

Ghana

Status Index (Democracy: 7.90 / Market economy: 6.07) 6.99		Management Index 6.78	
HDI	0.520	Population	21.2 mn
GDP per capita (\$, PPP)	2,238	Population growth¹	2.6 %
Unemployment rate	-	Women in Parliament	10.9 %
UN Education Index	0.51	Poverty²	44.8 %
		Gini Index	40.8 (1998)
Source: UNDP: Human Development Report 2005. Figures for 2003 unless otherwise indicated. ¹ Annual growth between 1975 and 2003. ² People living below \$ 1 a day (1990- 2003).			

A. Executive summary

In December 2004, President John Kufuor of Ghana was re-elected for a second term in successful and generally peaceful elections. The positive experience of the election and the general willingness of the opposition to accept the voter's verdict were seen, in both Ghana and abroad, as another stabilizing factor in the country's democratic structure.

Ghana has made significant progress in furthering democracy and proven that a stable democracy, guaranteeing basic human rights, is not only possible but also sustainable in West Africa, even during economically difficult times. Ghana's political system fulfills nearly all criteria for democracy, especially regarding political participation, rule of law and political integration. Some deficits persist in the areas of stateness and social integration, but progress has been made. The country's economic structure and performance have improved since 1999's, despite its persistent dependence on the performance of a few commodities. Economic growth has stabilized; however, inflation persists.

Ghana is regarded as one of the few African countries that might reach, with continued progress, the "Millennium Development Goals" (MDG) by 2015. Changes in accordance with the policy of the bilateral and multilateral donors were implemented after the current government took over in 2000, and this process has continued, with a certain lull during election campaigning until the present. The government has pursued policies aimed at economic, and to a lesser degree political, transformation. This is due mainly to the institutional changes concluded many years ago and the need to fill them with vitality is more apparent than the need to transform them. Internally, conflicts were mainly solved peacefully, with one major exception. Political and religious extremism is generally low, but the possibility of political violence remains a threat.

Future prospects of transformation depend heavily on the will and ability of the leadership and the continued dedication of the donor community. Since this is

President Kufuor's last term in office, political battles over his succession are expected and they may pose unpredictable effects on the efficiency of the next government. There is no immediate danger to democracy; however, persistent instability in the region makes a careful and constructive foreign policy a top priority for the continuation of the success story Ghana has managed to achieve over the past decade.

B. History and characteristics of transformation

Ghana's first steps toward economic transformation preceded any political reform and can be characterized as a classical "development dictatorship." After independence in 1957, Ghana suffered from several regime changes, most of which could be defined as military dictatorships. The high hopes associated with the father of independence, President Kwame Nkrumah, were trampled by socialist experiments and an increasingly oppressive state apparatus. These circumstances led to Nkrumah's downfall by a military coup d'état in 1966.

From this point on, only two periods – in the late 1960s and early 1970s and from 1979 to 1982 – saw civilian rule. Neither military nor civilian leadership was able to stop the continuous economic decline of one of the world's biggest cacao producers after prices fell in the 1960s and never again reached the heights of the 1950s. During the period of economic decline, the political situation weakened as well, along with a considerable increase in corruption, rights abuses and 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, a formerly unknown era of relative political stability was established, the first "revolutionary" years of the regime notwithstanding. Succumbing to the pressure of both the economic facts on the one hand and of the international monetary institutions on the other, Ghana's government decided to pursue a structural adjustment program "to the letter" that would curb rising social violence by means of dictatorship.

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 processes in neighboring countries like Benin. The introduction of multiparty politics was accompanied by heavy criticism of Rawlings' tight control over the process. Unsurprisingly, the first democratic elections of 1992 were characterized by certain irregularities. Nevertheless, in light of all fears of another period of dictatorship clouded in civilian disguise, the historic development proved otherwise. Rawlings as a civilian president was willing to adhere to constitutional procedures in general, and accepted the division of power enabling the establishment of a thriving free press. 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 in office after 2000.

The New Patriotic Party (NPP) emerged as a viable opposition power in the 1990s and went on to win the 2000 election, marking the first change of government through a democratic election since independence. The defeated candidate, former Vice-President Atta Mills of Rawlings' National Democratic Congress (NDC), conceded defeat and settled with the role as leader of the opposition. The IV Republic survived this crucial development with no major problems, and the new government of President Kufuor embraced an accelerated political and economic reform program. It did away with remnants of the dictatorship – especially regarding freedom of the press – and re-focused its concerns on economic reforms to spur growth after a stagnant period and a major setback in 1999 during the last years of the Rawlings' regime.

