

## Ghana

<b>Status Index</b> (Democracy: 3.2 / Market economy: 2.0)		<b>5.2</b>	<b>Management Index</b>		<b>6.0</b>
<b>System of government</b>	Presidential-parliamentary democracy		<b>Population</b>	20.0 mill.	
<b>Voter turnout</b>	61.73 % (Presidential elections 2000)		<b>GDP p. c. (\$, PPP)</b>	2.250	
<b>Women in Parliament</b>	9.0 %		<b>Unemployment rate</b>	11.2 % (2002)	
<b>Population growth<sup>a</sup></b>	2.7 %		<b>HDI</b>	0.567	
<b>Largest ethnic minority</b>	0.4 %		<b>UN Education Index</b>	0.64	
			<b>Gini Index</b>	40.7 (1999)	
Data for 2001 – if not indicated otherwise. <sup>a)</sup> Annual growth between 1975 and 2001. Source: UN Human Development Report 2003.					

### 1. Introduction

The presidential and parliamentary elections on December 7, 2000, and the inauguration of the new president, John Kuffuor, certainly represented an important turning point in the political history of the West African republic of Ghana. The third democratic elections of the Fourth Republic ensured the end of Jerry Rawlings' time in office, which started in 1982, first as a military dictator and then as a civilian president. These elections also marked the end of the hegemony of Rawlings' party, the National Democratic Congress (NDC), which had ruled since the return to democracy. These elections thus marked the first democratic change of government since the country won its independence in 1957.

Previous to Kuffuor's election, the young democracy experienced a phase of increasing stabilization, which began in 1992 and intensified following the 1996 elections. These elections were the first that could undeniably be described as free and fair. The period covered in this report, therefore, includes (1) the consolidation of the Ghanaian democracy, (2) its first clear success represented by the change of governments, and (3) some rather varied economic development, which was characterized by careful continuation of the liberalization and privatization course charted in the 1980s with a program of radical structural modification.

In view of the difficult regional situation—several civil wars in the immediate area (Sierra Leone, Liberia, Côte d'Ivoire) and continued major dependence on revenues from one dominant commodity, cocoa beans—all this is a noteworthy managerial achievement. It has made Ghana into a frequently cited example of

political and—to a certain extent—economic transformation, worthy of emulation. Some unsolved problems remain, such as sluggish privatization, inflation that is often uncontrolled, high levels of national debt and the fight against corruption.

## **2. History and characteristics of transformation**

The history of Ghana's transformation has been characterized by a roller-coaster ride of economic and political liberalization followed by a return to autocracy and interventionism. Immediately following independence, the first president, Kwame Nkrumah, created a single-party system with a striking cult of personality as well as a state-controlled import substitution policy based on an agricultural levy on profits from the export of cocoa and on the investment in generally unprofitable large-scale projects.

After Nkrumah's violent overthrow in 1966, the military regime that existed until 1969, and the government of the Second Republic that followed, under conservative-liberal President Kofi A. Busia, faced massive structural problems. These could not be brought under control despite some reforms that included an early version of structural adjustment, which was part of the reason for the end of the Second Republic in 1972. This was followed by continuous military rule with out-of-control corruption, repression and economic mismanagement until the Third Republic began in 1979.

President Hilla Limann faced great challenges, which he could not overcome with his cautious reform policies; this moved Jerry Rawlings, who had taken power for several months in 1979, to stage a coup in 1981 and start a socialist experiment in citizen participation and a state-controlled economy. The economic situation grew ever more desolate throughout the early 1980s. As a result, in 1983 Rawlings finally accepted one of the most extensive and comprehensive structural modification programs through which an African country has ever been led, under the aegis of the Bretton Woods institutions.

By faithfully following the guidelines, Ghana was able to develop into a prototype of structural modification in sub-Saharan Africa for the international donor community. As a kind of development dictator, Rawlings rigorously imposed even those measures that were unpopular with the people of Ghana, such as cutting subsidies. The reform program also included intervention into the state's administrative machinery, privatization of state-owned enterprises and the liberalization of the cocoa trade, which trade is very important for the country.

