny is relatively high. Generally, no policy is in places to counteract price fixing or predatory pricing. However, there is not a dire need for such policies given that no major instance of that kind has been reported in the period under review.

Levels of protection are generally low in comparison with other African countries. This has not changed profoundly after the takeover of government by the more "socialist" leaning NDC. Calls for more protectionism have, however, been raised persistently by the left wing of the ruling NDC. The most protected economic area remains agriculture, followed by manufacturing. On the other hand, Ghana grants a number of duty and tax concessions under various incentive schemes aimed at vital commodities or capital goods. In general, there is a trend to slowly lower tariff barriers, and this trend might accelerate as soon as other forms of income – especially oil revenue – can replace income from tariffs. Because of the relative modest size in oil revenue due to production problems, this has not materialized yet.

Anti-monopoly  
policy

5

Liberalization of  
foreign trade

7

Ghana is not fully integrated into the world market (as it is mainly a producer of raw materials) and Ghana's participation in WTO activities has been, as for most African nations, quite marginal. Aside from regular attendance, no significant proposals have been formulated. In general, Ghana has been following the rules of the WTO with regard to tariffs and undergoes WTO reviews on a regular basis without major complaints.

Ghana still maintains a list of products that require licenses to import and a number of fees apply to the trade to certain goods. A relatively high "inspection fee" is charged for all goods entering the country. In order to protect local industries, short-term bans on the import of certain goods (like canned fish) are enacted from time to time. Protection of intellectual property rights is very weak.

The legal underpinnings of the banking sector and the capital market are well designed, although some weaknesses persist, especially in the connection between central bank directives and the responsiveness of private banks (e.g., the effect of the interest prime rate set by the central bank). The market-driven approach has helped to stimulate the aforementioned expansion of the private banking sector. This in turn has increased competition and the availability of banking services beyond major urban areas. In addition, credit growth has been remarkable, therefore giving further incentives to local business to invest. The major problem remains to be the "missing middle," as microfinance institutions take care of the poor's credit needs and banks cater mainly to very big corporations and multinationals, leaving a visible gap for small- and medium-sized businesses, a total market share of about 30%, to obtain easy access to loans. The government, with technical support from the World Bank, has further increased its focus on banks' risk management capacity, including the recapitalization of problematic banks as well as strengthening audit procedures.

Banking system

8

The Ghanaian central bank enjoys a good degree of autonomy in the system, but it is not always effective in influencing the banking sector. The Ghanaian stock exchange in Accra has continued to play an important role in attracting investment and raising capital. It is the second largest in West Africa after Lagos. In 2014, it had a market capitalization of close to \$20 million, a slight drop from the preceding year.

## 8 | Currency and Price Stability

Ghana's management of its own currency, the cedi, is mostly affected by the problem of inflation, and increasingly, depreciation, which developed rapidly in 2014, has reached a dangerous level. Inflation has risen to a peak of more than 17% in November 2014, without any indication that the (largely autonomous) central bank is able to keep the rise under control. Monetary policy was tightened considerably by the Bank of Ghana, which increased the interest rate to 19% in 2014. However, this did not have a significant effect on the inflationary trend. While the bank set the

Anti-inflation /  
forex policy

5

benchmark for inflation at 11.5% for 2015, analysts are in serious doubt that this goal can be achieved.

Exchange rates for foreign currencies are volatile and the influence of the central bank on keeping them in check is limited. This was demonstrated by the continued massive depreciation of the cedi in 2013 and 2014, which was barely kept under control. The cedi depreciated by 14.6% against the U.S. dollar in 2013, and 26.7% in the first half of 2014, which is best described as a near collapse. Foreign reserves have continued to dwindle in the period under review to an all time low of \$1.2 billion. Dollarization of the economy has continued to put pressure on the cedi as well, as citizens prefer to put their savings in a less inflation-prone external currency.

Fiscal policy has been problematic in the period under review, both in regards to the management of debt, as well as the fiscal deficit. The fiscal deficit grew significantly, reaching close to 10% in 2014. Oil revenue has not been as high as expected, due to a lack of taxation, but has had some impact on fiscal policies in 2013 and 2014. Despite this, the outlook for 2015 does not foresee a deficit less than 7%, which is still considerable, especially in connection to the mounting external debt and dwindling external reserves.