The economic reform program initiated by the Rawlings regime in the 1980s financed and monitored by the Bretton Woods institutions was one of the most ambitious and profound programs of such magnitude in African history. Both its negative social side effects, which were controlled by the regime in a decisive manner, as well its positive effects in stopping the slide of the economy and returning Ghana to a period of relatively stable growth, have been an example for others to follow. The program, which included privatization and liberalization, especially of the highly controlled cacao market, was executed with diligence during the period of autocratic rule. It was carried out with less enthusiasm after the return to a democratic form of government and with a definite period of paralysis during elections, where “gifts” for the voters were needed to muster support for the elections.

Decisive progress has been made in some areas, particularly with regard to the import/export regime, the regulations controlling economic activities, and the establishment of a thriving stock exchange. However, setbacks and problems have persisted. The banking sector has continued to be a problem for years, and inflation has never been under permanent control. This has had adverse effects on exchange rates, the country's dependence on cacao and, to a lesser extent, gold. The dependence on gold has been lessened only by the emergence of a thriving tourism sector. However, corruption is still proving to be a problem, albeit not as big as seen in nearby Nigeria. After an initial burst of activity, the Rawlings administration no longer pursued an aggressive plan for economic reform. The first task of the new government under Kufuor was to put into place a plan for economic reforms, albeit with difficult implications for existing subsidies (water, energy and fuel).

C. Assessment

1. Democracy

Ghana is one of a small number of African countries with a relatively well-established democracy. Liberalization has been rooted deeply in society. Problems, however, persist with regard to political violence and social integration.

1.1. Stateness

Despite a thriving party system with strong regional alignments – especially a strong base of the ruling NPP in the Ashanti area and a comparable base of the opposition NDC in the Volta region - stateness is, in comparison to other African countries, relatively high.

Ghana enjoys a relative stable monopoly on the use of force. There are exceptions; political violence erupts sporadically, particularly in the less populated, rural areas where the visibility of the state is not as prominent and more traditional rules of administration remain the norm.

There are no grave shortcomings in the definition of citizenship and who is a citizen, but there are some problems in the administrative outreach of citizenship regulations.

There is an official separation of religion and state, despite the fact that the country is still divided into a poor, Muslim north and a richer, Christian-dominated south. Politicians are careful to avoid any situation that might lead to serious religious conflicts. While the president is a Christian, the vice president was chosen deliberately from the Muslim community to impose a balance. Ethnic conflicts, mostly about land rights, do surface periodically, but there is no visible, state-driven discrimination of single ethnic groups.

Efforts have been made to make the administration more effective and to increase its outreach. Yet, particularly in the rural areas, the visibility of state administration is limited. Maintaining law and order has been a problem vis-à-vis a growing crime rate especially in the urban areas, but the government has taken decisive actions to halt this trend.

1.2. Political participation

Universal suffrage, the right to campaign for office 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 for the last three elections in 1996, 2000 and

2004. Despite the clean sweep of the ruling NPP during the elections of 2004, incumbent members of parliament were voted out of office in many cases, some in anticipated strongholds.

The last three elected governments, including the current one at the time of this writing, enjoyed democratic legitimacy, had the effective power to govern and were generally accepted by the defeated opposition, and adhered to the process of “trying again” in following elections. The military has been a priority of the current government. The current government ensures that the military enjoys not only status but also material welfare to integrate it into the democratic system. While some military officers are still regarded as sympathetic to former President Rawlings, generally speaking, the military has not visibly exercised any veto power in internal politics for a long time.

Political and civil organizations can develop, meet, organize themselves and campaign for their issues freely and generally without state interference. The government rarely carries out repressive measures against these organizations. During the election campaigns, which sometimes develop into physical conflicts, there have been cases where outspoken NGO members have been victims of political violence, but not as specific targets of government intervention.

There is no repression of the free media. The media landscape is impressive, both in numbers of free newspapers as well as independent radio- and TV-stations. The state-owned media has increasingly established a degree of autonomy and can no longer be regarded as a mere mouthpiece of the government, although it is surely not as critical as the free press in particular. Ghana is ranked “free” by the Global Press Freedom House survey (rank 64; value 28).

1.3. Rule of law

There have been no severe shortcomings with regard to the oversight of the executive branch as well as the independence of the judiciary. Shortcomings in due procedure – especially the length – have been tackled by the introduction of “fast-track-courts” for certain offenses; fears have not been confirmed that these might adversely affect the rights of the accused because of their speedy implementation.

The president’s party holds a majority in parliament since the 2000 elections, albeit a narrow one. Internal actions prevent the ruling party from appearing as a monolithic bloc that always appears to rally behind the president. The major opposition party NDC, despite having a strong backing, did not pose a serious threat to the NPP government in the last four years. Other political parties, especially of the Nkrumah-tradition, are still trying to assert themselves. There is no open repression toward opposition parties.

