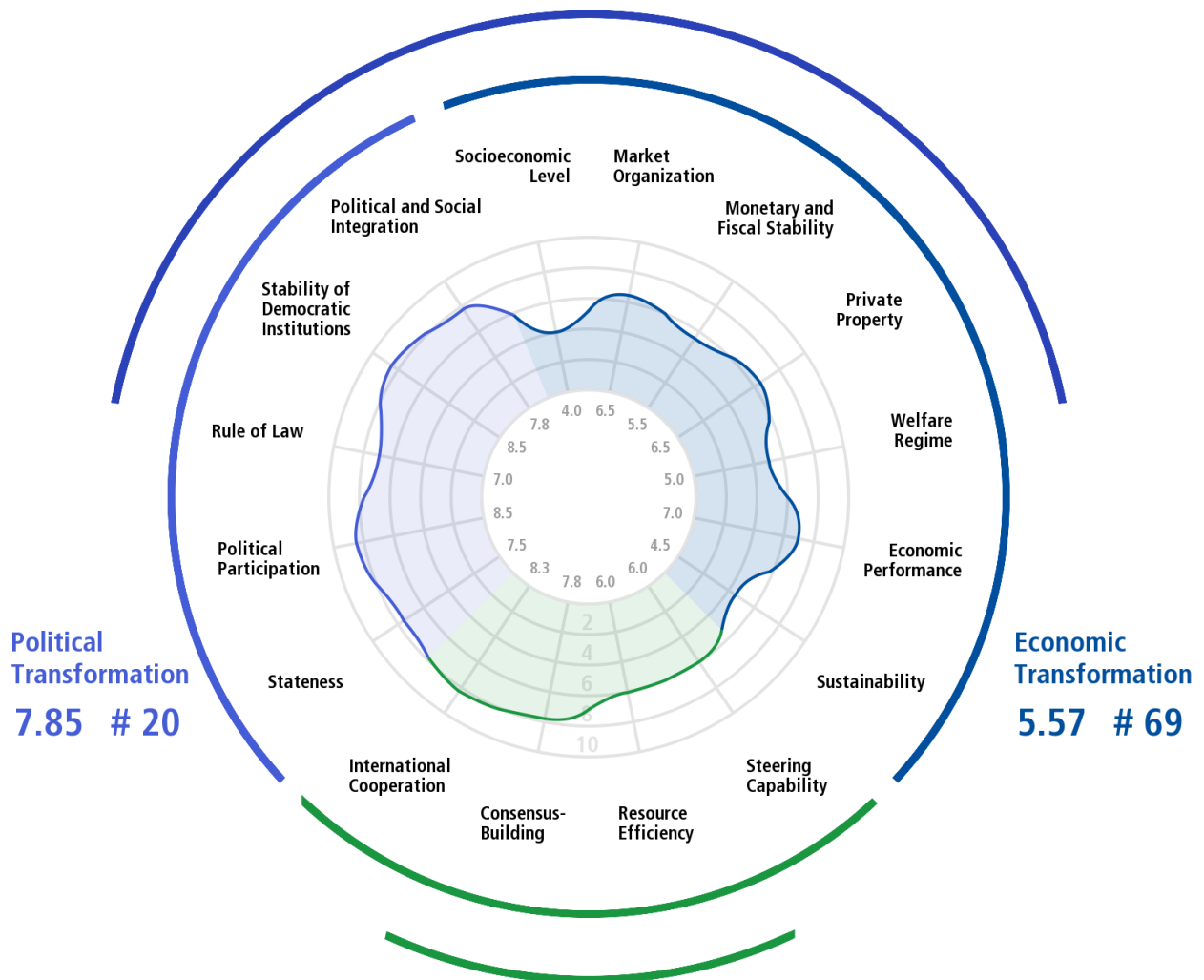


Ghana

Status Index

6.71 # 33

on 1-10 scale out of 137



Governance Index

6.26 # 18

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2020**. It covers the period from February 1, 2017 to January 31, 2019. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Strasse 256
33111 Gütersloh
Germany

Sabine Donner

Phone +49 5241 81 81501
sabine.donner@bertelsmann-stiftung.de

Hauke Hartmann

Phone +49 5241 81 81389
hauke.hartmann@bertelsmann-stiftung.de

Robert Schwarz

Phone +49 5241 81 81402
robert.schwarz@bertelsmann-stiftung.de

Sabine Steinkamp

Phone +49 5241 81 81507
sabine.steinkamp@bertelsmann-stiftung.de

Key Indicators

Population	M	29.8	HDI	0.596	GDP p.c., PPP \$	4738
Pop. growth ¹	% p.a.	2.2	HDI rank of 189	142	Gini Index	43.5
Life expectancy	years	63.5	UN Education Index	0.559	Poverty ³	% 30.5
Urban population	%	56.1	Gender inequality ²	0.541	Aid per capita \$	43.2

Sources (as of December 2019): The World Bank, World Development Indicators 2019 | UNDP, Human Development Report 2019. 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

In the last two years, Ghana has had a new government in place and worked to reassert its role as a beacon of democratic development in West Africa. After a fiery election campaign, a degree of calm has returned to political discussions. As the major opposition party is already in full gear preparing for the next election, it is an indication that the basic trust in the workings of the democratic system is established. With the new administration continuing the process of fiscal consolidation and making good on key election promises, such as tuition-free secondary education, the period under review has given new hope to the assumption that the ambitious goal of “Ghana beyond help” can be achieved. Despite that, there is some doubt around some government projects and its strategy to tackle economic problems. In many important areas, particularly regarding planning and strategies, Ghana had to rely on donor cooperation over the last two years, not least to get its balance sheet in order. Economic growth has been positive and inflation has been brought somewhat under control, which is a good foundation for tackling the most important issue: the fight against abject poverty. Tangible progress hasn’t been made in the regard during the period under review, and it is to be hoped that the foundation laid during the last two years will yield results in the future. Further disruptions, especially on the run-up to the next elections, are not out of the question.