As a result of the economic liberalization, pressure began to mount for political liberalization as well, and Rawlings introduced a democratization program that was completely under his control. This program ended in the 1992 parliamentary and presidential elections, which kept Rawlings in office and secured an absolute majority for his party. Because of substantial accusations of manipulation, the

opposition did not take part in the parliamentary elections. During the first legislative term, the careful democratization course continued, and it culminated in 1996 in what were truly free and equitable elections, which elected Rawlings again.

Because the opposition was represented in Parliament this time, a lively culture of debate developed quickly and was supported by the increasing freedom of the press. Around 1998, however, the government's zeal for reform slackened noticeably, and the symptoms of an economic crisis increased. Uncertainty about who would be Rawlings' successor—the constitution forbids a third term—continued until the 2000 election year. After Rawlings had himself elected his party's leader for life, it was clear that he intended to hold the reins in Ghanaian politics even after his term in office ended.

### **3. Examination of criteria for democracy and a market economy**

#### **3.1 Democracy**

During the reporting period (1998-2003), Ghana went through a difficult phase right before the 2000 elections, during which the government in office tried to intimidate the opposition. However, the country took a giant leap forward in the direction of democratic normality with the successful democratic change of governments. There are still some shortcomings in the area of rule of law, due to corruption and favoritism by the government that was in place until 2000. Democratic stability made it to a higher level following the successful and generally accepted transition from one political camp to the other, but the danger of destabilization cannot be discounted entirely.

##### **3.1.1 Political organization**

*(1) Stateness:* There is no fundamental problem with state identity in Ghana, such as the problem in neighboring countries including Sierra Leone and Liberia. Ghana's citizens include a heterogeneous mixture of different ethnicities, although it is clearly dominated by Akan-speaking ethnic groups. However, no particular group seems to have an advantage, and no ethnic group is demanding self-rule or exhibiting separatist tendencies. There is a relatively clear separation between church and state.

The political class cannot afford to focus on a single denomination, because of the variety of religions in the country; thus, the political process is largely secularized. There are considerable shortcomings in the performance of the administrative system, which is marked by corruption. Effective security forces are present in only some parts of the country, so public order is not guaranteed; traditional legal institutions continue to dominate in rural areas in particular. Moreover, there has

been a drastic increase in the crime rate for some time, most notably a regional drug trade “exported” from Nigeria because the war on drugs there is increasingly effective.

(2) *Political participation:* Universal suffrage and the right to campaign for office are in effect, and proper elections are held. However, Ghana still depends heavily on donor countries for help, particularly logistical help, when organizing and holding elections. Both the government that left office in 2000 and the newly elected one heed the process of competitive politics, although the former, toward the end of its run, tended to attempt to intimidate and manipulate opponents. Although the government has effective power to rule, the potential for possible military intervention nevertheless still exists and could become acute in the event of destabilization in Ghana, which could be caused by regional influences.

The electronic media were at first dominated by the state, but relevant regulations have made state radio noticeably more open. There is an extremely variegated private press, and the government repealed all regulations against freedom of the press in early 2001, immediately after taking office.

All types of organizations are free to form, and the work of unions is not unduly limited. There are no real limits to freedom of information, opinion or organization that can be credited to manipulative tendencies on the part of the government in office. However, ethnic differences still play a considerable role—among them is the rift between the economically successful, Christian south and the backward, Islamic north. Politics in Ghana remain a balancing act of power positions regarding ethnicity and religion.

(3) *Rule of law:* The separation of the judicial branch and the executive branch of government was knotty until the change of governments in 2000, because there was much evidence that the government had attempted to exploit court proceedings for its own political purposes. This problem improved following the change of governments, and in general there is a division of the three powers. The powers’ relationship to one another was certainly transformed in the time after the dominance of Rawlings’ party. The president’s position is still dominant, which puts Ghana in line with other African democracies and is in accordance with the prevailing political culture. This fact alone can therefore not be considered a setback for or threat to the process of democratization per se.