The judiciary already showed signs of a growing degree of independence during the (elected) Rawlings era, and this new status was exemplified by a series of Supreme Court rulings adversary to government decisions. This independence has been retained and stabilized. There is no apparent evidence of government meddling in judicial procedure, yet corruption is still a problem in some areas.

Although high-ranking officials and politicians do enjoy a higher degree of protection against prosecution, measures have been taken to tackle corruption on all levels. There is no apparent systematic protection of high officeholders by the government.

Civil liberties do not only exist on paper. The government and state agencies are under permanent monitoring from the media in the case that violations are suspected. Basic human rights are generally respected, and there is no systematic policy of denying certain groups or individuals their constitutional rights. Single instances of police abuse have been reported in association with demonstrations and election campaigns. Nevertheless, it is important to underscore that these instances are not part of a strategic political plan by the government to curb the exercise of civil rights.

1.4. Stability of democratic institutions

The democratic institutions, particularly the parliament, can be described as fully functional and stable. Although the president exercises vast power in the Ghanaian constitution, the parliament is more than just a “talking shop” and it takes its duties seriously. Direct interference by the president is unusual and is restricted to members of his party. Shortcomings of the administrative and judicial system have to do primarily with corruption and budget problems, and less with direct political interference.

Both the opposition and government accept the existence and general tasks of political institutions. Since the disputed elections of 1992, there has been no serious threat of boycott, and the new parties have been eager to challenge the government (although with limited success). The electoral process is generally regarded as free, fair and transparent.

1.5 Political and social integration

Ghana has a distinct tradition of political parties that are attached to certain ideologies not evident in many other African countries. This tradition is reflected in all democratic institutions and governments, including the present administration. The IV Republic can boast a stable two-party system. The two major parties include the currently ruling party, NPP, and the opposition party NDC.

The NPP is based on the conservative-liberal Danquah/Busia tradition, and the formerly ruling NDC, which claims a certain variation of the Nkrumah tradition, represents the Rawlings regime and its policies. Both parties have electoral bases in particular regions of the country. The NPP, in particular, has been able to make inroads in other regions outside its stronghold in Ashanti. The Nkrumah tradition has not yet been able to form one single party, and this has hampered its electoral success. Several Nkrumahist parties exist and efforts of cooperation have failed before the last elections due to the interpersonal problems of the flag bearers. None of these parties is a monolithic bloc that concentrates its energies on one party leader, especially now as both major contestants of 2004 – Kufuor and Atta Mills – will not run for elections in 2008.

Pressure inside the NDC is mounting and there are efforts to convince Atta Mills to run for a third time. The contest for leadership and succession has begun in both parties. How capable these parties prove in channeling inevitable conflicts into constructive competition will serve as an important test for the democratic experience.

Civil society was weak during the first phase of the democratic experience, but is now asserting itself and is increasingly visible in the urban areas. Part of this shift stems from continuous donor support specific to the continued development of civil society. Another factor is that more and more citizens are growing accustomed to the freedoms of a civil society and prepared to defend and exercise those freedoms. In rural areas, more traditional forms of organization are more apparent. Religious organizations, especially the rising number of Pentecostal and African Independent Churches and their subsidiaries, are playing an increasingly important role. Trade unionism is still relatively weak and has yet to recover from the Rawlings regime. However, it has succeeded in making its voice heard in important discussions about the privatization of water and power.

Popular consent to democracy is high. According to the Afrobarometer, 82% of all respondents prefer democracy to any other kind of government. Undemocratic alternatives such as military or traditional authoritarian rule are rejected by wide margins ranging from 69 to 83%. The relatively high participation in the elections – especially in comparison to neighboring countries – and the generally positive attitude toward democracy voiced in all media outlets, irrespective of pro-government or pro-opposition attitude – are important indicators that the acceptance of democracy is generally high.

As has been pointed out, social self-organization has increased modestly, particularly in urban areas. Traditional leaders still exercise a great deal of influence, but tend to take a neutral position on political issues. These traditional leaders are integrated through a national “House of Chiefs,” which includes a “House of Chiefs” from each region, all of whom are highly respected as political advisors. A variety of traditional rulers – like the Asantehene – enjoy considerable moral

influence, but use their influence without trying to foster intercultural or ethnic conflicts.

2. Market economy

After the problematic situation of 1999, the government pursued an assertive economic policy in accordance with proposals made by the Bretton Woods institutions. The relatively secure economic position of Ghana still relies heavily on the goodwill of the Bretton Woods institutions. Successful harvests from the cacao production, in addition to relatively high and stable commodity prices, have helped the government reinstate a degree of macroeconomic stability, and have ensured a continuous, albeit a not always impressive, growth-rate.