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 leadership.

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 with 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, but 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 for which not all parameters are under the leadership’s control. Politically motivated overspending, especially in election times, sometimes outweigh gains accomplished earlier.

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

There is no doubt about Ghana's territorial integrity in any respect. Although the Ghanaian political system is still riddled with political and ethnic divisions, which led to an increase in violence in the northern part of the country, the government's monopoly on the use of force has not been seriously challenged in the period under review. 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, with challenges especially in remote rural areas. Border control is porous at best, leading to a weak migration regime, but there are no current border disputes with neighbors.

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, a socioeconomic and an ethnic conflict is not always clearly drawn.

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 and potential for conflict, which can be exploited for political means. 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. The current plan by the government to spend a considerable amount of public funding to

Question
Score

Monopoly on the
use of force

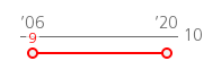
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State identity

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1

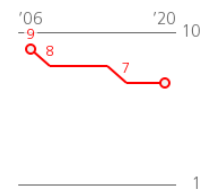
No interference of
religious dogmas

7

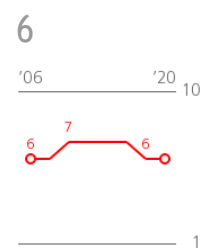
build a “National Cathedral” in Accra shows that deference to religious sentiment continues to be an important factor in internal politics. Ghanaian society is deeply religious and the emergence and strength of Pentecostal and Charismatic churches has contributed to this characteristic, fueled by funds 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 decriminalization of homosexuality – are frowned upon for religious reasons.

Basic administration is of varying quality and concentrated in urban areas, but remains advanced by sub-Saharan African standards. The civil sector is, in some areas, bloated to accommodate unemployed professionals, and is expanded primarily in election years, with subsequent, sometimes painful reductions. The Country Policy and Institutional Assessment (CPIA) quality of public administration rating (provided by the World Bank) continuously rated Ghana in 2016 and 2017 at 3.5 (6 = highest quality, 1 = lowest quality), dropping slightly from 3.6 in 2015, but well above the African average. Basic infrastructure is limited across the country, for instance only 15% of Ghanaians had access to improved sanitation facilities in 2015.

Despite efforts for administrative reform in recent years, the visibility of the state is still somewhat 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 and a general stop of new employment. Corruption remains a challenge, despite the fact that salaries are 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 to improve the situation.



Basic administration



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. Safeguards with the inclusion of internal and external election observers are in place and reliable. Media access to the whole election process is ensured. Ghana is one of the few African countries with several peaceful government transitions through the ballot box.

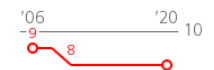
Registration procedures for candidates came under scrutiny when the opposition NDC decided that the internal process of qualifying for the position of flagbearer has been opened only to individuals prepared to pay a considerable amount of money to participate in the process. Internal party democracy has been, so far, not a concern for official regulation.

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 decades, 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. 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. Outside party politics, there are numerous civil society organizations of different shapes and organizational depth, both officially registered and informal.

Free and fair elections

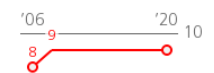
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Effective power to govern

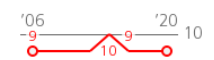
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Association / assembly rights

9



1

Freedom of expression is generally guaranteed and Ghanaians can express their opinions freely. There is no organized repression of the media either. Occasional violence against journalists occurs, like the latest incident of the assassination of an investigative journalist in January 2019, but is normally not organized by the state. There is a danger of capable journalists being attracted away from the media by better-paid positions in the civil service, especially with every 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.

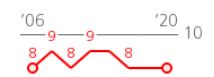
Notably, the Supreme Court has intervened in any attempt by lawmakers to introduce laws related to censorship, the latest a December 2016 case against the National Media Commission. Opposition viewpoints are reflected equally, especially that of the major opposition party in parliament. The quality of reporting has been an increasingly contentious topic, especially with 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 2017 ICT Development Index provided by the International Telecommunication Union (ITU), measuring access to and development of telecommunication services, Ghana ranked 116 out of 176 countries. In the related indicator for access, Ghana has the same level of mobile phone penetration as many European countries, making access to information widely available. Ghana is categorized as “partly free” by the Freedom of the Press 2016 survey conducted by the Freedom House, with an overall score of 33, the 5th highest out of 50 sub-Saharan African countries, only surpassed by Cape Verde, Sao Tomé and Príncipe, Namibia 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. A very dominant parliamentary majority of any ruling party causes parliament to be less assertive in scrutinizing the government as the ruling majority has a tendency to support the government at all costs, despite the fact that party discipline is not an overarching feature of any party. Infighting is clearly visible in both major 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

Freedom of expression

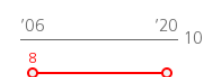
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1

Separation of powers

8



1

because new parties are often dismissed as irrelevant by the populace. Courts, especially a very assertive Supreme Court, often provide quite effective control over the executive.

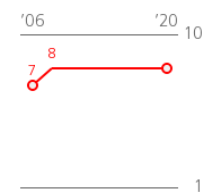
The judiciary is by now based on a firm tradition of independence, developed as far back as the Rawlings era. The system seems to be stable and well respected. The Supreme Court has repeatedly interfered in matters if basic rights were endangered or procedures in question, like in accepting additional candidates for presidential elections in 2016 and repealing any attempt to curb the freedom of the press in 2016. The “Judiciary Independence Index” by the World Economic Forum shows a steady increase of ranking since 2008 (3.77) up to 2017 (4.62). While this doesn’t preclude individual corruption cases or judicial mismanagement, Ghana remains in the top five highest ranked countries in Africa.

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, especially in rural areas.

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. 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. 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. The first Special Prosecutor against corruption, sworn in February 2018, has criticized cabinet members for lack of cooperation in fulfilling his task, leaving his ability to perform scrutiny over all tiers of government in question. While there is a whistleblower 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.