The judiciary branch is susceptible to corrupt practices and is therefore not always independent, although the situation has improved since 2000 because the new government is afraid of exploiting the judiciary branch for political disputes. The introduction of fast-track courts, which passed rapid and mostly harsh sentences, particularly in corruption cases, did raise some questions. Critics accused the fast-track courts of having a lack of respect for the rights of the accused.

Political and bureaucratic corruption is generally considered to be the biggest hurdle to efficient administration and neutral rule of law, and fighting it was one of the most important campaign promises used by Kuffuor's government to win the election. Attempts made at fighting corruption have thus far not had any resounding success.

### 3.1.2 Political patterns of behavior and attitudes

(1) *Institutional stability of democracy*: The successful change of governments and the dignified exit of the losing side have added to the stability of democratic institutions and in particular to their acceptance by the people. The democratic institutions' legitimacy has increased and along with it the willingness to endow them with the powers necessary to solve problems. This has generally had a positive effect on their anchoring in Ghana.

(2) *Political and Societal Integration*. The Fourth Republic's party system has also proven to be stable following the change of governments. It represents the country's three prevailing political currents, two of which have dominated the political scene since the time of independence: (1) the leftist "Nkrumahism," which is represented—albeit poorly—by many parties in Parliament, and (2) the conservative-liberal Danquah-Busia tradition, which is represented by the majority party NPP (New Patriotic Party). The third group consists of devotees of Rawlings as their founder and figurehead. This group tried to integrate ideological elements from both camps.

The parties all have considerable organizational and institutional problems, particularly in the areas of financing and local representation. In the broadest sense, they are primarily voting organizations, whose continued existence nevertheless provides them with increasing political weight of their own. Assuming that pluralistic democracy continues, they could master their organizational problems. For the time being, these parties can really only be described as voting organizations with largely regional bases (NPP in the Ashanti area, the NDC in the Volta region).

In addition, Ghana has numerous interest groups that are often organized along occupational lines and have played an important role in democratization. The unions have thus far played no central role in the political conflicts; industrial relationships run fairly smoothly, with the exception of occasional protests and strikes. After the confrontational course taken by the Rawlings administration, the ability of the state and civic interest groups to cooperate has increased noticeably. Human-rights abuses in the past, such as the Rawlings regime's execution of several heads of state in 1979, have been handled gingerly by the government during the reporting period, although a more confrontational relationship to the former head of state Rawlings has been established over time.

Because of declarations of loyalty to Rawlings made by high-ranking members of the military, the government is afraid to take this further. Starting from a difficult initial situation prior to democratization, a constant and gradual differentiation of civic groups is occurring, although this process is characterized by financial and organizational problems.

The increasingly weak position of Ghana's traditional ruling systems, a growing legitimization of their power structures (achieved through taking conflicts to the state courts) and an overall loss of significance are all noteworthy. In rural regions, traditional leaders are finding themselves in conflict with state bodies more and more often, as in cases such as the forbidden circumcision of women or considering women witches. All the same, the government abides by the exceptional position of traditional rulers.

## **3.2 Market economy**

Following the massive success in the 1980s that was paid for with social unrest and human-rights abuses, and positive stabilization in the first half of the 1990s, Ghana has had to fight against an economic crisis that built up slowly over time, continuing even in the reporting period. This crisis came to a head in the years leading up to the 2000 elections. After the change of governments, the focus of the Kuffuor administration's efforts lay in economic reforms, which generally have been quite successful.

### **3.2.1 Level of socioeconomic development**

Despite the economic crisis that preceded the turn of the millennium, the overall indicators stabilized at a level that was relatively high in comparison with other African countries after the drastic economic reform. The level of development as measured in the Human Development Index (HDI) has risen over the decades, albeit in small increments, with the greatest jump coming after the reform measures in the mid-1980s, although the pace has slackened slightly since the mid-1990s. The poverty rate is still high, and social differences within the country are still striking, with the massive north-south gap one of Ghana's fundamental structural problems.