2.1. Level of socioeconomic development

Ghana ranked 131st of 177 countries on the Human Development Index and is comparatively well off in comparison with other African countries. In 2003, Ghana ranked 129th of 175 in the Gender Development Index and 46th of 95 developing countries in the Human Poverty Index. There is much to be done particularly in the underdeveloped areas in the north of the country despite some success in reducing absolute poverty, a development that has raised the hope that Ghana might actually be able to meet most of the Millennium Development Goals by 2015.

2.2. Organization of the market and competition

The institutional setting for free markets and competition has substantially improved but still displays a number of deficiencies. According to the Index of Economic Freedom, Ghana is still ranked “mostly not free.” Ghana placed 71st globally on the Growth Competitiveness Index (CGI) and 10th in Africa. The reforms under the supervision of the Bretton Woods institutions help to create a more market-driven approach to economic reform. Market competition has increased considerably and is hindered mainly by the limited means to obtain loans, subsidies and the existence of state-owned companies. Direct intervention of government into the market is limited and mainly concentrated on finding a more effective way of collecting tax revenue. For most of the urban poor and the rural dwellers outside the production of cacao and food, the informal sector remains the major source of income.

Formation of monopolies and oligopolies is generally not regulated. Government monopolies have reduced in size and impact, and private entrepreneurs produce the major commodities. Only the banking sector dominated by the Ghana Commercial Bank has a virtual state monopoly. However, the impact of new, privately

owned banks on the economy is now being seen. Privatization plans have so far been implemented outside strategic interests, and the outright sale of GCB was stopped in 2003 because of fears of a foreign “buy out.”

The level of protectionism is low in comparison to other countries, mainly because of the anti-protectionist stance of the major donor institutions.

The legal underpinnings for the banking sector and capital market are well designed. Yet, the banking sector still suffers from the state-controlled virtual monopoly of the GCB and is poorly differentiated when compared to other African banking markets. There has been increasing investment especially by Nigerian banks forming subsidiaries. The capital market remains, on the other hand, a shining example of quality performance. The Accra Stock Exchange is becoming increasingly well capitalized and is seen as a success story. It increased its performance in 2004 by 91.3%. Plans of closer cooperation with the Nigerian Stock Exchange may boost its success even further in the near future.

2.3. Currency and price stability

The Ghanaian government has dedicated itself to forming a sub-regional common currency – the Eco – and hosts the nucleus of the proposed West African Central Bank. Its own management of the national currency, however, is mostly effected by the persistent inflation, which stood at 23.6% at the end of 2003. A price hike on petroleum in February 2003 led to an upward revision of forecasts. Food price inflation rose from 15% in 2002 to 21.5% at the end of 2003. Some lapses in fiscal spending during 2002 and the fear of additional spending in the election year put pressure on a reduced debt-burden and falling interest-rates lessened inflationary trends. The monetary regime of the government is weak and subject to external shocks.

Despite these problems, the government was able to retain fiscal discipline for most of the reported time and was able to keep its set targets. Cooperation with the Bretton Woods institutions remains close and dedication of donors was high. This contribution helped raise the Foreign Exchange Reserves of Ghana above 1b\$ for the first time in history in 2003.

2.4. Private property

Property rights are both adequately defined as well as generally protected. Rule of law shortcomings, especially within the lower courts, do exist. In rural areas, private property rights are still overshadowed by communal or traditional property distribution systems. Disputes in rural regions are settled either by traditional authorities or, in few cases, by violence. An ambitious land reform program is now underway, and is financed by external donors.

Private companies play a major role in the current government's economic reform program. Despite this fact, access to affordable credit is still a problem hampering the transformation of SMEs into larger companies that would be able to compete on the world market. Outside the banking sector, privatization efforts have accelerated since 2000, with some bottlenecks persisting. Important state-owned companies, like the national carrier "Ghana Airways," went bankrupt. The takeover of the heavy debt burden of the national carrier has been criticized widely.

2.5. Welfare regime

The introduction of the National Health Insurance system in 2003 reveals a state-oriented welfare system slowly in the making. Yet, basic problems like child malnutrition and diseases persist. The informal sector still influences significantly poverty reduction.

The government has achieved some success in the area of education. Gross primary school enrollment has risen from 63.1% in 2001/02 to 69.9% in 2002/03, including an increase of female enrolment from 77 to 77.7% in the same period. At the same time, the ratio of trained teachers in schools has risen from 69.9% in 2001/02 to 73.5% in 2002/03.