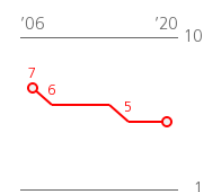
Independent judiciary

8



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. The protection of civil rights is hampered by the inadequacies of the judicial system.

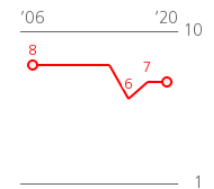
4 | Stability of Democratic Institutions

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. The courts do have influence on undue behavior and do interfere if needed. The performance of the democratic institutions rely heavily on the ability of the two major parties to galvanize political interest and public sentiment. So far, they have been successful in doing so.

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 once they arose. 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. The current government seems to be aware of this and tries to implement policies that "deliver," hoping to restore popular commitment.

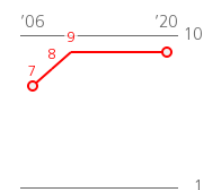
Civil rights

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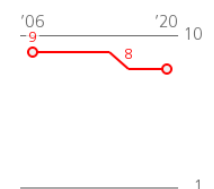
Performance of democratic institutions

9



Commitment to democratic institutions

8



5 | Political and Social Integration

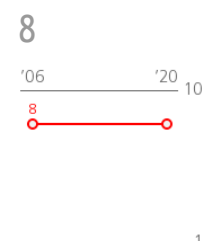
Ghana has a distinctive tradition of ideology-based political parties, which is quite unique in an African context. This tradition has been reflected in all democratic governments since independence and has even persisted through Ghana's military dictatorships in an informal way. The Fourth Republic can boast a stable two-party system, with active, 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 are evident in all election results and continue to shape internal party politics. Competition in a few "swing regions" is therefore 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.

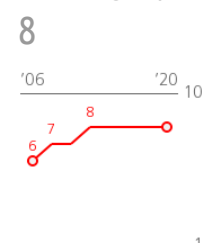
Voter volatility is relatively low, but given the two-party system and the first-past-the-post system, even small fluctuations can produce substantial political changes. Clientelism is not absent, but does not pose a major threat to stability.

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. Relatively 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, including providing essential social services. Trade unionism, on the other hand, remains relatively weak and is only

Party system



Interest groups

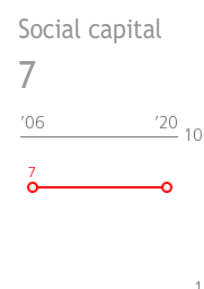
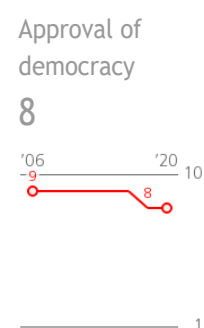


visible from time to time in organizing popular discontent. As most economic activity is located in the informal sector, this is not expected to change in the foreseeable future. Traditional leaders still exercise considerable influence by informal means, although party politics has started to entrench itself deeper in the society. 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 to be high. In 2017, 81% of the Ghanaians surveyed by Afrobarometer preferred democracy to any other kind of government. Though the non-delivery of promised public goods, especially with regard to crucial economic development, has put a dent in popular acceptance and interest in the democratic process. This was demonstrated by the decrease in voter turnout for the recent election. Yet, the majority of Ghanaians (71%) are satisfied with how democracy works in Ghana according to the most recent responses to Afrobarometer surveys. Approval ratings for the work of the current president as well as for the respective member of parliament has not been too negative: 77% approved or approved strongly of President Akufo-Addo, 48% approved or strongly approved of their member of parliament. More than 80% expected the government to tackle at least some of the major problems of the country. 82% regarded Ghana as a full democracy or one with minor problems. Strong approval for democratic procedures is also shown when asked if public servants in important positions should be elected or appointed, with a clear majority in favor of an election. This notwithstanding, the “delivery” side of politics continues to be judged more negatively.

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. Having said this, corruption scandals and the growing importance of party politics have diminished the moral authority of traditional leaders in the last years. The emergence of party politics as the driving factor of decision-making is slowly but surely curtailing the influence of traditional leadership. 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 189 countries in the 2018 Human Development Index, with nearly no movement up or down from the preceding statistics. This rank places the country in the group of countries with “medium human development” with a score of 0.592, a slight improvement from the preceding year.

Economic development in general is still unevenly distributed. 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 (latest with data from 2014). 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 disproportionately for a few. A recent economic crisis, which Ghana is slowly overcoming, has exacerbated the situation. How far the new government’s policies will go toward alleviating abject poverty is still to be seen.

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 89 out of 149 countries, notable decrease with a score of 0.688 (the maximum is 1). While the score for economic participation is quite high (here Ghana ranks 50th in the world), it is much lower with regard to health and survival (rank 119) and political empowerment (rank 117). Other assessments confirm this mixed account, as the Gender Inequality Index (GII) did not improve significantly during recent years (2017: 0.538, 2014: 0.554; 2010: 0.573).

Question
Score

Socioeconomic
barriers

4

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Economic indicators		2015	2016	2017	2018
GDP	\$ M	49181.9	55009.7	58996.8	65556.5
GDP growth	%	2.2	3.4	8.1	6.3
Inflation (CPI)	%	17.1	17.5	12.4	9.8
Unemployment	%	6.8	6.8	6.6	6.7
Foreign direct investment	% of GDP	6.5	6.3	5.5	4.6
Export growth	%	-0.3	14.8	16.5	-
Import growth	%	7.9	-1.1	7.9	-
Current account balance	\$ M	-2823.6	-2832.0	-2002.6	-
Public debt	% of GDP	54.8	57.1	57.3	59.3
External debt	\$ M	20105.3	21166.3	22353.7	23315.0
Total debt service	\$ M	1015.4	1515.9	1944.1	2624.6
Net lending/borrowing	% of GDP	-9.3	-	-	-
Tax revenue	% of GDP	18.3	-	-	-
Government consumption	% of GDP	9.7	8.8	8.8	-
Public education spending	% of GDP	4.5	4.5	3.6	-
Public health spending	% of GDP	2.1	1.7	-	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.5	0.4	0.4	0.4