Although the income situation in general has improved, the year-to-year differences in income for rural people can be accounted for by the intense price fluctuations in the agricultural sector (and especially for cocoa, the major export product), which makes up a good portion of the labor market. Intervention measures introduced by the state are concentrated mainly in the south and its overcrowded cities, which are prosperous in comparison with the rest of the country. The north is largely left to the international donor community.

### **3.2.2 Market structures and competition**

The fundamentals of a market-oriented economy have been in place since structural changes were first introduced in Ghana. Although the government is still making efforts at regulation, these efforts are moderate in comparison with those of other African states and are often not effective, because of administrative inefficiency. However, the state is still a central employer because of state-owned businesses that dominate in key areas, and it is one of the country's largest investors. The trend toward deregulation and liberalization is still generally evident, not lastly because of the country's continued heavy dependence on inflows from donor nations, in particular the Bretton Woods Institutions.

Since 2001—and after a rather hesitant approach during the end phase of the Rawlings administration—the Kuffuor government has made a great effort to strengthen the domestic market's self-organization and responsibility for itself. However, undercapitalization and high interest rates for loans, along with a latent banking crisis, do provide a somewhat problematic framework. The Ghanaian stock exchange in Accra continues to be one of the most attractive and dynamic stock exchanges in sub-Saharan Africa and is making an effort to network more seriously with other regional stock exchanges, especially in Nigeria.

### **3.2.3 Stability of currency and prices**

During the period, inflation was very difficult to bring under control and a central problem in Ghana's financial policy. The massive devaluation of the cedi—in 2000 alone it lost almost 50 % of its value against the dollar—had negative consequences on the import of necessary goods and raw materials, especially crude oil. During the reporting period, the inflation rate reached a high of 42 % in March 2001 and then fell to 21 % in the course of the same year due to the new government's reform efforts, only to climb up to around 41 % again in the following year. In late 2002, it again reached a value of about 13 %.

The massive external debt was another problem, which led the Kuffuor administration to seek help in the form of the heavily indebted poor country (HIPC) program. Not only were foreign currency reserves replenished as part of the endeavors, but also the debt service was eased considerably, although it caused Japan, one of the most important donor countries and an opponent of the HIPC initiative, to reduce its commitment to the country.

### **3.2.4 Private property**

Despite the continued formal existence of property rights based on the Western model, property rights—particularly in rural areas—are still oriented toward

traditional, communal-property perceptions of rights. This cannot be seen as a sign of a deficit, however, so long as traditional notions of rights do not lead to conflict with modern ones and thus to expropriation actions. Such actions were not observed during the reporting period.

Privatization of the still-numerous state-owned enterprises, which was particularly sluggish in the 1990s, picked up speed slowly following the change of governments. Numerous central utilities, banks and other services are still in state hands, but the privatization of the Cocoa Marketing Board, which has a key position in the economy, is apparently being pursued seriously.

### **3.2.5 Welfare regime**

In the course of radical economic restructuring in the 1980s, classic elements of the African “welfare” state in Ghana were dismantled by force. These included subsidies for staple foods and state-owned enterprises intended to “provide for” the unemployed. A number of socially motivated subsidies, such as the low price of electricity, have continued into the period, but they have been questioned or abolished in the attempt to cope with the economic crisis.

The state does not in fact provide any kind of social security system that reaches broad sections of the socially weak segments of the population. Numerous social measures, particularly in the disadvantaged north, are in principle handled by projects led by the international donor community. The new government is counting on market forces to fight unemployment and is not leaning toward an employment policy involving state intervention. The prevailing “social system” remains the informal sector, which absorbs a lot of workers who drop out of the modern sector’s industries, or those who do not even have a toehold there. Therefore Ghana does not have any reliable unemployment statistics. Labor-law standards do exist, but in practice they are seldom monitored or implemented.