2.6. Economic performance

In 2003 and 2004, the economy grew on an average of more than 5% (2003: 5.2%, 2004: 5.8%), and climbed from 4.2% in 2001 to 4.5% in 2002, revealing a continuing upward trend. Growth was driven mostly by strong results from the sale of cacao (some 20 to 30% of the sold cacao is smuggled into Ghana from neighboring Côte d'Ivoire) and gold with relatively high and stable commodity prices. Also important is the steady development of the tourism sector, which established itself as the third largest source of income and is stronger than expected. Additionally, donor dedication to the "Ghanaian example" remained steady and reliable. Still, economic growth is profoundly connected to the sales of the two major commodities and to the changes of global market prices, both of which are generally unpredictable. Additionally, the high price of petroleum products has prohibited an even higher growth rate and has contributed significantly to inflation.

2.7. Sustainability

Despite some lip service, the environment is not high on Ghana's political agenda, but does play a subordinate role in public policy announcements. It is of importance mostly where the immediate livelihood is in danger – as in the arid and semi-arid areas in the north – and when, it is mostly donor-driven to preserve

attractive tourist sites (like the national parks). Donors and selected civil society groups have introduced issues of ecological concern, but the pressure to solve economic problems by far overrides ecological considerations.

Progress in education and infrastructure has been made and remains steady. As already pointed out, primary school enrollment has risen considerably. In the secondary and tertiary sectors, efforts to raise enrollment have been successful, particularly when one looks at the rising number of university students. Yet, the system is still not able to meet the potential demand of students. Since the beginning of the economic reform program in the 1980s, infrastructure development has been a major concern of donor support. In particular, renovation and upgrading of streets and the building of feeder roads remain high on the agenda. In the south, infrastructure can be described as relatively stable in comparison to many other countries in the region. The main international airport in Accra was totally refurbished in 2004, with a second phase of renovation still underway, and it now meets international standards.

3. Management

Ghana's overall governance record is positive. Despite the normal political wrangling and inter-party fighting, consensus with regard to the political system is high. International cooperation in all areas is constructive, cooperative and reliable. Steering capabilities are hampered mainly by the still too big and ineffective administration and bureaucracy, and less by lack of political will and determination. Transformation goals are taken seriously, with implementation only sluggish in areas where public protest is expected or has been articulated. This sluggishness might reduce effectiveness of reforms, but is seen as a necessary prerequisite for consensus-building in the political arena.

Profile of the Political System

Regime type:	<i>Democracy</i>	Constraints to executive authority:	2
System of government:	<i>Presidential</i>	Latest parliamentary election:	07.12.2004
		Effective number of parties:	2.1
1. Head of State:	<i>John Agyekum Kufour</i>		
Head of Government:	<i>John Agyekum Kufour</i>		Parties in government:
2. Type of government:	<i>unified government</i>		1
		Number of ministries:	24
		Number of ministers:	24
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Effective number of parties denotes the number of parties represented in the legislature, taking into consideration their relative weight (Laakso/Taagepera index) = $1 / (\sum p_i^2)$; p_i is the share of parliamentary mandates controlled by party i. Number of ministries/ ministers denotes the situation on 1 January 2005.</p>			

3.1 Level of difficulty

Despite some persistent structural problems such as the high dependence on market prices for commodities not controlled by producers, the level of difficulty for continued reform in Ghana is manageable. Problems both within and outside the reach of government tend to balance each other out.

Structural constraints on governance are significant. While absolute poverty is slowly being reduced, the high number of poor and their desperate situation remains a major constraint. Infrastructure has improved and is undergoing constant progress; yet, especially in the north and the poorer coastal areas, problems remain. Power supply has been erratic, but measures have been taken to remedy the problem and privatization efforts might lead to increased efficiency in the future. Big hopes are resting on the liquefied gas pipeline project, which, if fully functional, can satisfy Ghana's needs for power from Nigeria's abundant resources of natural gas. The partly corrupt administrative system is still one of the major structural constraints in executing otherwise sound policies.

Traditions of civil society do exist and modern forms of social organization are increasingly on the upward trend especially in the urban areas. Since the early 1990s, NGOs have been able to build a substantial tradition on their own, including organizational development. "Modern" civil society is still largely restricted to the urban centers, notably greater Accra and, to a lesser extent, Kumasi. Many NGOs still lack professionalism and organizational resources, but their role in advocacy and in criticizing unpopular government measures has increased trust within the population.

A visible division of the country among ethnic lines in many cases overshadows an emerging national identity, but the cases of violent outbreaks are limited and the efforts by politicians of all parties to reach out to all regions and ethnic groups have yielded progress. Both major parties still entertain strong regional bases, but have made inroads in each other's strongholds. There is a significant refugee community in the country, stemming especially from Liberia and Côte d'Ivoire, but these communities do not cause major problems within the society. The biggest challenge has been the bloody clash in Dagbon after a conflict between rival clans over the succession of a traditional ruler turned violent. A curfew was imposed and maintained for more than two years, but was finally lifted at the end of 2004. There is, however, an increasing north-south dichotomy, and neither the current government nor its predecessor has gotten to the bottom of the ethnic-related problems in the north.