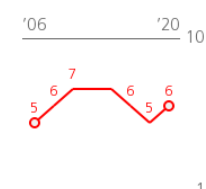
Sources (as of December 2019): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

The institutional framework for promoting free markets and competition has shown a checkered picture in the period under review, with some impact by the IMF-sponsored adjustment program, extended into 2018. Part of the program was to streamline the tax-regime with the abolition of a number of “nuisance taxes.” In the 2019 World Bank Doing Business report, which scrutinized the ease of doing business in 190 countries, Ghana ranked 114 (compared to 108 in 2016), which does not fully reflect the ongoing reform process. Starting a business in Ghana takes 14 days and eight procedures with a cost of 15.5% of GNI per capita. The Starting a Business score amounts to 84.29 out of 100 (rank 108 out of 190). Still, only eight sub-Saharan African countries performed better than Ghana. There is a relatively high degree of market competition, hindered mostly by limited access to affordable loans and some red tape and, mostly, corruption. Market distortion by subsidies still exists, although it has diminished considerably with the removal of fuel-subsidies. Reducing subsidies remains 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 (the share of informal employment amounts to more than 90%). 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 only diminished tentatively 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 with regard to ownership between local and international investors, especially with regard to land use and property. State-run enterprises remain a burden, with only a few profitable exceptions, and consume a disproportionate part of government resources and attention. Private entrepreneurs produce and trade 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. The influence of foreign investors is still significant, and the influx of foreign direct investment (FDI) has persistently increased over the years, 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, without much change for 2016 and 2017. The role of foreign companies is dominant in important sectors, such as trade and banking services, making local entrepreneurship less successful in comparison.

Market
organization

6



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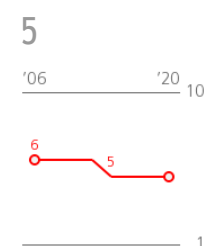
The formation of monopolies or oligopolies is generally not regulated. There is no general antitrust or competition law in Ghana. A draft bill, the competition and fair-trade practices bill (the competition bill), has been in existence since 2004 and has not yet been passed into law. Currently, the only legislation which makes some references to “competition” in Ghana is the 2000 protection against unfair competition act (the unfair competition act). In 2018, Ghana started the process of formulating a competition policy.

The general absence of a competition policy and legislation in Ghana was leading to increased unfair trade and competition practices. However, government monopolies have dwindled in size and reach, although state influence in marketing activities remains significant, particularly regarding cash crops like cocoa and through its system of subsidies. Also, state-run enterprises still play an important role in distinct economic areas, especially utilities. Ghana is not a member of the International Competition Network (ICN). 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.

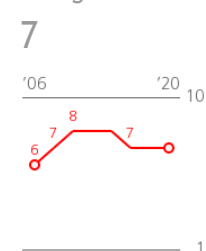
Levels of protection are generally low in comparison with other African countries. According to the WTO, Ghana’s simple average of applied MFN rate was at 12.0 in 2017. Relatively low formal barriers have been a policy of all the various governments. The most protected economic area remains agriculture, 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 is expected to gain momentum once current economic problems have been overcome. Recent trade policy reforms have particularly emphasized improving the competitiveness of export companies and supporting export companies to diversify and penetrate new markets, without introduction of export subsidies, which Ghana has not pursued for many years. The Ghana Export Promotion Authority (GEPA) is tasked with implementing these policies by providing services to exporters, both with regard to directories and tools as well as with regard to individual advice. While the Ghanaian Trade Union Congress (TUC) has repeatedly criticized the government’s trade policy as being “too liberal,” the government has continued to open its market, such as for agricultural products, and most recently in 2018 to the import of cattle. With the main port in Ghana, Tema, turning to paperless custom procedures in 2017, the new system has made both export as well as import easier, despite some initial administrative problems.

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

Competition policy



Liberalization of foreign trade



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.

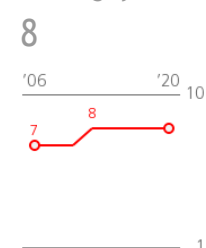
Ghana still maintains a list of products that require licenses to import and a number of fees apply to the trade to certain goods. A relatively high “inspection fee” is charged for all goods entering the country. In order to protect local industries, short-term bans on the import of certain goods (like canned fish or frozen chicken) are enacted from time to time, with sometimes very limited success because of the weak border regime and easy access to smuggling. 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 intermittent energy crisis. Non-performing loans have increasingly become an issue, especially with regard to state-run enterprises. In 2017, the share of non-performing loans was 21.6% according to the World Bank. The adjustment to Basel II and III regulations has been formally concluded on January 1, 2018 with the adoption of the Capital Requirement Directive (CRD), with the first reporting based on the directive commencing from July 2018. By the end of 2018, Ghanaian banks are to meet the minimum capital requirement of GHS 400 million. The bank capital to assets ratio stood at 13.1% in 2017. Observers expect therefore further mergers in the banking sector, as not all the banks will be able to meet that target.

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 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.

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 2017 it had a market capitalization of close to GHS 59 billion, a significant increase from GHS 52 billion in the preceding year.

Banking system



8 | Monetary and fiscal stability

Inflationary tendencies have diminished somewhat in the period under review. The influence of the central bank has been limited by unsteady spending habits of the government as well as a tendency toward dollarization of the economy, itself spurred by inflation. Its formal autonomy is not sufficient to control the currency effectively. It is highly dependent on sound budgetary policies, which have lacked sufficient control especially in 2016, causing problems for 2017 as well. Although inflation dropped in 2018 below 10% for the first time since 2013, the challenge persists and confidence in the cedi remains low. There is no indication that the central bank is able to keep inflation permanently under control without corresponding budgetary restraint and curbing unplanned expenditure. The interest rate set by the central bank did fall to 17% in 2018, still much too high to enable banks to offer much needed loans on an affordable basis.