### **3.2.6 Strength of the economy**

By the mid-1990s, the Ghanaian economy was headed for a major crisis, which reached its peak around the time of the election in late 2000. Up until the change of governments, the old government which was increasingly focused on pork-barrel politics and staying in power, made few steps toward successful and drastic crisis-management. The new government immediately imposed a number of reform measures to consolidate the budget and improve the economic framework, which helped stabilize the situation initially and led to slight economic growth. Great challenges remained in such areas as stabilizing currency, the debt problem and privatization of state-owned enterprises.



### 3.2.7 Sustainability

A social network to cushion the still-serious social problems exists in only a rudimentary form in Ghana. It is not clear whether the state will be able to procure the funds to expand this network substantially in the foreseeable future. Social cushioning, as far as can be seen, still consists primarily of familial solidarity networks; most “unemployed” are integrated into the informal sector. Accordingly, this leads to hidden unemployment that is not exactly quantifiable, official figures notwithstanding. Special support structures for disabled people, women and socially disadvantaged people are found mainly in the private commitment of churches and philanthropic organizations, often in cooperation with state and private donors from the north.

Environmental consciousness in Ghana is principally rhetorical, and apart from measures enacted to protect designated nature preserves—essentially to retain them as tourist attractions—there are no concentrated or financially effective underpinnings to the environmental policy. Such projects in the donor community are supported as a rule, though. Ghana has quite an extensive education system, which is not able to cover all areas, however, and exhibits a stark qualitative gap between cities and rural areas. From 1995 to 1997, Ghana spent 4.2 % of its GNP on education, and an illiteracy rate of 28 % is estimated for 2000. There continue to be considerable deficiencies in infrastructure, especially in secondary schools and institutions of higher learning.

## 4. Trend

(1) *Democracy*: Despite the inflamed atmosphere during the campaign and the Rawlings administration’s tendency to exploit state media and the law as a way of holding on to power for its party, the opposition’s clear win and their uncritical recognition by the losers is considered to be a major milestone in Ghana’s democratic development. Further progressive developments after the first democratic transfer of power, particularly for the freedom of the press, offered some additional hopeful signs. The new government clearly takes the formal baselines of the Ghanaian Constitution more seriously than the old government did. However, some shortcomings remain, and some fundamental ills, such as endemic corruption and essential doubts about the loyalty of the military, still need to be taken into account.

The stability of constitutional committees—their legitimacy in the eyes of the public and general functionality—was strengthened by the democratic transfer of power. The political system stabilized after the 2000 elections and is heading for a two-and-a-half-party system like those of earlier years. Following a major crisis of satisfaction in the late 1990s, the overall approval rating can generally be described as positive, despite harsh economic reform measures. In contrast to other countries, Ghana does not have an empirical tool, such as methodologically

aboveboard surveys and censuses, that could give this overall picture quantitative underpinnings. The reform measures needed to prevent an economic crisis could in the middle term lead to an environment that is characterized more by conflict than cooperation.

(2) *Market economy*: The fundamental indicators showed an intensifying economic crisis in the first half of the reporting period, while the figures for the second half indicated cautious easing of the situation.

**Table: Development of socioeconomic indicators of modernization**

	HDI	GDI	GDP index	Gini index	UN Education Index	Political representation of women	GDP per capita (\$, PPP)
<b>1998</b>	0.56	0.552	0.48	39.6	0.60	9.0	1,735
<b>2000</b>	0.548	0.544	0.50	40.7 <sup>a)</sup>	0.62	9.0	1,964

Source: UNDP: Human Development Report 2000, 2002. a) Figure for 1999.

Following a problematic phase at the end of the 1990s, which pointed toward an economic downturn and considerable management problems, the framework conditions for market-economy behavior improved slightly in the second half of the reporting period. The previous government's willingness to reform abated, but the dynamic changed starting in early 2001. The crisis could be avoided for the most part, but growth has been only moderate and is largely dependent on the good will of the donor community.