3.2 Steering capability

The government pursues a clear-cut reform strategy clearly concentrated on the economic sector and heavily influenced by advice and conditions laid out by the

Bretton Woods institutions. Despite occasional lapses, the Kufuor administration has increased efforts in executing the economic reform program, leaving some space for adjustment if possible (e.g. with reference to the price-shock in regard to petroleum-products which allowed for revised inflation targets). With regard to the political and administrative sectors, efforts to reform the bureaucracy have been only partial at best, despite well-lain out plans for administrative reforms. There is no comprehensive program for further democratic reform, as the institutions in place seem to be generally functional. The major step by Kufuor after taking power was to abrogate the libel law for journalists, allowing more freedom than before, and thus making good on an election promise. Although seeking continuous access to power, the NPP government does pursue this goal within the limits of constitutional law.

The government seeks to achieve reforms in the economic sector and has been relatively successful in its implementation. Some bottlenecks are still present, either because of public protest (e.g. the privatization of the GCB), external shocks (e.g. the problems of inflation) or to the magnitude of the task ahead (e.g. complete reform of the bureaucracy). Still, the pace of implementation has increased steadily since 2000 and, after a brief lull, accelerated again in 2003. Relations with the Bretton Woods institutions as well as other important donor agencies remain friendly and cooperative. Criticism voiced by staff visits of the World Bank is normally taken seriously in order to ensure access to future funds. Reaching the HIPC turning point is one indicator that the implementation of reforms is making steady progress.

Goals of creating development through a market economy and maintaining and strengthening the current democratic standards are generally undisputed by the government. Dealings with the opposition are civilized and organized state repression of dissent is absent. Flexibility exists in the discussion on how to pursue the overarching goals, and readiness to take advice and to learn is evident. In the case of Ghana, the government is trying to avoid the impression that it is only executing the will of the Bretton Woods institutions. Therefore, some moves to show autonomy, even if only symbolic, are needed from time to time.

3.3 Resource efficiency

The government uses only a fraction of its available resources efficiently. This is mainly due to the long delay when implementing the necessary reforms by the structures of the bureaucratic system. State resources are consumed through channels of corruption, but to a much lesser extent than in many other African countries. A visible systematic enrichment of the leading politicians is not a common feature in Ghana. At the cabinet level however, politically motivated dismissals or removals are evident, in particular moves by the president to keep possible contenders for his job in check. Demotion has been a commonly used strategy in these cases. Fiscal discipline has increased considerably since 2000, and even

more so since 2003. It was maintained in 2004 despite of the election campaign. Foreign reserves have increased and reached an all-time high in 2003. Debt-reduction under the HIPC-process embraced since 2000 supports the balance of payment in the near future and already has had a positive impact, e.g. on interest-rates. Despite a quite centralized form of government, the room of movement for local and regional politicians has opened slowly, and a decentralization process has been underway for quite some time. Still, allocation of resources from Accra still means the maintenance of a certain degree of control over all tiers of government.

Government is relatively successful in managing conflicting objectives and interests, especially in comparison to many other African neighbors. Political conflict within the ruling party is common, and the succession struggle will prove to be a testing ground for the stability of the democratic system. A variety of hopefuls has already openly, or by indication, voiced their interest in the position of the flag bearer. Yet, internal alignments and factions might shift to create uncertainty and conflict. The major opposition party might also experience such instability and internal party conflicts before the election period due to the announcement of former Vice-President Atta Mills that he will not run again. Here, the still visible influence of former President Rawlings might help to cover up to explosive internal conflicts.

Diversion of funds and inappropriate use of otherwise designated budget allocations is not a serious problem in Ghana, at least not in recent years. Fiscal discipline and intensive monitoring of spending is maintained at a relatively high level. However, Transparency International ranks Ghana 64th on the Corruption Perception Index (out of 146 countries), with a worrisome score of 3.6 (maximum transparency: 10).

3.4 Consensus-building

The political leaders of both the ruling party as well as the major opposition groups have voiced repeatedly their determination to upkeep and improve the democratic system of government. Despite the fact that some elements still favor the “revolutionary” past of the Rawlings regime, all indications point to a general acceptance of the democratic system. This outlook is slightly different with regard to the economic process. While both major parties are generally in favor of a market-driven economic system, dissent does exist in major areas, especially concerning the privatization of “national assets” and the social problems caused by the removal of subsidies. The NDC proposes a stronger interventionist and “socialist” approach to reform, while the NPP is willing to pursue a more “liberal” approach.

