BTI 2018 Country Report

Ghana

Status Index
6.75 # 32
on 1-10 scale out of 129

Economic Transformation
5.61 # 64

Political Transformation
7.90 # 20

Governance Index
6.18 # 19
on 1-10 scale out of 129
This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2018. It covers the period from February 1, 2015 to January 31, 2017. 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

<table>
<thead>
<tr>
<th>Indicator</th>
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<tbody>
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<td>Life expectancy</td>
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<td>Poverty(^3)</td>
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<td>Urban population(^%)</td>
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<tr>
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<td>Aid per capita(^$)</td>
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Sources (as of October 2017): The World Bank, World Development Indicators 2017 | UNDP, Human Development Report 2016. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than $3.20 a day at 2011 international prices.

Executive Summary

From 2015 to 2017, Ghana endured a difficult period of economic adjustment, which tested the government’s ability to respond adequately. Economic performance fell below expectations due to negligence and mismanagement over previous years, and recent circumstances beyond the government’s control. While corrective policies were quickly introduced, especially policies developed in close cooperation with the IMF under an elaborate adjustment program, few positive results are yet visible. High inflation, problems with public debt, a volatile exchange rate, recurring power cuts and low prices on the world market for Ghana’s major exports have negatively affected the livelihoods of Ghanaians. Trust in public institutions was at an all-time low during the period under review, with criticism coming from all quarters of society. Consequently, the population blamed the NDC-led government of President Mahama, which struggled to regain the upper hand in the 2016 election campaign. Campaigning was hard, but passed without any major reports of violence, and concentrated wholly on economic issues. The elections went more or less without hitch or allegations of electoral wrongdoing, which had marred the 2012 elections, proving Ghana’s status as a well-functioning democracy in West Africa. The election produced a clear result and change in government. The new government is dominated by the NPP and led by President Akufo-Addo. The 2016 election reinforced Ghana’s two-party political system, with minor parties more or less completely marginalized. On the economic side, the IMF agreement is continuing to perform according to expectation and, with a new government in place, the likelihood of economic improvement has increased. However, the seemingly uncontrollable rate of inflation continues to be a major stumbling block, while economic inequality, poverty and environmental degradation have not been adequately addressed. The task for the new president and his cabinet remains substantial. To overcome divisions within the country, especially between the impoverished north and more affluent south, additional policies are urgently required to avoid lasting damage to the fabric and stability of Ghanaian society.
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 to January 2009. The NDC’s Atta Mills defeated the NPP’s Akufo-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. With the most recent election of 2016, the NPP returned to power, marking another peaceful transition of power.

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 has increased with the beginning of oil-exports. Foreign debt management has caused some questions as liabilities rise continuously. Corruption and bureaucratic ineptitude remain a challenge. Ghana is currently operating in a challenging economic environment, of which not all parameters are under the leadership’s control.
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 of widespread civil unrest in connection with the 2016 presidential and parliamentary election campaigns did not materialize, and only a few sporadic violent events occurred. 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, as exemplified by the peaceful conduct of the elections in December 2016.

There are no serious problems regarding the definition of citizenship or who is a citizen, although documentation of citizenship can be a challenge if someone’s documents are incomplete. 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. While the new president, Nana Akufo-Addo, can be clearly identified as a prominent Ashanti, he has not shown any tendencies to systematically prefer his ethnic group in political dealings.
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 megalities 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. A number of liberal political viewpoints - like de-criminalization of homosexuality - are frowned upon for religious reasons.

Basic administration is of fair quality, and is concentrated in urban areas, but remains advanced by sub-Saharan African standards. The Country Policy and Institutional Assessment (CPIA) quality of public administration rating (provided by the World Bank) continuously rated Ghana between 2010 and 2015 at 3.5 (6 = highest quality, 1 = lowest quality), rising slightly to 3.6 in 2015, above the African average. Despite efforts for administrative reform in recent years, the visibility of the state is still limited, especially in rural areas. The current IMF agreement has led to a decisive clean-up of public administration, tackling the issue of “shadow workers” by requiring biometric registration for all civil servants. 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.