The debt burden has increased considerably. [External?] Debt stocks rose from \$8.4 billion in 2011 to \$10.1 billion in 2013, and reached \$12.6 billion in 2014. Added to this is a domestic debt stock of around \$13 billion. This means that public debt stands now at nearly 60% of GDP, approaching 70% in 2015. At the same time, GDP growth underperformed in comparison to preceding years; this poses a serious challenge. The IMF repeatedly warned the Ghanaian government that these debt levels are unsustainable and that the government underreported the true nature of the burden in 2014. Because of these developments, all major rating agencies have significantly downgraded Ghana in 2014.

## 9 | Private Property

Property rights are adequately defined and generally protected. However, shortcomings in the rule of law, especially with respect to lengthy legal procedures and corruption, do exist and access to judicial proceedings is only available for the better off. In rural areas, private property rights are occasionally overshadowed by communal or traditional property distribution and usage systems. Disputes in rural areas are either settled by traditional authorities or, in some cases, by violence. Foreigners, including investors, are not allowed to purchase land, but can lease it.

Macrostability  
6

Property rights  
8

Private companies have played a major role in economic policy in recent years. Access to credit has become easier, but the policy of high interest rates in order to curb inflation makes repayment a challenge and SMEs still face serious problems in accessing credit. FDI has slacked recently. Privatization is mostly an issue in regard to the remaining major state enterprises, especially in regard to utilities. A major challenge for any private enterprise remains the structural weakness of the material infrastructure – especially transport – and problems with power generation. In December 2014, the government announced a power cut for major companies for 48 hours, commencing six days of supply afterwards. Together with the high inflation rate, investment by the private sector has been hampered significantly by these electricity shortages. As mentioned above, Ghana ranked 67th in the Doing Business report (as compared to 62nd in the 2013 report and to 63rd in the 2012 report), and was ranked 66th overall (4th in Africa) in the Heritage Foundation’s Index of Economic Freedom (among a total of 178 countries under scrutiny), an improvement over the last several years.

Private enterprise  
7

## 10 | Welfare Regime

The welfare regime of Ghana consists mainly of indirect contributions. These are primarily either direct subsidies to essential commodities – like energy or fuel – or indirect subsidies through exemption from taxes on goods like food, which is exempted from Value Added Tax (VAT). In addition, special programs are available to certain targeted groups both in the sectors of health (against specific diseases like malaria, AIDS or tuberculosis) and education (with free meals and transport for primary school pupils). Furthermore, a health insurance scheme exists, which is not compulsory and does not always work effectively. The government’s preparations to deal with Ebola, after outbreaks in neighboring countries, have been described as inadequate and below the standards the authorities responsible have set for themselves; fortunately, no infection was reported in the period under review. Life expectancy at birth has risen consistently. While it was below 60 years in 2005, life expectancy reached 63 in 2012. Direct monetary support is only available for very distinct target groups such as orphans or those who take care of them. Access to support for these target groups is, however, hampered by administrative inertia and deficits in the outreach of distributive organizations, especially in rural areas. Basic problems like child malnutrition and certain pervasive diseases persist, but Ghana has made some progress in these areas. Aside from the informal sector, which is still the primary avenue of making ends meet for many, private remittances from abroad have an important impact on the livelihood of many Ghanaians, both through direct consumption as well as through the secondary effects of investments. It remains to be seen whether the influx of oil money will create pressure to develop a wider social safety net. The current fiscal problems do not bode well with regards to this. In recent years, the government has spent around 3% of GDP on health care.

Social safety nets  
4

As has already been partly assessed, some achievements have been made in regard to equality of opportunity in education. Primary schools do not ask for school fees and government provides both free meals and free transport. The increase in school enrollment has put a heavy burden on important indicators like teacher – pupil ratio and the infrastructural condition of primary schools. For secondary schools, scholarships exist, including money made available by traditional leaders for gifted children in their area of influence. While more progress needs to be made, the overall trend seems to be encouraging. The biggest problem seems to be access to secondary schools and universities, where school and tuition fees pose an insurmountable challenge for most talented children from poor families.