**Table: Development of macroeconomic fundamentals (1998-2002)**

	1998	1999	2000	2001	2002
Growth of GDP in %	4.6	4.4	3.7	4.0	4.5–5.8
Export growth in %	n. a.	-4.1	-3.5	-2.2	n. a.
Import growth in %	n. a.	11.4	-15.2	-3.9	n. a.
Inflation in %	17	12.4	25.5	21.3	15.2
Unemployment in %	n. a.	n. a.	8.2	n. a.	11.2
Budget deficit in % of GDP	n. a.	-8.0	-9.7	-6.8	n. a.
GDP in billion \$	7.3	7.8	5.3	6.2	n. a.

Different sources; some figures are estimated.

## **5. Transformation management**

### **5.1 Level of difficulty**

Wildly fluctuating commodities prices, a politically inflamed atmosphere partially spurred on by the government, a level of development that is still very low in many parts of the country, limited effectiveness of state intervention, a rather low educational standard, and latent antagonism between the north and the south all placed high demands on the government's managerial capabilities at the beginning of the reporting period. The government was not always able to live up to the demands made by these issues. Due to the successive return to more repressive activities, the transformation experienced a slight setback at the beginning. However, the determination to transform economically was unbroken, at least on a rhetorical level.

Despite this high level of difficulty, which was aggravated by the increasing political destabilization of many neighboring countries and the fear that armed conflicts would spill over into Ghana, a basic consensus on the rules of democratic play remained. Another positive, stabilizing influence was the support and unbroken optimistic trust of the international donor community.

Economic problems during the reporting period included external factors, especially developments on the cocoa market, and internal factors, namely a slower pace to liberalization policies, which only started to change during the second half of the reporting period. Despite considerable economic crises, the new government succeeded in developing modified managerial activities and getting the transformation process back on track. This certainly contributed to the consolidation of democracy.

### **5.2 Reliable pursuit of goals**

The Rawlings administration's economic reform strategy until the end of 2000 was characterized by half-heartedness, political opportunism in face of the approaching elections, and a growing unwillingness to do away with actual or alleged opportunities to influence the economy. This behavior also contributed to the looming economic crisis. Nevertheless, the Rawlings administration was just as keen as its successor to live up to the expectations of the international donor community, which then honored Ghana with thoroughly optimistic estimates. The duty to maintain the market-economy course is generally respected, and conflicts usually have to do with the speed or extent of upcoming reforms.

Under the new president, Kuffuor, the political and economic shortcomings of the Rawlings administration have been addressed openly, without disintegrating into a witch hunt, which the administration sought to avoid in order to ensure domestic-policy stability. The repeal of laws hindering the freedom of the press was a major

step toward democratic transformation, which documented the new government's intention to treat democratic norms seriously.

Because the newly elected government proved itself to be remarkably stable even in difficult situations and with difficult decisions, despite its relatively slight majority in Parliament, a thoroughly clear and traceable line appeared, largely shutting out an acute and sudden change of course due to domestic policy opportunism. This could change with the upcoming 2004 elections.

### **5.3 Effective use of resources**

The government's use of available resources is relatively ineffective. In addition, the quality of the resources—in particular human resources—is often not up to standards. The problematic situation in the banking sector and the short-term and conceptually unsupported recovery measures for ailing or threatened large concerns—recently for the Ashanti gold mines, which were suffering from a temporary shortage of liquid funds, and before that for the state airline Ghana Airways—create the impression of a situational reaction to challenges, which tends to generate higher costs.

Public services are only somewhat suited for economic advances, and there is still a lot of work to be done toward deregulation and privatization. Major shortcomings can be found in social services. Nevertheless, it should be stressed that Ghana is in a good position relative to the rest of the region, and it continues to provide an example and occupy a leading role.

The biggest problem continues to be fighting corruption. The legal framework conditions are there, but the biggest deficit is in implementing and monitoring them. Until the change of governments, the rules were applied on a party basis and were a way of exercising political power; this situation has improved since early 2001, without any drastic steps being taken in the fight against corruption. Available cultural resources, in particular the solidarity of the extended family and the self-organization power of the informal sector, continue to play a significant role, but the government does not use them actively as a resource.