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 six elections from 1996 to 2016. Ghana is one of the few African countries with several peaceful changes of government through the ballot box. The recent election of December 2016 is a good example. The results have been accepted by the defeated incumbent without hesitation and reflect the public mood in the country.
There were some concerns over voter registration in the run-up to the elections, as it was feared that Togolese citizens would register as voters, which would have probably worked in favor of the incumbent, the NDC. In addition, 13 presidential candidates were disqualified before the election. However, the Supreme Court ruled that these candidates should be given the chance to make corrections. Four of the previously disqualified candidates rejoined the election campaign, but did not win a substantial number of votes. Media access was a minor issue in the elections.

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. Parliament and the president have real power and are not subject to any outside veto power aside from the normal interdependencies of a developing country (e.g. dependence on the good will of foreign, Western donors). 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.

The constitution guarantees freedom of association and assembly. In practice, 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 is 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, as has been amply shown during the most recent elections in 2016. 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. The parliamentary elections of 2016 diminished representation by third parties to zero.

Freedom of expression is generally guaranteed and Ghanaians can express their opinions freely. There is no organized repression of the media either. There is a danger of capable journalists being attracted away from the media by better-paid positions in the civil service, especially now with a change of government, 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 2016 ICT Development Index provided by the International Telecommunication Union (ITU), measuring access to and
development of telecommunication services, Ghana ranked 112 out of 175 countries. In the related indicator for access, Ghana ranked 105. Ghana is categorized as “free” by the Freedom of the Press 2016 survey conducted by the Freedom House, with an overall score of 31, and ranked 63 out of 195 countries globally and 4 out of 50 sub-Saharan African countries, only surpassed by Cape Verde, Sao Tomé and Principe and Mauritius.

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 very dominant parliamentary majority of the new NPP government may cause parliament to be less assertive in scrutinizing the government, despite the fact that party discipline is not an overarching feature of any party. Infighting is clearly visible in both parties, which are 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. The hurdles that new parties must overcome to enter parliament are high, mainly because new parties are often dismissed as irrelevant by the populace. While the ability of parliament to scrutinize government action is limited, as both are currently dominated by the NPP and were previously by the NDC. Though the courts sometimes provide effective control over the executive.

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. The Supreme Court ordered the Electoral Commission to allow 13 disqualified presidential candidates to make corrections and subsequently four of candidates rejoined the presidential race (although none of them had had substantial support).

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. Informal procedures of arbitration (e.g. through traditional rulers or elders) are more easily accessible and still play an important role.
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. The outgoing Mahama-government faced a number of high-ranking and highly publicized cases of corruption in office, which shaped its public image and contributed to its downfall. Aggravated by economic problems during the last years, 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.

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.

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. This was evident before the last elections in December 2016, when the Electoral Commission disqualified a number of presidential candidates, including the wife of former President Jerry Rawlings. Court injunctions reinstated some of the
disqualified, enhancing public trust in due procedure. Despite warnings, the conduct of the most recent elections has been smooth and hitch-free, the results have been accepted by everyone.

Commitment to democratic procedures and institutions is high, although on different levels. For example, three changes of government through the ballot box, still quite an exception in Africa, have demonstrated the high commitment to democratic institutions by the political elites, as well as the acceptance of court verdicts to electoral disputes. Still, economic woes have discredited the democratic dispensation of the Fourth Republic, as promises to deliver public goods have been inconsistently fulfilled. Voter apathy, an unknown feature of recent Ghanaian politics, raised its head during the elections in 2016 as voter turnout dropped from 82% in 2012 to 68% in 2016. 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 (and soon).

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, but increasingly weakened, third parties. The process of establishing a two-party system was solidified during the 2016 elections, as no third party was able to retain a seat in parliament. The two major forces are the ruling NPP and the NDC, 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. 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. the NDC in Volta and the NPP in Ashanti), which was displayed again in the 2016 elections and continues to
shape internal party politics. The NPP won nearly 80% of the votes in Ashanti, while the NDC claimed 82.5% of votes in Volta, making a few “swing regions” essential for every election outcome. 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.

Voter volatility is relatively low, but given the two-party system and the first-past-the-post system even small fluctuations can produce substantial political changes. Clientelism is not absent, but does not pose a major threat to stability.

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 weak and is only visible from time to time in organizing popular discontent. Traditional leaders still exercise considerable influence by informal means. Still, it has to be mentioned that alleged non-performance of NGOs especially in areas where poverty-alleviation is important has diminished the positive impression of NGOs somewhat.