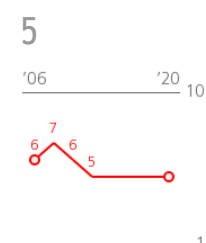
Exchange rates for foreign currencies are volatile and the influence of the central bank on keeping them in check remains limited. In 2017, the real effective exchange rate scored at 77.7. Still, because of more sound government policies, depreciation of the cedi continued only moderately in the reporting period, especially with the influx of additional money through issued bonds. Exchange rates remained relatively stable during the period under review and stayed at about 4 to 5 cedi for one U.S. dollar throughout 2018. The situation with regard to foreign reserves has stabilized somewhat following recent downward movement, although observers still regard the current amount of reserves as too small.

The IMF-program, which started in 2016 and extended into 2018, has addressed many of the issues. While some progress has been made, structural problems of an economy still importing more than exporting cannot be solved in a short time. Nevertheless, if the policies enacted during the outgoing IMF-program continue, the outlook can be described as positive.

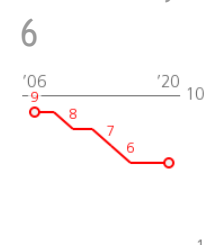
Ghana has struggled with the aftermath of the 2016 election year and its blatant extra-budgetary overspending, which led to a precarious fiscal position for the country. Since then, the situation has improved. The fiscal deficit shrunk, reaching 4.5% by the end of 2017, and stayed in that region by 2018. The new budget for 2019 plans with a deficit of 4.2%. This has been achieved by higher oil revenue and a tighter spending policy of the public sector.

The debt burden has increased steadily. It stood at around \$23 billion at the end of 2018, an increase of around \$2 billion from the preceding year. Public debt made up 70.5% of the GDP in 2017. Debt management has improved in the period under review, especially with regard to formerly uncleared arrears accumulated especially in 2016 (mostly due to liquidity problems). The current debt is only manageable with

Monetary stability



Fiscal stability



consistent economic growth and an increased tax-base, progress in the latter area has been painfully slow though.

Reserves of foreign currency have been very unsteady during the period under review, with a high of \$78 million in May 2018 and a low of \$67 million in June, showing the volatility of the development. Overall, foreign reserves are regarded as inadequate, as they do not yet cover at least three months of imports.

The GDP growth rate, sluggish in 2016, has picked up visibly during 2017 and 2018, helping the current administration with its reforms. Reaching double digits in July 2017, growth has been persistently around 7% to 8%. The government targets growth of 7.8% for the year 2019.

9 | Private Property

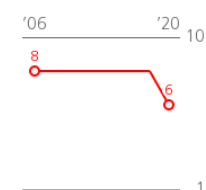
Property rights are weakly defined in Ghana. The land tenure system is a pluri-legal system in which statutory and customary law coincide. Roughly 20% of the land is owned by the state and 80% is governed by traditional chieftaincies. According to a 2018 survey conducted by Prindex, 26% of respondents felt insecure about their tenure rights. Shortcomings in the rule of law lead to lengthy legal procedures and corruption. Therefore, access to formal judicial proceedings is limited to the more well-off. Foreigners, including investors, are not allowed to purchase land, but can lease it. According to the Doing Business Report 2019, it takes six procedures and 47 days to register property.

Private companies have played a major role in economic policy in recent years and will continue to do so. Still, the desire for a more liberal NPP government to “plan” investment, as exemplified by the “one district, one factory” policy, shows a still limited willingness to defer to the rules of the market. Access to credit remains a challenge, especially as banks are reluctant to give loans to SMEs, interest rates are high and public support (e.g., through affordable loans) is limited. FDI is concentrated on specific sectors and only affects bigger companies. Privatization is mostly an issue with regard to the remaining major state enterprises, especially with 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 with regard to the road-network improvement is visible – and problems with power generation.

The Heritage Foundation’s Index of Economic Freedom ranked Ghana 122 out of 180 countries with a diminished score of 56, and therefore as “mostly unfree.” The lower score has been attributed mostly to the loose fiscal policy and the dismal state of public finance and the not-yet diminished bureaucratic burden. Traditionally, the index doesn’t take into account that the majority of private enterprises operate in the informal sector, where regulation is in many cases either not enforceable or not enforced.

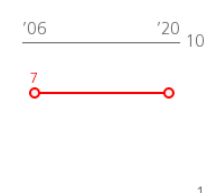
Property rights

6



Private enterprise

7



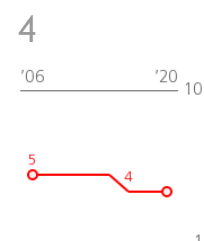
10 | Welfare Regime

Ghana only has a quite limited public welfare regime, which consists mainly of indirect contributions. These are primarily either direct subsidies to essential commodities 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 from marginalized communities). Furthermore, a health insurance scheme exists, which is quite exceptional in the region, despite not being compulsory and still underfunded. 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. In addition, a Planting for Food and Jobs program in the rural areas is supposed to provide livelihood for impoverished rural communities. All these programs suffer from underfunding and a significant bureaucratic inertia.

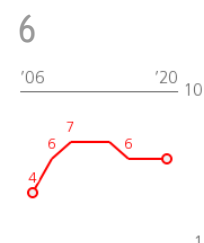
Life expectancy at birth has risen consistently. While it was below 60 years in 2005, life expectancy has been around 63 for some years. Direct monetary support is only available for very distinct target groups such as orphans and their guardians. Access to support for these target groups is, however, hampered by administrative challenges 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. Unfortunately, in recent years, expenditure for health care as share of GDP has been consistently below 5% in the last years. Especially in health care, but also in all other areas of social support, the role of remittances shouldn't be underestimated.