The existing inclination toward a starkly hierarchical way of thinking, a distinctive personality, a still-existing system of patronage with dependent clients, and corruption accompanied by nepotism are factors that inhibit development, and it will take time to overcome them. The growing acceptance and stability of democratic institutions will be able to contribute to this.

#### **5.4 Governance capability**

The new government's economic-reform policy was crucial and had all the ingredients for success, although some objectives were not achieved. There is no drastic, fundamental resistance to additional reform measures, although privatization and liberalization measures spark repeated protests. The population has shown a willingness to learn and to implement the economic transformation process, to a greater degree in the new government than under the old Rawlings administration.

The governance capability is strongly correlated, however, with the guidelines set down by the international donor community, in particular the Bretton Woods Institutions. These institutions have a say in these matters, which limits the government's discretionary leeway if the government wants to secure continued financial support or regular continuation of the debt-relief process.

The balancing act between (1) a tight asymmetrical interdependence between the government and the IMF/World Bank and (2) taking domestic interests into account—especially in the run-up to an election—is an important and delicate attribute showing the scope of political organization in Ghana. Domestic-policy reforms outside of the economic domain are therefore approached with greater autonomy. The new, more dynamic Kuffuor government, however, must resist the power of persistence of the administrative bureaucracy, which is still too large and corrupt and is therefore ineffective. In late 2002, even though the term of office was only half over, the 2004 election campaign began to loom, which makes painful reforms almost impossible to enact if the government wants to be re-elected.

#### **5.5 Consensus-building**

Most political and societal actors agree on the goal of the reforms—market-based democracy. However, there are still some considerable differences in opinion regarding the degree to which objectives can be achieved and regarding the speed, extent and focus of upcoming reforms. These differences are cloaked by the dependence on international donors, whose guidelines all actors make their own, willy-nilly. Antidemocratic actors do not exist in the intimate political sphere, and the role of the military, which shows a good deal of loyalty to the retired head of state Rawlings, remains ambiguous.

The influence of lobbyist groups is manageable and ranges within acceptable limits, and the style of Parliament has been lively and open, with enthusiastic discussions, since the second elections in 1996. Differences of opinion in the details—such as in the areas of subsidies and privatization—do not at any time seriously challenge the retention of the market-economy and democratic model.

The political exploitation of regional identities is still a major characteristic of Ghanaian domestic policy, reflected as much in the results of the 2000 elections as in the fact that all presidential candidates, who were Christian and southern, selected vice-presidential running mates from the Muslim north. The relative dominance of the Akan-speaking ethnic groups, especially the Ashanti, has become more noticeable since the NPP came to power, but it cannot be said that policies have been set to benefit one ethnic group.

Because of the need to fulfill donor guidelines and fear of regional destabilization due to armed conflicts in neighboring countries, all political actors are very careful to stick to a certain fundamental consensus and thus keep themselves from being drawn into the maelstrom of civil war. Because the largest opposition party, the NDC, was busy with internal power struggles for a fairly long time, and it had to get used to the hard opposition bench after many years in power, it did not present a real opposition to the government, despite the government's relatively slight majority.

## **5.6 International cooperation**

In addition to the still extremely intensive and apparently trusting collaboration with external actors from the donor community, in particular the Bretton Woods Twins, the regionally questionable security situation is another important factor influencing development in Ghana and the government's efforts. The growing destabilization of important neighbors, such as Côte d'Ivoire and Liberia; the shaky stability in Sierra Leone and Guinea; the involvement of other countries, particularly Burkina Faso—all these caused the Ghanaian government to intensify its friendly relationship with its neighbor Togo and seek solidarity with Nigeria, the main power in the region.