At this point in time, according to government web sources, 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 approval of democracy, and the basic pillars and norms of a democratic institutional set-up appears high. Though the non-delivery of promised public goods, especially in regard to crucial economic development, has put a dent in popular acceptance and interest in the democratic process. This was demonstrated by the drop in voter turnout for the recent election and responses to Afrobarometer surveys. While more than 80% of respondents in Ghana rated the government very poorly in regard to the provision of, for example, electricity, they are nonetheless enthusiastic about democratic governance. In the most recent data from 2014 and 2015, 68% of respondents in Ghana expressed support for democracy, only slightly above the African average of 67%. Consequently, Ghana ranked 17 out of 36 countries surveyed by Afrobarometer for popular support for democracy, a decrease from earlier results. This judgment does not include the economic and political elites, which are quite aware that their own success is dependent on the continuation of democratic governance in Ghana.
Self-organization has stabilized at a comparatively high level, particularly in urban areas, and seems likely to be sustained. Economic problems for the emerging urban middle-classes might, in the medium-term, endanger that process. 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 in fostering unity within certain strata of the population. However, the exploitation of religious differences continues to present a threat as the division between relatively rich and very poor is often aligned both geographically and religiously.

II. Economic Transformation

6 | Level of Socioeconomic Development

Ghana ranked 140 out of 188 countries in the 2015 Human Development Index. This rank places the country in the group of countries with “medium human development” with a score of 0.579, a slight improvement from the preceding year. Ghana scored 0.156 in its ranking for 2016, based on data from 2014 (the smaller the score, the better the situation).

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. The Multidimensional Poverty Index also shows the massive inequality within Ghana. For example, while the Greater Accra Region and the Ashanti-region score 0.058 and 0.101 respectively, the Northern region scores 0.382. Within the country in general, distribution of wealth is relatively uneven. 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...
disproportionally for a few. This is especially true for the current economic crisis which has seriously endangered the government’s ability to re-distribute income.

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. Aside from that, especially in regard to secondary and tertiary education, lack of opportunity is still widely evident.

A difficult situation persists in terms of gender equality mainly because of economic and social problems rather than prohibitive laws. In the Global Gender Gap Index, Ghana ranked 59 out of 144 countries, a good ranking for an African country with a score of 0.705 (the maximum is 1). While the score for economic participation is quite high (here Ghana ranks 10th in the world), it is much lower in regard to health and survival (rank 85), political empowerment (rank 95) and especially education (rank 119), where the rank for primary enrollment is 1 (full equality) and drops in regard to secondary schools immediately to 107 out of 144 countries. Other assessments confirm this mixed account, as the Gender Inequality Index (GII) did not improve during recent years (2014: 0.554; 2010: 0.573).

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### Economic Indicators

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<th>2015</th>
<th>2016</th>
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</tr>
<tr>
<td>Public education spending</td>
<td>% of GDP</td>
<td>6.1</td>
<td>6.2</td>
<td>-</td>
</tr>
<tr>
<td>Public health spending</td>
<td>% of GDP</td>
<td>3.2</td>
<td>2.1</td>
<td>-</td>
</tr>
<tr>
<td>R&amp;D expenditure</td>
<td>% of GDP</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Military expenditure</td>
<td>% of GDP</td>
<td>0.5</td>
<td>0.7</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Sources (as of October 2017): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

The institutional framework for promoting free markets and competition has become more difficult during the time of reporting, with a hopeful outlook due to relatively strict adherence to an IMF-sponsored reform program since 2015. In the 2016 World Bank Doing Business report, which scrutinized the ease of doing business in 190 countries, Ghana ranked 108 (as compared to 67 before). Eight sub-Saharan African countries performed better than Ghana, a significant drop in performance since the last ranking, where only five sub-Saharan African countries were regarded as more conducive to doing business than Ghana. There is a relatively high degree of market competition, hindered mostly by limited access to affordable loans and some red tape. Market distortion by subsidies still exists, although it has diminished considerably with the removal of fuel-subsidies. Reducing subsidies remains to be a very difficult task to accomplish politically. The pricing regime is market-oriented and liberal. In general, 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 toward dollarization, persist and have become worse in the period under review. For most of the urban poor and rural dwellers, who do not participate in the production of cash crops, the unregulated informal sector remains a major source of income. There is a certain degree of discrimination in regard to ownership between local and international investors, especially in regard to land use and property. State-run enterprises remain a burden, with only a few profitable exceptions, and consume a disproportionate government resources and attention. The newly elected NPP
promised in its election manifesto “a factory in every district,” which doesn’t bode well for a less interventionist approach.