As has already been mentioned, some achievements have been made with regard to equality of opportunity in education. Primary, and recently also secondary, schools do not ask for school fees and government provides both free meals and free transport in marginalized areas. 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 and will probably do so in the secondary level as well, once the full impact of the reforms is visible. Unfortunately, this progress hasn't translated to the tertiary level yet. Still, it is to be expected that girls, who have been denied access to

Social safety nets



Equal opportunity



secondary schools by family preference for boys due to economic reasons, will now have a higher chance for a proper education than previously.

Nevertheless, 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, the female and male enrollment rates in the primary and secondary education are equal (1.0 as of 2016).

Outside the education system, inequalities persist mainly because of economic and social problems rather than prohibitive laws. Public perception with regard to gender equality is slowly moving against structural discrimination, as the Afrobarometer surveys have indicated persistently. Still, traditional values of family-life and the role of women in society prevail 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. Tolerance with regard to homosexuality is negligible.

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 with 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.

With regard to public office, subsequent governments have made it a point to include the diversity of ethnic backgrounds and a substantial number of women in the hierarchy of all levels of public administration and politics. The 2016 parliament of 275 members includes 36 women, up from 30 in the previous period, the highest percentage yet in the history of Ghanaian parliamentarism.

11 | Economic Performance

Despite the many challenges, the Ghanaian economy was never in danger of dropping into a recession. After a slump during the election year of 2016, the economy picked up in 2017 and 2018 and is on a good path to grow further in 2019.

Self-inflicted problems have plagued economic performance in recent times as well as causes beyond government control. During 2016, election-related “gifts” caused serious budgetary problems with precarious consequences for public liquidity, debt-performance and the deficit. Historically low revenues from cocoa and gold due to global markets, intermittent power cuts and, primarily with regard to gold, extensive smuggling, estimated at a loss of \$10 billion annually, were particularly relevant.

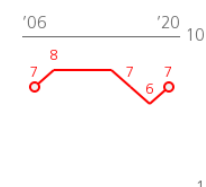
Economic growth peaked close to 15% in 2011 and showed strong 8% growth in 2012, but has dropped considerably since then to a dismal 3.7% in 2015 and 2016. It jumped to 8.7% in 2017 and remained above 6% in 2018. Growth for 2019 is expected to be stable. In 2014, oil replaced gold as the country’s second 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. The GDP per capita was \$4.64 in 2017 and grew 6.1% in the same year.

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, although below 10% in 2018 for the first time in many years, as well as the weakening of the cedi vis-a-vis major currencies. The fiscal deficit and debt burden have diminished the government’s ability to make necessary adjustments, but slow progress in these areas is discernible. The cooperation agreement with the IMF, in full implementation since 2015 and ending 2018, has improved government competency and restored trust in fiscal policy.

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 addition, for more complex production, qualified staff is not available in the labor market due to the weak vocational training in the country. In contrast, the service sector has continued to enjoy growth and diversification. Ghana is now ranked as a lower-middle-income country.

Output strength

7



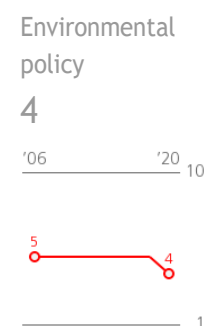
Foreign direct investment has stabilized somewhat. In 2017, net FDI was \$3.3 billion, a decline from \$3.5 billion in the preceding year.

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. There is no need for an unemployed Ghanaian to register himself as such, as no benefits are attached to the status. 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 and the prudence of public expenditure. Here, progress has still not been too 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 still not been impressive so far in most fields. Execution lacks direction, as clear targets and indicators are missing. 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.

But even there, like human hazards caused by gold mining, lack of community participation, insufficient coordination among government institutions, inadequate personnel and logistics, and lack of political will are factors contributing to the ineffective implementation of environmental policies. 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 in some areas. 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 waterpower. 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 with regard to the availability of clean drinking water and sanitation issues, especially in urban areas. In the Environmental Performance Index (EPI) 2016, Ghana ranked 124 out of 180 countries, an improvement over previous years caused by worse results of other countries, as it has scored 49.66 out of 100 (the higher the score, the better the situation), which is a decrease of quality. Good results have been achieved in the area of climate and energy.

Ghana is trying to improve its education system despite all budgetary constraints and institutional shortcomings. The latest step in this endeavor is to make public secondary schools free of charge, therefore offering the full range of education up to the university for all pupils without economic restriction. This has and will continue to cause shortcomings in teacher training, staffing – especially in marginalized areas – and will provide challenges for teaching quality as the influx of pupils in an ever-growing population is putting considerable strain on the system. This can only be partially compensated by the also expanding sector of private educational institutions.

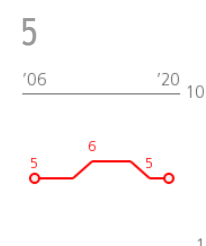
For the U.N. Education Index, Ghana scores 0.558 as of 2017. Gross enrollment ratio for primary education remains to be steadily above 100% (because of a number of late enrollments from older age cohorts), while for secondary schools, it has been around 70%. It is expected that free secondary education from 2018 will change that picture significantly.

Tertiary education remains a domain of the wealthy or those able to get a scholarship. 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 without extra allowances. 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, although the situation is improving steadily.

Vocational training remains the weakest part of the education system, with a lot of informal and therefore not certifiable training. Current efforts by donors and the government are focusing on combining informal and formal vocational education to slowly formalize skills and training.

Education policy /
R&D



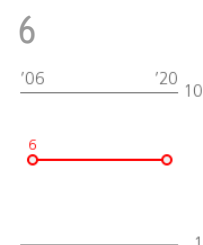
Governance

I. Level of Difficulty

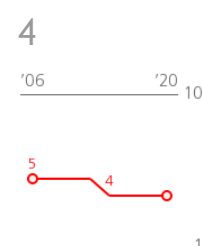
Ghana shares some of the structural constraints of other African countries, but has achieved some progress in overcoming at least some of these challenges. Its potential in doing so is closely connected to its economic development and the effectiveness of governance, which continues to have deficiencies. 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. Administrative reform is highly politicized as the government provides the bulk of employment in the formal sector. 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, although progress has been made.