Furthermore, Ghana remains part of the Fast Track initiative within the Economic Community of West African States, which has the goal of a speedy economic and monetary union, initiated in collaboration with Nigeria in 1999. The francophone countries' efforts to integrate Ghana into their own regional organization failed. Nigeria is Ghana's central political, economic and strategic partner in the region. Its main partner in foreign policy outside the region remains the United States, a relationship that has been cemented through many bilateral agreements and numerous visits on various levels from both sides. The very good relationship with the United States has certainly helped set the tone for the good and stable relationships with the IMF and the World Bank.

## 6. Overall evaluation

In view of the originating conditions, current status and evolution achieved, as well as the actors' political achievements (management), this report arrives at the following concluding evaluations:

*(1) Originating conditions:* The transformation's starting conditions were rated as problematic overall, but not negative throughout. Market-economy structures existed prior to the observation period, although their institutional anchoring and performance did not always live up to demands. Despite some ethnic differences and a stark north-south divide, the Ghana state "project" was never threatened. The lack of rule-of-law and democratic traditions due to longer phases of authoritarian rule has been compensated for at least partially by the "hibernation" of traditional political and ideological lines, even under military governments, and also by a largely successful democratization process that has been going on since the early 1990s.

The tight restraints of the international donor community, needed for economic reform, and its conditionalities, along with efforts not to be sucked in to the maelstrom of regional destabilization, have strengthened the coherence of political action. Despite some recourse to authoritarian methods in the late 1990s, the political transformation process during the reporting period was able to build on a solid foundation, which was authenticated impressively by the successful change of governments.

*(2) Current status and evolution:* The democratic transformation has evolved considerably. The elections, which were generally accepted as free, equitable and confidential, gave the democratic process a major step forward, as did the change of governments, which was accepted by all sides. The process of consolidating democratic behavior patterns and processes is rated as positive. Internal threats to democracy still exist in a latent form along with this progress, however.

Noticeable progress has been made in the areas of freedom of the press and of thought and also rule of law, but their consolidation has not been completed; they are partly a function of the success of the economic transition. The economic transformation's evolution was minimal in the first half of the reporting period, did not have the necessary dynamism and was overshadowed by short-term measures, particularly in the run-up to the elections.

In the second half of the period, a stronger dynamism developed, with considerable progress made in crisis management. Framework structures were improved, but central lines of action such as privatization and fighting corruption, strengthening a capable banking sector, and overcoming the blatant division between north and south are still awaiting long-term solutions. The transformation process is still going on, however.

(3) *Management*: The conclusion on the actors' structuring achievements is not decisive. In general the new government is certainly capable of active management, and it has shown a strong will as well. Close and generally fruitful cooperation exists with external actors, which have not shown any central lines of conflict. The greater dynamism, in particular as relates to macroeconomic decisions, must be maintained in order to overcome deficits in the long run. Whether the new government will be able to do this cannot be determined conclusively at this point.

## **7. Outlook**

The successful change of governments and the greater reform dynamism of Kuffuor's government helped Ghana retain its position as a model African country in the view of the donor community. The transformation is stable and the chances are good that this stability can be maintained despite all the fluctuation.

The key work to be taken care of in the middle term includes strengthening the independence of the courts, fighting administrative corruption, continuing with market-oriented reforms (especially privatization and monetary stability), and the gradual disengagement from dependence on international donors and revenues from agriculture and minerals.

Initial serious problems in the area of public safety, particularly in relation to the drug trade, have to be tackled not only to help the country's image, but also because the enduring success of the third largest economic sector (after cocoa cultivation and gold mining), namely tourism, depends on it. The continued dismantling of the still-bloated administrative machinery through increasing professional approaches of its employees is also necessary, because then resources can be redirected.

The course of cooperation being taken in foreign policy, which is focused on reliability and avoidance or containment of conflict, forms a solid basis for Ghana's generally positively recognized foreign-policy standing. Within its difficult regional context, which has been characterized during the reporting period by growing instability and violence spilling across borders, the stable and predictable transformation course taken by Ghana cannot be valued highly enough. With it, Ghana continues to play a leading role in Africa.