Equal opportunity  
6

Outside the education system, inequalities persist mainly because of economic and social problems rather than prohibitive laws. Public perception in regard to gender equality is slowly moving against structural discrimination, as the Afrobarometer surveys have indicated. Still, traditional values of family-life and the role of women in society persist even in modern urban areas, putting pressure on women to pursue a career while shouldering the full responsibility of housework and raising children. In recent times, discussions about the treatment of homosexuals have been taking place, mostly induced from abroad. The deeply conservative and discriminatory attitude of the majority of opinion leaders in both the political arena and in civil society has become quite apparent in this case.

In general, no structural discrimination based on ethnicity exists, but northern Muslims are generally regarded as less capable of skilled employment, and even well-qualified individuals have to overcome prejudices. They face some discriminatory practices in government institutions and the majority of those migrating to the south are limited to menial jobs with low incomes.

Employment statistics are scarce and unreliable, especially in regard to the informal sector. Studies of the informal economy suggest that women carry the major burden of working for subsistence wages in this sector, a pattern consistent with other African societies.

## 11 | Economic Performance

Macroeconomic data show that the Ghanaian economy has been growing steadily, but has experienced some serious setbacks in recent years. After weathering the financial crisis of 2008 and its aftermath quite well, self-inflicted problems have plagued economic performance in recent times. Economic growth peaked close to 15% in 2011, and showed strong 8% growth in 2012, but went down considerably to 4.4% in 2013, only to rise slowly to 5.6% in 2014. The peak of 2011 has been attributed mostly to the first big intake of oil revenue, but other sectors – cocoa and gold – have also recorded strong and persistent growth. Oil revenue has been less

Output strength  
7

than expected in subsequent years because of production problems. Once these were overcome, challenges persisted in reaping the full benefits, especially because of the failure to collect taxes due from the production and export of oil. Still, in 2014, oil replaced gold as the country's second highest income earner, only surpassed by cocoa. Therefore, other economic activities remain vital for the future economic development of the country and indeed, when growth has occurred, it has been relatively broad-based. Continued and persistent donor support and high levels of remittances from abroad have added to the positive outlook, although the total percentage of ODA to GDP has diminished significantly over the years. The challenges to economic growth include persistently high inflation, now clearly above 10%, as well as the weakening of the cedi vis-a-vis major currencies, as has already been highlighted. The fiscal deficit and debt burden have diminished the government's ability to make necessary adjustments. A new cooperation agreement with the IMF, to be fully implemented in the near future, is seen as a way out of the predicament, as it might shift the burden of unpopular measures to an external actor. Still, the upcoming elections in 2016 will hamper fast progress, as the government will be wary of introducing too stringent measures and will see the need to hand out election-related presents to important stakeholders and constituencies. Observers expect growth in 2016 to be not higher than 6.5% under the best circumstances.

While commodities were the driving force behind recent economic development, manufacturing has been less impressive. Exports in finished goods and imports of capital investment have been hampered by high inflation, the relatively weak currency and a plunging exchange rate – which hampers the import of capital goods. In contrast, the service sector has continued to enjoy growth and diversification. Ghana is now ranked as a lower-middle-income country.

Foreign direct investment has diminished considerably. Once measures to curb inflation and to put public expenditure on a more firm footing are implemented, and depending on the general economic climate, an increase in investment is possible in 2015.

Official employment statistics have to be taken with a grain of salt, as they do not cover the important informal sector and, therefore, only provide a limited view. Economic growth in Ghana has been consistently above population growth, which has hovered around 2% for the past years. The issue in Ghana is less the generation of wealth, but more its distribution.