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. Still, politicization of civil society in connection to a bipolar political system concentrated on two major parties has increased. 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, including direct delivery of services, exemplifying a good relationship between public and non-public actors. NGOs have played and

Structural
constraints



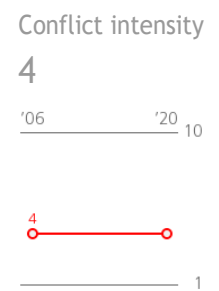
Civil society
traditions



continue to play an important role in the election process, especially in monitoring. In summary, the development of civil society can be regarded as positive. With the obvious 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 manage to deliver on their promises. For this, capacity building as well as addressing the sometimes precarious funding situation remains a challenge.

Generally, Ghana is not a country of intense and violent ethnic and political conflicts and this is also the case for the period under review. 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, but a certain equilibrium of conflicting interests exists and is managed sufficiently. Outbursts of violence 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. 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 last election campaign, instances of intra-party violence have been recorded.



II. Governance Performance

14 | Steering Capability

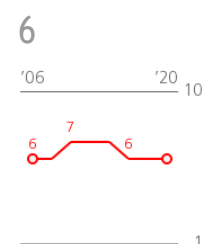
Ghana has, like many countries, no lack of good plans, concepts and strategies, but faces challenges in implementation. Fortunately, because of its close cooperation with the donor community, exemplified by its agreement with the IMF, the government has pursued a pragmatic course regarding the delivery aspects of political planning. 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 with 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 in all necessary areas, 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 which are also practical. 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 are determined by powerful individuals, who do not solely base their decision to follow up on something on rational considerations.

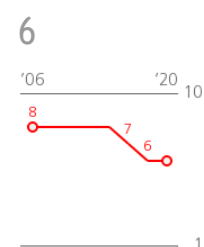
Efficiency in implementation is hampered by a relatively inefficient and in some areas bloated administrative system with serious challenges in expertise and dedication. Generally, systems of implementation feature five major challenges: lack of a clear legislative and regulatory framework for a number of administrative tasks; limited autonomy and authority of executing agencies to react to unforeseen challenges; insufficient risk management measures; weak managerial capacity; and high overhead costs. The CPIA Quality of Public Administration rating shows Ghana at 3.5 in 2017 (with a maximum of 6), only slightly above the African average. 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,

Question
Score

Prioritization



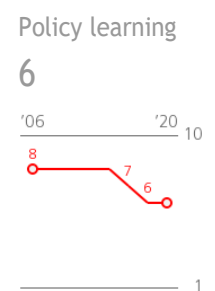
Implementation



often more in order to score political points. The political system is still very much centered on the individual strength, ability and willpower of high-ranking officials and decision-makers. Their individual behavior and priorities significantly influence 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 and sometimes stalled once change agents are removed. 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 with 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. Efforts by the government to curb this disturbing trend have, so far, not been altogether successful.

Policy learning takes place, but sometimes it is two steps forward and one back, as institutional knowledge is often limited. In general, it is still difficult to determine from past experience how many changes and reforms are actually direct consequences of policy learning by government, a result of external influence or even pressure. 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, as long as no specific socioeconomic group is directly harmed by such policies. Here policy formulation is often better than implementation. 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 inclusion of academic knowledge in the process of planning is visible, although limited, as advice from outside the country is preferred in many instances.

On the other hand, the willingness of the government to seek outside help repeatedly, when 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 some public institutions, and the direct connection between powerful individuals and change management.



15 | Resource Efficiency

The government of Ghana doesn't make efficient use of all available resources and sometimes misallocates them. If efficiency improves, it can often happen because of outside intervention, as the most recent cooperation with the IMF has proven. 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) 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, sometimes even in the tourism sector. 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 improved 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. The fiscal deficit will remain a problem even with full implementation of the proposals made by the IMF.

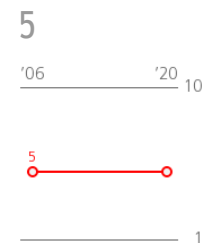
Foreign reserves develop in a volatile fashion, especially as long as the central bank tries to intervene in the market to stabilize the exchange rate. They have not yet reached a healthy level. Despite a central government, the influence of regional and local leaders is still considerable and has been 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 been a serious problem with diversion of funds and the inappropriate use of otherwise designated budget allocations, especially extra-budgetary expenditure, during election periods. Progress in clearing outstanding arrears and diminishing uncontrolled expenditure has since been made.

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.

Once the new governments settled in, and with the coming elections far away, policy has been relatively coherent. Incoherence, if apparent, does not appear because of in-built structural problems but because of divergent interests especially of a regional nature and within the ruling party. 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. The coordination-style is hierarchical and bureaucratic, and quite personalized, focused on the person of the president and his major allies. Some overlap in responsibilities

Efficient use of assets



Policy coordination

8

still exists, especially between ministries, but also between public institutions aligned to certain ministries, as has been shown in the important area of migration policy. 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, including the opposition.

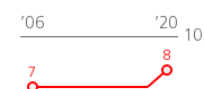
Ghana continues to struggle with corruption in the public sector. The country's anti-corruption policy falls under a number of legal regulations and institutions. In addition to committees of inquiry set up by parliament and the regular work of the auditor general, the highly important Whistleblower Act of 2006 protects witnesses and informants who reveal corrupt and other criminal practices. In addition, a newly created office of a special prosecutor for corruption has been active since 2018. 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 and safeguards have proven somewhat fragile. The IMF agreement has improved oversight and control over the budget, and has added transparency, at least until the next election year.