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. Although state-run enterprises still play an important role in distinct economic areas, especially utilities. Private entrepreneurs produce and trade the major commodities with the major exception of oil, where production and sale is highly concentrated and cocoa, where marketing is heavily influenced by a state-run cocoa board. While the influence of foreign investors is still significant, and the influx of foreign direct investment (FDI) has persistently increased in years before, hovering between $3 billion and $4 billion yearly. FDI took a dip in 2013, increased slightly in 2014 and dropped further in 2015 to around $3 billion. Still, the role of foreign companies is dominant in important sectors, such as trade and banking services, making local entrepreneurship less successful in comparison. In cases where takeovers of local firms are significant for the market, public scrutiny is relatively high. Generally, no policy is in place to counteract price fixing or predatory pricing.

Levels of protection are generally low in comparison with other African countries. This did not change profoundly under the previous NDC government, despite some “socialist” public policy reflexes, and is unlikely to worsen under the new NPP government. 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, a process which has been slowed by recent problems in the generation of oil revenue. Recent trade policy reforms have particularly emphasized improving the competitiveness of export companies, and supporting export companies to diversify and penetrate new markets.

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). Operational costs have reduced profitability because of the persistent energy crisis. Non-performing loans have increasingly become an issue, especially in regard to state-run enterprises. The adjustment to Basel II regulations seems to be on course with the regulator looking at a 2017 implementation target date and first steps toward this goal taken in 2016.

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. An important step was taken in 2015 with the introduction of the e-bond trading system.

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 2016, it had a market capitalization of close to GHS 52 million, which due to the deteriorating exchange rate equaled around $12.5 million. The bank-capital-to-assets ratio stood at 14.1% in 2016 and non-performing loans comprised 18.8% in the same 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 during the last two years and has had a negative impact on an already difficult economic situation. Inflation has remained stubbornly between 15% and 19% during the reporting period, with core inflation (excluding food and energy) rising to a record 26% in November 2015 and only dropping slightly to an average of 24% in 2016. There is no indication that the (largely autonomous) central bank is able to keep the rise under control. The interest rate set by the central bank was largely unchanged in 2016, hovering around 26%.

Exchange rates for foreign currencies are volatile and the influence of the central bank on keeping them in check is limited. Depreciation of the cedi continued only
moderately in the reporting period, with respite after the successful launch of local U.S. dollar denominated bond in October 2016, raising close to $100 million from the market. Exchange rates remained stable between September 2015 and August 2016, with $1 equal to between 3.8 to 3.9 GHS, but depreciated toward the end of 2016 to $1 to 4.1 GHS. The situation in regard to foreign reserves has stabilized somewhat following recent downward movement, especially in 2014. However, efforts to significantly increase foreign reserves have failed, despite the issuance of an Eurobond in 2015. The major persistent problems include the historically low return from cocoa and gold sales, two of the major foreign currency earners for the government. 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, a tendency which has increased with continued inflationary pressures.

Having said that, the government has relied on IMF-support for addressing problems and therefore a tendency to de-politicize currency policy has been evident. While the success leaves a lot to be desired, structures and measures have been put in place to manage the currency better, which gives hope for improvement in the future.

Fiscal policy has continued to be problematic in the period under review, both with regard to the management of debt, as well as the fiscal deficit. However, some improvement has been visible, primarily because of the implementation of an IMF agreement encouraging financial stability. The fiscal deficit shrunk somewhat, reaching 7.5% by the end of 2016. Oil revenue has not been as high as expected, especially because of technical problems in 2016 and the low oil price, which has had a negative impact on fiscal policy. The diminished revenue from cocoa and gold due to historically low prices on the global market has created additional pressures, as domestic revenue has been underperforming as well.

The debt burden has increased. However, pressure has eased through the issuance of an Eurobond in 2015, making financing needs in 2016 easier to fulfill and improving payback of domestic debts especially in regard to short-term bonds. External debt hit $26 billion in 2015. Despite moderate economic growth, public debt has reached 55.4% of GDP by the middle of 2016.

The GDP growth rate remained sluggish and reached a moderate 4.1% in 2015, only a very slight increase in comparison to the preceding year and below expectations. Along with the previously mentioned problems in regard to the sales of important commodities, a prolonged energy-crisis with intermittent power cuts worsened the situation. During the first quarter of 2016, growth accelerated to close to 5% only to plummet to 3% afterwards due to the emerging technical problems in Ghana’s oil production.