Extra-governmental anti-democratic veto actors are, for the most part, nonexistent. There is continued fear among democratic politicians that the armed forces, where loyal support of the Rawlings’ regime is still active in numbers, might use a crisis

for intervention, but this seems unlikely. Moreover, this fear diminishes with every year of a democratic system and the success of well-run elections. Rawlings himself, still an influential figure, has embarked on a career as an “elder statesman” with international prestige. He might be increasingly disinclined to pursue undemocratic political goals in his home country. Still, the government is aware of the fragile sub-regional situation with civil wars and refugee migration. Spillovers from civil wars in other countries have proven to be fatal in the past, but this occurrence has not yet arisen in Ghana. The government’s efforts in supporting the management of these sub-regional conflicts indicates that this leadership is aware of the possible dangers here, although they do not pose an imminent threat.

Although the majority of investments are still channeled to the comparatively better developed south, there is an effort by the government to reduce existing uneven economic distributions in the country. This refers to both the provision of basic services like school and health, as well as basic infrastructure. However, the major projects in the north are donor driven, and are not originally designed and implemented by the government. The inclusion of important leaders from all regions of the country within the cabinet is an active policy and adhered to, despite evidence of nepotism. There is no evidence of an active and systematic policy of encouraging ethnic and social divisions within the country. However, the increasing and permanent problem of internal migration from the north to the south has not been tackled successfully and remains a potential source of conflict.

The political leadership is more inclined to promote social capital than to destroy it. Nevertheless, some of the more harsh economic measures might be, at least in the short run, more of a danger to social capital than a benefit. This in mind, the government has been persuasive in voicing the need for a national consensus and the ability of the population to act on its own potential.

The relationship between government and civil society is not free of conflict. Criticism around economic measures – for example, the rise in electricity prices or the privatization of water resources for Accra – has been supported by civil society organizations. Nevertheless, the relationship has not deteriorated toward systematic repression or harassment of civilians. The discussions are sometimes tense, but generally within the limit of democratic discourse and the constructive exchange of differing opinions. Furthermore, the proactive inclusion of civil society into the formulation of policies lacks coherence and continuity.

The government has tried to address acts of past injustice, especially the wrongdoings of the Rawlings’ regime, with a certain degree of caution. Although institutions were put in place to investigate misdeeds and pursue reconciliation, there is no apparent need to charge and prosecute Rawlings.

3.5 International cooperation

The government is very interested in international cooperation and has proven to be a cooperative, constructive, reliable and dynamic partner in the international arena. President Kufuor holds the chairmanship of the “Economic Community of West African States” and is instrumental in peace-talks in Côte d’Ivoire and in other crisis-ridden areas. He is well respected within the sub-region and beyond. The Ghanaian government sees itself surrounded by actual and potential trouble spots, notably the ongoing civil war in Côte d’Ivoire to the west and the crisis in Togo to the east after the death of dictator Eyadéma. The experience of spillovers from the civil war in Liberia within the sub-region is still fresh in the political memory, and efforts are directed to sub-regional peace with a particular view on internal stability in Ghana itself. Ghana has excellent relationships with the Bretton Woods organizations and with all major donors. Ghana entered the NEPAD process from its inception; it has continued its traditional support for U.N. peace-keeping missions with its own armed forces.

Therefore, Ghana can be seen as a credible and reliable partner. The awareness of the international community with regard to developments in Ghana is above average. The establishment of the “Kofi Annan Centre” for training soldiers in international peacekeeping – with significant donor financial and personnel contributions - is viewed as a symbolic gesture toward the constructive and reliable foreign policy of the country.

Ghana’s record in relations with its neighbors is for the most part positive. At no time has the current government acted as a threat or caused any conflict with its neighbors. Ghana’s relationship with its traditional adversary Togo has also improved considerably. This is partly due to some wariness about what might happen politically after the death of the dictator Eyadema, who is seriously ill. Traditionally, strong ties exist with Nigeria, and shuttle diplomacy between Lagos and Accra was common during the period under review. Ghana has shown a relatively high degree of dedication to the objectives of the Economic Community of West African States (ECOWAS) under the chairmanship of President Kufuor. However, regional integration as a political idea has not taken root in the wider society and there is no visible effort by the government to change this.

4. Trend of development

In the period covered by this study, Ghana made substantial progress in terms of democratic development, and slow, but steady progress in terms of economic transformation. The established institutions of the IV Republic should be in no need of reform as long as performance continues as expected. The elections at the end of 2004 supported the ongoing democratic process and increased Ghana’s reputation as a model democracy on the African continent. Regarding the econo-

my, problems like inflation and the bloated administrative structure persist, while in social areas some progress has been made.