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. The current discussion about registration fees for presidential hopefuls in the NDC sheds light on this issue. 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.

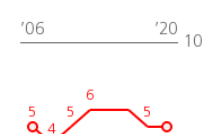
The transparency of the public procurement system is as questionable as the monitoring of codes of conduct and similar provisions. With the influx of oil revenue, the Public Procurement Act of 2003 has become more important, as it is still one of the most comprehensive legal regulations in Africa with 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. Media outlets face difficulties in this area.



Anti-corruption policy

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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 some might consider using the system to fulfill individual goals, the basic support for the rules of democracy can be assumed.

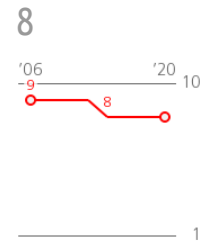
While acceptance of the democratic system is considerable, economic woes and the relative inability of the state to alleviate the problems have tarnished this image. The biggest danger continues to lie in the areas of corruption and non-performance of state institutions. If the deterioration of public trust in the government persists, the adherence to democratic values will diminish.

Only those politicians leaning farthest to the leftist traditions of Nkrumahism voice profound criticism with 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, are marginalized by the dynamics of the two-party system. 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.

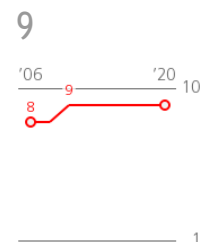
Ghana's democratic experience is over 25 years old. For the most part, extra-governmental anti-democratic veto actors do not exist. Having said this, public disillusionment concerning the failure of successive governments to better the lives of citizens and deal effectively with continued economic woes have produced a more fertile ground for potential veto actors, which have, fortunately, not yet surfaced in any organized form. With a large majority of the population supporting democracy, political actors should not rest on their laurels. 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, although the negative trend has not yet led to any serious crisis. 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.

Consensus on goals



Anti-democratic actors



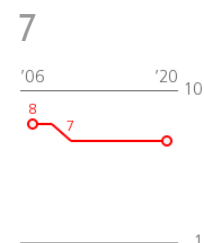
Ghana is a country where cleavages exist and are vulnerable to exploitation, especially with regard to the North-South division. Most investment is still directed to the relatively developed south, although the country has tried to provide basic services, such as education and health care, to the north 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 last elections or in daily politics, but politicians exploiting them for electoral gain are discernible. Generally, the previous and the current government did not try to actively exploit cleavages in a clearly visible way. Likewise, the political leaders repeatedly try to reach out to all regions 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 and can easily be disturbed if economic problems cannot be solved permanently. The slight increase of herder conflicts in northern Ghana during the period of observation highlight the fragility of the situation.

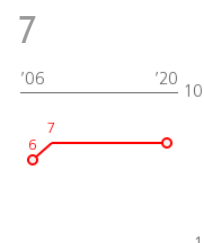
Civil society actors are encouraged to participate in agenda-setting and policy formulation up to a certain level, in particular when government wants to display its commitment to transparency or to address certain pressing issues. Civil society is also addressed once it becomes evident that its support is needed to provide necessary services to the population, such as in the health care system. 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 also 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 or try to instrumentalize civil society organizations for their own ends. Cases exist in which criticism or questions by civil society actors are regarded as unwarranted and disrespectful. Generally, though, the political elite has come to accept the role of an active civil society, even if the relationship is sometimes strained.

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.

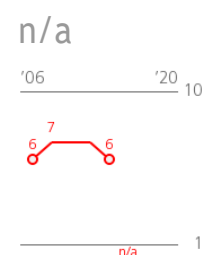
Cleavage / conflict management



Civil society participation



Reconciliation

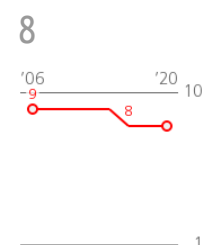


17 | International Cooperation

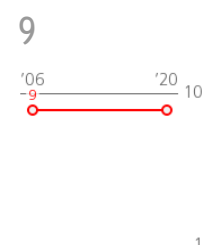
Without donor support, the government would hardly be able to reach most of its ambitious goals, despite the fact that the official strategy is geared toward achieving a “Ghana beyond aid,” as the current president has described it. The government has therefore continued to rely on the support of international 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 IMF agreement, which has laid some concerns about the continued fiscal indiscipline of the government to rest. 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.

Despite setbacks with regard to implementation and lapses in political discipline, which occur from time to time, the government is not only very interested in international cooperation, but has proven to be a cooperative, constructive and reliable partner in the international arena, if not always a dynamic one. The broad objectives of Ghana’s foreign policy thus include maintaining friendly relations and cooperation with all countries that desire such cooperation, irrespective of ideological considerations, on the basis of mutual respect and noninterference in each other’s internal affairs. Ghana is a critically important peacekeeping partner; it is the fourth largest African peacekeeping contributor nation to multinational peacekeeping operations (PKO) and the ninth largest among all peacekeeping contributing nations (ranked February 2019). 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 is strident in fulfilling its international obligations, including debt-repayment, and generally adheres to trade agreements and international mediation if conflicts arise. In some cases, the time between signing and ratifying agreements is too long because of concerns over proper implementation, and donor contributions have helped to close that gap, as can be shown with the example of the UN Water Convention.

Effective use of support



Credibility



Ghana's record in its relations with neighboring countries continues to be 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, although the political crisis there is observed with scrutiny, as possible spillovers are not out of the question. A conflict with Côte d'Ivoire over maritime borders has been solved in Ghana's favor by a ruling of the International Tribunal for the Law of the Sea 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.

Regional cooperation

8



1

Strategic Outlook

Ghana is generally well placed to deal with the challenges facing the country, especially compared to the capacity of other African countries. Still, everything depends on good governance, and here problematic issues resurface consistently. Though the groundwork for an improvement has been laid, an intermittent 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 permanent 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 challenges, Ghana's government not only has to maintain its newfound 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.