Despite the ongoing challenges it has to be stated that the cooperation with the IMF has put activities in regard to the management of macroeconomic stability back on track.
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.

Private companies have played a major role in economic policy in recent years and, with the more liberal approach of the incoming NPP government, will continue to do so. 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 is concentrated on specific sectors and only affects bigger companies. Privatization is mostly an issue in regard to the remaining major state enterprises, especially in regard to utilities and the process has more or less stalled as this is regarded as highly unpopular. A major challenge for any private enterprise remains the structural weakness of the material infrastructure – especially transport, although in regard to the road-network improvement is visible – and problems with power generation. In the period under review, endemic shortages of electric power, caused by the low level of water for the Volta power station and problems in delivering gas for alternative power generation, hampered production and services severely. The Heritage Foundation’s Index of Economic Freedom ranked Ghana 72 out of 166 countries with an unchanged score of 63, and therefore as moderately free (5th highest in comparison with other African countries). While management of public finances and issues in regard to labor freedom were marked as concerns, rule of law and the openness of markets have been singled out as strong points.

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 recent times, this has been diminished as a variety of subsidies are either under consideration to be abolished or have already been, like the subsidy on fuel. 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 quite exceptional in the region, despite not being compulsory and ineffective. The most important public program in this field is LEAP (Livelihood Empowerment against Poverty), which was established in 2008, and now provides 250,000 households with...
financial aid and support to access health care. So far, organizational and budgetary constraints have prevented the program from fully realizing its potential.

Life expectancy at birth has risen consistently. While it was below 60 years in 2005, life expectancy has been around 63 for some years. Direct monetary support is only available for very distinct target groups such as orphans and their guardians. 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. The current fiscal problems do not bode well in regard to the expansion of social amenities, the incoming government has explicitly focused on economic development. Unfortunately, in recent years, expenditure for health care as share of GDP has fallen from 5.3% in 2010, to 4.6% in 2013 and to 3.5% in 2014.

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 the teacher to pupil ratio and the infrastructural condition of primary schools. Unfortunately, this progress hasn’t translated to higher education. For secondary schools, scholarships exist, including money made available by traditional leaders for gifted children in their area of influence. The biggest problem seems to be access to secondary schools and universities, especially for girls, where school and tuition fees pose an insurmountable challenge for most talented children from poor families.

Gender inequalities persist. The general literacy rate stands at 76.6% according to the most recent World Bank data, but is higher for males than females (82.0% compared to 71.4%). In tertiary education, the ratio of female to male enrollment is only 0.7. Though the female and male enrollment rates in the primary and secondary education are roughly equal.

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, spurred by very discriminatory beliefs of important religious bodies and their representatives.

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. A legal framework for labor and employment regulation exists, but its enforcement is difficult and mostly inadequate.

11 | Economic Performance

Despite the many challenges, the Ghanaian economy was at no time in danger of dropping into a recession. Having said that, economic growth has continued to be lackluster during the last two years.

Self-inflicted problems have plagued economic performance in recent times as well as causes beyond the control of government. Especially important are historically low revenues from cocoa and gold due to the situation on the global markets, intermittent power cuts and technical problems associated with oil production. A dispute with neighboring Cote d’Ivoire, over ownership of the oil fields in the Gulf of Guinea, will hopefully be resolved in the near future, but poses a serious risk of additional reduction of revenues in the future.

Economic growth peaked close to 15% in 2011 and showed strong 8% growth in 2012, but has dropped considerably since then to a dismal 3.7% in 2015. Growth for 2016 is expected to be the same. In 2014, oil replaced gold as the country’s second highest income earner, only surpassed by cocoa. Still, 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 stability to the economy, although the total percentage of Official Development Assistance (ODA) to GDP has diminished significantly over the years. The challenges to economic growth include persistently high inflation, now permanently 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, but slow progress in these areas is discernible. A new cooperation agreement with the IMF, in full implementation since 2015, has improved government competency and restored trust in government. Fortunately, the possible expenses prior to the elections (i.e. “gifts” to important population groups,
especially civil servants, have been common during past campaigns) have been limited to an increase in salaries for nurses, who had been on strike for some time. These expenses have been partly offset by the successful removal of many “ghost workers” from the payroll.