## 12 | Sustainability

Environmental issues do not play a significant role in political and economic decision-making, despite public declarations to the contrary. A “National Environmental Action Plan” has been promulgated, as well as a “National Climate Change Policy Framework,” but implementation has not been impressive so far. Ghana lacks an adequate environmental monitoring system, mainly because the responsible ministry’s funding is restricted and not used efficiently. The far more pressing issues of addressing abject poverty and, at the same time, strengthening the performance of state institutions, override environmental concerns. The main topic of the last election campaign was education, and, to a lesser degree, infrastructural investment in general, and judging from early campaigning in 2014, these issues will remain at the forefront. Therefore, the environmental consequences of investments are only scrutinized seriously if and when donor assistance or international agreements are involved. This relates also to the emerging oil sector and the possible environmental hazards of offshore production. Environmental protection is rarely discussed and many policies lack proper implementation. The tax system barely takes environmental issues into account. As long as economic challenges exist, this picture will not change fundamentally. Land degradation has become an important challenge for the agricultural sector, especially in the more arid areas in the north, which might generate an economic incentive to tackle this specific environmental issue with more diligence. The relative success of tourism and the interest of visitors in a clean environment have at least increased environmental awareness. Until awareness is heightened, it will probably be the donor community’s task to act as an advocate for environmental sustainability, as well as that of NGOs dealing with the matter. The fact that the government has – together with private investors – invested heavily in hydroelectric power has less to do with environmental concern than with the abundance of water power. Efforts to utilize natural gas for energy production have also increased. At the same time, the traffic situation in major cities has worsened considerably, as the emerging middle class acquires vehicles. Not surprisingly, the Environmental Performance Index (EPI) 2014 places Ghana only at 151st out of 178 countries, with a score of 32 out of a maximum of 100. The EPI report indicates that progress has been made in the areas of agriculture and water and sanitation, while the situation in regard to sustainable use of maritime resources has worsened.

Education was the most important topic of public debate during the last election campaign and will continue to be of high importance. Ghana’s education system has been improving slowly, but successfully. The focus on primary education and increasing teacher training has shown some tangible results, especially with regard to overall enrollment. Building maintenance and teaching quality remain major problems, especially in the country’s north, but also in some urban areas. The current government’s declared intent to use significant portions of the oil revenue to enhance

Environmental  
policy  
5

Education policy /  
R&D  
6

the education system further bodes well for the future. In any case, donor assistance will continue to play a critical role in improving education, especially in capacity building.

Ghanaians with the means to study abroad generally do, especially for masters and PhD degrees. With some exceptions in the areas of agriculture and mining, R&D exists only at a very basic level. Experts working in the most productive and technically advanced areas of the economy are generally trained abroad.

Government expenditure for education hovers around 5-6% of GDP and normally a little less than 25-30% of the overall budget, therefore constituting a large share. Around a third of the education budget goes into primary education, another third into the two tiers of secondary education (junior and senior), a very small percentage into technical and vocational education (around 1%), and the rest into the tertiary system. Teachers enjoyed a pay raise of 19% in 2012 (along with all other public servants), increasing the burden of salaries on the state budget. Aside from salaries, many schools still lack proper equipment and materials, especially in the area of vocational training and in institutions of higher education. With a literacy rate of about 71% in 2012, Ghana is still among the last third in worldwide literacy.

# Transformation Management

## I. Level of Difficulty

Ghana shares some of the structural constraints of other African countries, but has achieved some progress in overcoming these challenges and its potential in doing so in the future has increased. While neither geographical location nor lack of natural resources form an impediment to management (quite the contrary), one of the major problems that Ghana faces is persistent abject poverty throughout the country, with the north disproportionately affected. Much of the problem is rooted in educational deficiencies, which result in a poorly trained workforce, and a social system that is both underfunded and challenged with an ever-growing population. Administrative inertia and corruption form another cluster of structural constraints. A thorough revision of the public workforce to eliminate “ghost workers” and a significant rise in salaries have been first steps in addressing the problem. Future reforms will likely be hampered, however, by the lack of efficient and effective institutions to fully implement even very sound policy changes and the need to keep a significant part of the electorate happy, especially before elections. Ghana also continues to face challenges in its health system, which is still unable to consistently address some major public health challenges. Ghana has not been severely affected by epidemic diseases in the period under review, although Ebola has been a challenge in neighboring countries.

Structural  
constraints

6

Ghana is a country with an increasingly well-grounded tradition of civil society, enhanced and supported by both donor assistance as well a regulatory framework and political culture that allow freedom of organization and expression. With strong traditions in self-help and communal support systems, CSOs often find fertile ground for their activities, although more modern groups – that address more complex political issues – are concentrated in urban areas. Civil society groups are outspoken and well trained in using the media to voice their opinions and interact with government, but some are used as instruments of political party interests and others are merely agencies to channel foreign aid into the country. Therefore, it is not always easy to differentiate between NGOs which are “independent” and those with strong affiliations to a political party and/or a leading politician. This became apparent during the last election campaigns. In some areas – like health – responsible ministries are actively engaging NGOs in pursuing their goals, exemplifying a good

Civil society  
traditions

4

relationship between public and non-public actors. In summary, the development of civil society can be regarded as positive. With the increasing lack of trust of a majority of the population in the performance of state institutions, CSOs will increasingly be regarded as a viable alternative and should be able to improve their role in the Ghanaian society even further.

Generally, Ghana is not a country of intense and violent ethnic and political conflicts. Still, the march towards the elections in 2016 has started, and already political conflicts have erupted in violent incidents. The social fabric of society and the coercive power of government institutions are not strong enough to effectively prevent political or ethnic violence in every instance. Outbursts occur, especially in an atmosphere of heated political competition before elections, as the infighting in the opposition NPP in August 2014 has proven. The country is clearly split into religious and ethnic groups, although the ethnic card has not been played as strongly as in other African countries. While conflicts persist and can be exploited for political means – something which will continue in the foreseeable future – they do not occur frequently enough to undermine day-to-day life in Ghana.

The major potential conflict remains the north – south dichotomy, which is both a religious and an economic divide, and can potentially be exploited. While religious conflict, especially between the Muslim and Christian communities, is not a feature of Ghanaian society, the aggravating influence of economic challenges carries the danger of spillovers. In addition, the government has to be keenly aware of potential influences from less stable neighboring countries. The permanent infighting in both major parties, split into many factions, is also a potential source of trouble.

Conflict intensity

4

## II. Management Performance

### 14 | Steering Capability

Because of its close cooperation with the donor community, exemplified by a renewed cooperation agreement with the IMF, the implementation of which will commence in early 2015, and the constraints of strong inflation, the government has pursued a pragmatic course in the past. This has been intermittently disturbed by the dishing out of election presents and, during the period under review, hints of financial mismanagement. It has focused on the economic sector and essential reform of the administrative service, highlighting financial administration on the lower levels, without maintaining the required fiscal discipline. Prioritization of goals has been a continuous challenge as the president is forced to adjust to external circumstances, on the one hand, and demands by his own party on the other. It is to be expected that

Question  
Score

Prioritization

6

the government will continue to rely on donor sympathy in order to accomplish certain development goals, less in regard to finances – as the country can fund its commitments, at least theoretically, from its own income – and more in regard to management and human capacity. Some reforms – like in the public service or in the banking sector – have gone well so far. In any case, the government is pursuing its goals within the limits of constitutional law.

Gaining and organizing expertise is an ongoing challenge because Ghana is not producing the necessary manpower to provide it, and tertiary education is hampered by quality problems and barriers to access. The government has to rely on external advice in many cases, either provided by the donor community or purchased at great expense. Strategic planning units in ministries and parastatals are chronically understaffed or underqualified and not always up to the task, as has been shown by the continuous inability of relevant ministries to develop strategic plans.

Efficiency in implementation is hampered by a still relatively inefficient administrative system with serious challenges in expertise and dedication. This might change when the ongoing reform of Ghana's public administration takes root, but progress is still not visible. In areas where successive governments wielded their full political will – such as education – long-term goals have been implemented with considerable success, but not always based on a strategic planning process that encourages operationalization. The political system still very much centered on the individual strength, ability and willpower of high-ranking officials. Their individual behavior and priorities still significantly influences implementation. Apart from this underlying feature, the effects of capacity development have taken root where donor cooperation has been consistent or where strong economic interest has developed. While the administrative system is still riddled by inertia, change agents can be identified and reform is taking place, although not always at the necessary speed. In comparison to other African states, Ghana scores relatively well with regard to its ability to implement. Pervasive corruption, fueled by access to “easy money” from resource revenues, might pose a challenge to future efforts to develop both efficiency and effectiveness.

In general, it is difficult to determine from past experience how many changes and reforms are actually direct consequences of institutional learning by government or a result of external influence. Generally, the balance has been tilted towards the latter. Having said this, it is apparent that where challenges are identified, public institutions are generally ready and willing to initiate adjustments and to avoid or rectify mistakes of the past, especially in the face of public scrutiny or media attention. On the other hand, the recent instances of lack of fiscal discipline show that past experiences in this area have not led to lessons truly learnt. The willingness of the government to seek outside help, recognizing that issues have gone out of control, is a sign of willingness to react to mistakes properly. The various ongoing reforms show that the government is generally ready to identify its shortcomings and take steps to improve

Implementation  
7

Policy learning  
7

its policies. Still, as mentioned earlier, Ghana relies significantly on external advice and expertise from development partners in many areas of change management. This is, in itself, not a problem, as employment of this expertise is already an indicator of the general willingness to be innovative. The potential danger is that innovation can be externally driven, and that public institutions only follow along with this external drive, making ownership of change processes at least questionable. The recent problems on the fiscal side give an indication that this is unfortunately still true.