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, problems with electricity, the relatively weak currency and a volatile exchange rate, which restricts imports. 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 stabilized somewhat, although at a relatively low level. 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, even during challenging times like these. The issue in Ghana is less the generation of wealth, but more its distribution. Here, progress has not been impressive during the period under review.

12 | Sustainability

Environmental issues continue not to 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 in most fields. 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, always override environmental concerns. Only if immediate health concerns are addressed, a more decisive public policy is discernible. The main topic of the last election campaign was economy and public welfare, and, to a lesser degree, issues of corruption. 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. The relative success of tourism and the interest of visitors in a clean
environment have at least increased environmental awareness. Until awareness is further 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 relative 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. On the positive side, progress has been made in regard to the availability of clean drinking water and sanitation issues, especially in urban areas. In regard to biodiversity, it has to be noted that due to overfishing, fish stocks in the waters belonging to Ghana have diminished consistently. In the Environmental Performance Index (EPI) 2016, Ghana ranked 130 out of 180 countries, an improvement over previous years, and scored 58.9 out of 100. This was mainly because of progress made in the area of water and sanitation.

Education remains a significant political topic, although during the last election campaign the condition of the economy was at the forefront of public discussion.

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. The quality and scope of secondary education, maintenance of facilities and teaching quality remain major problems, especially in the country’s north, but also in some urban areas.

According to the latest World Bank figures, while the gross enrollment ratio for primary education was 109.9, the gross enrollment ratio was only 71.0 for secondary education. A tentative program to introduce free secondary education started in 2015, but with limited outreach.

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% to 6% of GDP and normally a little less than 20% to 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 enjoy regular pay rises. Though, especially in primary education, salaries are still very low and postings in rural areas highly unattractive for young teachers. Aside from salaries, many schools still lack proper equipment and materials, a situation especially serious in the area of vocational training and in some institutions of higher education. With a literacy rate of about 75%, Ghana is still among the last third in worldwide comparison.
Governance

I. Level of Difficulty

Ghana shares some of the structural constraints of other African countries, but has achieved some progress in overcoming at least some of these challenges. Its potential in doing so is closely connected to its economic development. 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 helped, but administrative reform is highly politicized as the state is an important provider of jobs in the country. 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, although progress has been made in selected areas (infrastructure and sanitation).

Ghana is a country with a relatively 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, causing disappointment in their performance especially in poverty-stricken areas. 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. In some areas – like health – responsible ministries are actively engaging NGOs in pursuing their goals, exemplifying a good 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 if they do deliver the goods they promise.

Generally, Ghana is not a country of intense and violent ethnic and political conflicts. The election campaign of 2016 was largely peaceful. Leaders from all walk of life have urged for peace with an unprecedented intensity, suggesting a fear among Ghana’s elites that the relative calm might be in danger. 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, although rarely. 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 regular 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, as the events in Mali and Cote d’Ivoire have proven. The permanent infighting in both major parties, split into many factions, is also a potential source of trouble. Though party discipline had been surprisingly strong during the election campaign.

II. Governance 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 has been promising so far, 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, especially before the IMF agreement, instances of financially hazardous mismanagement. 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 the government will continue to rely on donor sympathy in order to accomplish certain development goals. The debt-policy lacked a long-term view in regard to
sustainability before the IMF-cooperation was agreed upon. 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. It has to be added that a developed strategy might fail to attract the support of a responsible minister and therefore remain little more than paperwork. Agenda-setting and strategic planning is determined by powerful individuals.

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. Corruption has developed into a serious problem, especially in regard to high-ranking cases. This has diminished public trust in the government and will have long-term, adverse effects on public attitudes toward the democratic system.

In general, it is still 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 toward the latter and continues to do so. 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 learned. There is also little indication that there are institutionalized mechanisms for learning and innovation.
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 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. This coincides with the relative weakness of strategic planning in public institutions, and the direct connection between powerful individuals and change management.