## 15 | Resource Efficiency

The government is only partly using its available resources efficiently, and efficiency has not been increasing in the period under review. This is mainly due to long bureaucratic delays in implementing policies and a lack of professionalism. State resources are wasted through corruption and there is a clear lack of customer-oriented service culture, even in the tourism sector. However, visible and systematic self-enrichment by leading politicians is not a common feature in Ghana, although cases of corruption have surfaced and are reported. At the cabinet level, politically motivated dismissals or removals have been evident in the past, especially involving potential contenders for the presidency. Change of government typically entails a reshuffle in the higher echelons of administration as well.

Fiscal discipline has decreased in the period under review. Liquidity problems surface at regular intervals and indiscriminate borrowing has become a worrying feature of the current government. A balanced budget will be possible with increased oil revenue, but this has not been achieved in the last two years. The deficit will remain even with full implementation of the newly agreed upon IMF cooperation. The government has exploited weaknesses in the Petroleum Revenue Management Act (PRMA) to increase its spending of petroleum revenues meant for saving in the Stabilization Fund.

Foreign reserves develop in a volatile fashion, especially as long as the central bank tries to intervene in the market to stabilize the exchange rate. They have diminished considerably in the last two years. Despite a central government, the influence of regional and local leaders is still considerable and has been enhanced by a process of decentralization. Still, the allocation of resources from Accra means that the central government maintains a certain degree of control over expenditures at all levels.

There has not been a serious problem with diversion of funds and the inappropriate use of otherwise designated budget allocations – at least until recently. Budget calculation has been less conservative in recent times, leading to a misbalance in the inflow and outflow of funds.

Efficient use of  
assets

5

In general, the administrative system is still bloated, as lay-offs are highly unpopular and politically dangerous. Consequently, even well-meaning administrative reforms have only been partially successful.

In general, government policy is quite coherent, as, all important decisions are taken centrally, despite all decentralization efforts. While competition between ministers and state agencies exists, as in any other democracy, these actors have not seriously blocked policymaking processes when the political will from the center has been strong. Some overlap in responsibilities still exists, especially between ministries, but also between public institutions aligned to certain ministries. An important challenge for Ghana is donor cooperation, which has been partly solved by the multi-donor approach employed in the country. It remains to be seen whether the new IMF agreement will be coherently implemented. Donor coordination has become less important as the share of ODA in comparison to other forms of income has dropped significantly over the years, while Ghana is still seen as an attractive country for meaningful development initiatives.

Policy  
coordination  
7

Ghanaian anti-corruption policy falls under a number of legal regulations and institutions. In addition to committees of inquiry set up by parliament and the regular work of the auditor general, the highly important Whistleblower Act of 2006 protects witnesses and informants who reveal corrupt and other criminal practices. An Economic and Organized Crime Office, inaugurated in 2010, provides a specialized police agency with the authority to investigate, prosecute and recover the proceeds of crime, including high-level corruption.

Anti-corruption  
policy  
6

Auditing of state spending is, in comparison to other African countries, on a quite sophisticated level, although in recent times, political meddling in the interpretation of results has become evident. The newly agreed upon cooperation with the IMF will partly focus on these management issues and related transparency in reporting and analysis.

Political parties face serious challenges in financing their organizational structure and they depend heavily on the generosity of party “big wigs” to sustain campaigns and pay the salaries of their leaders. Fundraising and donations are the major sources of income, and there are no clear public guidelines, nor is there any state-funded financing instrument for political parties.

The transparency of the public procurement system is as questionable as the monitoring of codes of conduct and similar provisions. With the influx of oil revenue, the Public Procurement Act of 2003 has become more important, as it is still one of the most comprehensive legal regulations in Africa in regard to the administration of public tenders, although it is not always implemented to the letter. Scrutiny of the free media has helped to keep officials in check on a certain level, and auditing processes have led to sometimes damning conclusions. Still, corruption pervades all

levels of state administration, and will continue to do so as long as administration remains weak and the government continues to be the major investor and contractor in the economy.

Ghana does not have any freedom of information law and access relies on the goodwill of public institutions or the scrutiny of capable journalists. Concerning the expected oil revenue, the government has repeatedly promised to publish all related contracts and agreements in order to ensure transparency and avoid corrupt practices. So far, Ghana's oil revenue has generally been accounted for.

## 16 | Consensus-Building

The political leaders of both big parties have repeatedly voiced their determination to maintain and improve the democratic system of government. However, the last election campaign, as well as the beginning of the campaign for 2016 in the last year, point to the fact that the trust in the opponent's credibility and prudence in adhering to democratic principles is limited. All current indicators point to a general acceptance of the democratic system, despite the persistence of a strong left wing faction in the now ruling NDC and smaller – increasingly irrelevant – Nkrumahist groups with socialist leanings. The biggest danger lies in the areas of corruption and non-performance of state institutions, not in a lack of consensus about the system.

Consensus on goals

8

Only those politicians leaning farthest to the leftist traditions of Nkrumahism voice profound criticism in regard to the basic principles of a liberal market economy. These individuals are marginalized, even in clearly outspoken Nkrumahist parties, and have only limited influence in the left wing of the currently ruling NDC. As liberal reforms and a market-driven approach to generating wealth has proven beneficial, the general population is less concerned with the question of whether the market works, but more with the problem that state intervention alleviates discrepancies in the distribution of wealth only on a very limited scale. Dissent therefore does exist in some specific areas, especially with respect to privatization of public utilities, the role of foreign investment, the growth of state influence and the expansion of social programs.

For the most part, extra-governmental anti-democratic veto actors do not exist. Generally, the military is no longer an active political power. Given this, it is notable that among state institutions, according to the latest Afrobarometer results, it is the military that enjoys the highest approval ratings among the general population. Although this is not necessarily problematic in and of itself, it might lead to ambitions, if the general acceptance of the ruling political elite should deteriorate further and this decline in acceptance becomes more visible.

Anti-democratic actors

9

Consensus on the political system and its basic principles is high among both the political elite as well as the population. The opposition acts within the constitutional framework. Dissatisfaction is currently channeled either through the courts or by forming new parties, or, in some instances, by political violence of a very limited scale.

Most investment is still directed to the relatively developed south, although the country has tried to provide basic services, such as education and health care, to the north with some notable success. Many activities in the north are nevertheless donor driven. While the inclusion of important political leaders from the north remains an active policy, the country's basic cleavages are still evident. There was no active encouragement of ethnic and social divisions during the latest election campaign or in daily politics, but politicians exploiting them for electoral gain are discernible. Generally, the NDC-government has not tried to actively exploit cleavages. Likewise, the presidential candidates repeatedly tried to reach out to all regions in order to be elected on a national platform. At this point of time, cleavage-based conflicts are generally prevented from escalating, but are exploited up to a certain level. The equilibrium maintained is unfortunately not necessarily a stable one.

Cleavage /  
conflict  
management  
7

Civil society actors are encouraged to participate in agenda-setting and policy formulation up to a certain level, in particular when government wants to display its commitment to transparency or to address certain pressing issues. Sometimes, the knowledge of specialized NGOs is used to overcome lacks of expertise in state institutions. The ongoing partnership with many NGOs in the area of health policy is a good example of this effort. In the area of education, government has actively encouraged civil society actors to become stakeholders in the education system in order to accelerate the progress of initiated reforms. However, elected politicians and officials in public administration still show an aloof or even arrogant attitude after elections. Cases exist in which criticism or questions by civil society actors are regarded as unwarranted and disrespectful. Instances of this have increased as trust in the political elite seems to diminish. Generally, though, the political elite has come to accept the role of an active civil society, even if the relationship is sometimes strained. In some cases, politicians actively use civil society organizations for their own means.

Civil society  
participation  
7

Apart from the alleged crimes committed during Rawlings' military dictatorship, there are no historic events that might require reconciliation. Rawlings' past wrongdoing is no longer a "hot potato" in the political discussion as Rawlings' influence, even within his own party, has diminished. Increasingly, other political topics dominate the agenda. The overwhelming attitude of Ghanaians, as well as of the political elite, is to allow the past to rest. There is a general consensus that digging up evidence against Rawlings would undermine the peace of the general political situation.