15 | Resource Efficiency

The government continues to be able to use many of its available resources efficiently, but efficiency has only been increasing in the period under review because of outside intervention. The lack of further progress is mainly due to long bureaucratic delays in implementing policies and a lack of professionalism. The use of resources (material and immaterial resources) is politicized and can be subject to irrational decision-making. State resources are wasted through corruption and there is a clear lack of customer-oriented service culture, even in the tourism sector. New 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 finally increased in the period under review. Liquidity problems surface at regular intervals and indiscriminate borrowing has become a worrying feature before the intervention of the IMF. A balanced budget will be possible only with increased oil revenue, which is difficult given the current low oil price and limited quantities extracted, while additional challenges have further hindered decisive progress. The deficit will remain even with full implementation of the proposals made by the IMF.

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 not yet reached a healthy level. 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. Budget calculation has been less conservative in recent times, leading to a misbalance in the inflow and outflow of funds, but progress in this regard is visible.

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. Incoherence, if apparent, does not appear because of in-built structural problems but because of divergent interests especially of a regional nature. While competition between ministers and state agencies exists, as in any other democracy, these actors have not seriously blocked policy-making 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. To date, the implementation of the IMF agreement has been done coherently and has not been seriously challenged by internal actors.

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.

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 new IMF agreement has improved oversight and control over the budget, and has added transparency.

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. A number of corruption cases within the outgoing administration has highlighted the need for additional vigilance, as the growing economic problems have made corruption more attractive for officials.

16 | Consensus-Building

The political leaders of both big parties have repeatedly voiced their determination to maintain and improve the democratic system of government. While warnings have been voiced in regard to possible voter fraud, the major contestants of the last election didn’t emphasize the issue, unlike the presidential contenders of smaller parties who claimed that they have been systematically marginalized. Acceptance of the democratic system is considerable, but economic woes and the relative inability of the state to alleviate the problems have tarnished this image. The biggest danger continues to lie in the areas of corruption and non-performance of state institutions. If the deterioration of public trust in the government persists, the adherence to democratic values will diminish further.

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. Others, representing the smaller parties, didn’t have any chance in the last elections. As liberal reforms and a market-driven approach to generating wealth has in general 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. Having said this, growing public disillusionment concerning the failure of successive governments to better the lives of citizens and deal effectively with continued economic woes have produced a more fertile ground for potential veto actors. With 68% of the population supporting democracy (Afrobarometer 2016), a negative development in comparison to earlier results, support for anti-democratic actors has
increased. So far, the government has been able to engage with all important economic actors, despite several persistent problems.

Consensus on the political system and its basic principles is high among the political elite, but has become less so in the general 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. The election results show that most voters preferred to cast their vote for one of the two important parties, making opposition candidates outside the two-party-system totally irrelevant.

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 previous NDC government did not try 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. The new presidential candidate, an Ashanti, has repeatedly distanced himself from especially ethnic-oriented policies. 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 and can easily be disturbed if economic problems cannot be solved.

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 a lack of expertise in state institutions, especially if they are foreign funded. 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 become more obvious 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, making it difficult to ascertain if a given organization is indeed an independent actor or not.
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. 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.

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. Implementation has been faithful to the agreed upon goals with only minor deviations and waivers. 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.

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. Ghana is strident in fulfilling its international obligations, including debt-repayment, and generally adheres to trade agreements.

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). The conflict has been brought to an international court and a decision is expected in 2017. 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. Still, Ghana actively supported the community’s effort to restore democratic rule in the Gambia by committing Ghanaian troops to this effort.
Strategic Outlook

Ghana’s strategic challenges for the coming years will continue to be difficult to tackle. Though the groundwork for an improvement has been laid. A lack of fiscal discipline has shown that gains in effectiveness and efficiency are not irreversible. The government must manage all revenue in a way that pleases an increasingly politically aware electorate and meets the standards of proper financial administration, including the necessary transparency and avoidance of corruption. The challenge is to renew public trust in the political system with the subsequent task of communicating gains in accountability to the population so as to stop the growing perception that the state is performing poorly. Trust in democratic institutions is diminishing, causing long-term damage. In addition, the regional situation remains challenging. Events in neighboring countries, volatile forms of instability and the re-emergence of less democratic leaders pose a threat to Ghana’s stability and security. The government must work toward a system of mutual security, which will enable the government to provide and benefit from regional stability.

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. Tackling cleavages within the country, especially the north-south dichotomy, remains a key priority within this context. Therefore, strengthening planning and implementation capacities in many ministries likewise continues to be a task, more urgently needed than ever. On the other hand, it is necessary to impress the benefits of the current democratic dispensation on the population and to make sure that no anti-democratic actors of significance arise. This can only partly be done by providing economic benefits.