Reconciliation  
n/a

## 17 | International Cooperation

The government has continued to rely on the support of international development partners, even if the share of ODA in comparison with other forms of income has shrunk over the years. While reliance on donor support can be criticized as dependency, the blueprint of international development agreements has helped Ghana to establish and maintain a reputation as a reliable and trustworthy partner in development. This has been proven in recent times by the conclusion of a new IMF agreement, which has laid some concerns about the continued fiscal indiscipline of the government to rest, and has improved the outlook of many observers. Despite written long-term strategies, short-term decision-making interferes repeatedly, especially when elections are approaching. Road maps exist in the form of a variety of strategic plans, but they are not always followed through and are sometimes victims of political whim. Ghanaian institutions are not always up to the task of renewing strategic plans and have difficulties in analyzing data and/or generating new data without help from outside. Given Ghana's role as a model democracy in West Africa, deviations and setbacks are tolerated by the donor community and the underpinnings of public policy or rarely called into question.

Effective use of  
support  
8

The government is not only very interested in international cooperation, but it has proven to be a cooperative, constructive and reliable partner in the international arena, if not always a dynamic one. Ghana's good reputation for democracy and stability has helped to improve the political image of the country in the international arena. The country enjoys good relationships with the Bretton Woods institutions and the donor community as a whole. Ghana also entered and supported the New Partnership for Africa's Development (NEPAD) process from its inception, and was among the first to participate in the peer review mechanism.

Credibility  
9

As mentioned above, Ghana's climate for Doing Business with outsiders is relatively good by African standards (4th in sub-Saharan Africa), though only ranking 67th in the last Doing Business report by the World Bank.

Ghana's record in its relations with neighboring countries is for the most part positive. At no time during the last two years has the government acted in a threatening way or caused any conflict with its neighbors. Ghana's relationship with its traditional adversary, Togo, has improved considerably. Some disagreement has surfaced repeatedly with Cote d'Ivoire, mostly over maritime borders (and subsequently the right to the offshore oil deposits). Recent negotiations failed and Ghana considered asking an international court for mediation in this matter. Strong ties exist with Nigeria, although the relationship has sometimes been contradictory. Ghana has shown a persistent commitment to the objectives of the Economic Community of West African States (ECOWAS), but regional integration is not among the highest priorities of the government (as has been exemplified by the fact that the country missed the recent deadline to implement the organization's common external tariff (CET)).

Regional  
cooperation  
8

## Strategic Outlook

Ghana's strategic challenges for the coming years continue to be difficult to tackle. Fiscal indiscipline has shown that gains in effectiveness and efficiency cannot be trusted to be irreversible. The government must manage all revenue in a way that pleases an increasingly attentive electorate and meets the standards of proper financial administration, including the necessary transparency and avoidance of squandering and corruption. The challenge is to renew trust in the performance of the system with the subsequent task of communicating gains in accountability to the population so as to stop the growing perception that the state is not performing well enough. While democracy seems to be well embedded in the Ghanaian polity, it is necessary to ensure that no erosion of trust or support takes place. Furthermore, the Ebola crisis has proven again that Ghana must maintain a watchful eye over regional security, stability and the influence neighboring countries can and will have on the wellbeing of the state.

In order to face these two challenges, Ghana's government not only has to increase its own vigilance against the temptation to gain short-term advantages through reckless spending, but it also has to continue its close cooperation and financial monitoring activities with international partners, especially with the Bretton Woods institutions. The recently concluded agreement with the IMF shows that the government is ready to take the necessary steps, which gives hope that the dismal development of the last year will be reversed. Tackling the cleavages within the country – especially the north-south dichotomy – remains on the agenda within this context. Therefore, strengthening planning and implementation capacities in many ministries likewise continues to be a task, more urgently needed than ever.

In regard to security policy, aside from close cooperation within ECOWAS, a modest investment in Ghana's own security apparatus continues to be necessary, especially to ensure effective and easily deployable forces, to avoid a spillover effect from regional conflicts and to increase security on its borders. Effective security forces are also, as the Ebola crisis has shown, needed in case of non-military threats. The fact that Ghana has luckily been spared from any contagion this time does not mean that without effective preparation it will be lucky the next time as well.