4.1 Democratic development

The political system of Ghana meets all the minimum criteria for a democracy under the rule of law and steadily improves the performance and meaning of its democratic institutions. Substantial reforms needed are not necessarily directed toward the democratic system itself, but more so to its efficiency and effectiveness, especially in the judicial system and the general bureaucracy. The government appears to be dedicated to the democratic principles of the constitution.

Stateness, political participation, and the rule of law are, within an African perspective, relatively high, with even higher results for the more developed, urban areas and visible deficits in the less populated, rural areas. Shortcomings are apparent in the performance of the judicial system, but reform efforts have yielded some success. All major political decisions are made by constitutional means. The democratic process has developed and strengthened during the reporting period and in the case of Ghana no profound reforms or changes are to be expected as long as the existing institutions remain functional and enjoy wide acceptance. Institutional stability is high and the successful conduct of the last round of elections has affirmed legitimacy. The overall democratic framework, despite some fiercely conducted political conflicts and occasional, but not widespread, political violence is strong and remains consolidated.

4.2 Market economy development

Ghana has made relatively steady progress in its economic transformation, with some “ups and downs” in the dynamics of reform.

Starting from a devastating position in the 1980s, the IV Republic has been able to maintain a rise in economic performance since the beginning of the 1990s, with some setbacks in times of low commodity prices. In recent years, growth has been strong and the level of development, while still regionally uneven, has improved. The internal imbalance of development remains one of the most important problems. Ghana’s HDI ranking has improved steadily, from 0.532 in 1995 to 0.560 in 2000 and 0.568 in 2002.

The institutional framework for a market economy has adjusted slowly, but has not changed fundamentally. Fundamental changes were made during the SAPs of the 1980s. Slow progress has been made in social services, and decent progress in capital market and infrastructure. Inflation is still a major problem and is without

an immediate expectation of a solution. The welfare regime has improved slightly. Administrative burdens and a certain degree of corruption persist.

Table: Development of macroeconomic fundamentals (2000-2004)

	2000	2001	2002	2003	2004
Growth of GDP in %	3.7	4.2	4.5	5.2	5.8
Exports of goods fob (\$ millions)	1898.4	2380.0	2680.0	3015.0	N/A
Imports of goods fob (\$ millions)	2741.3	3781.0	4100.0	4469.0	N/A
Inflation in % (CPI)	25.2	32.9	14.8	26.7	10.8
Gross domestic investment in % of GDP	24.0	26.6	22.3	N/A	N/A
Tax Revenue in % of GDP	17.7	18.1	N/A	N/A	N/A
Government balance as % of GDP	7.0	6.4	4.0	N/A	N/A
Current account balance in % of GDP	-8.4	-5.3	0.5	1.7	0.3

Various sources: Human Development Report 2004, World Bank studies on Ghana, World Development Indicators 2004; African Development Indicators 2004.

Overall, economic strength has stabilized after the crisis of 1999 and has improved since, with more than 5% growth in 2003 and 2004. Dependence on two major commodities still exists to a large degree, and limited access to loans continues to hamper development of local companies beyond the SME-level.

D. Strategic perspective

Ghana will most likely be able to further consolidate and strengthen its democratic system and market economy.

As for political developments, the current government will not face any major political challenges until the elections in 2008. However, internal conflicts in the ruling NPP about the succession question might cause some friction, potentially limiting the effectiveness of government. Additional threats include a possible breakdown of the peace process in Côte d'Ivoire or destabilization in Togo. Strong donor cooperation and dedication will most likely continue, which might serve to cushion some of the possible negative economic effects if commodity prices start to fluctuate dramatically. Questions of administrative reform will likely remain unresolved in the near future.

If pursued diligently, the economic reform program already in place, together with banking sector reforms, continued debt reduction under the HIPC program, and a steady growth above 5% will ensure solid footing for the Ghanaian economy on a more sound footing. The political will for even painful reform measures is evident in many key areas of the country, but implementation is not always as steady and problem-free as expected. This condition will not change considerably in the coming years. The cooperation with the Bretton Woods institutions will remain an important pillar of economic reforms, regardless of the reservations some political

leaders might voice regarding the content of conditions. Still, fluctuations in commodity prices might negatively affect economic performance and no decisive progress in diversification is immediately foreseeable. Therefore, any prognosis must be exercised with caution. The division between the north and the south will most likely not be overcome.

There is no alternative to the current combination of support pursued by the donor community in Ghana, which aims to improve government structures and the participation of civil society. Debt reduction and the resulting increase in budgetary freedom could have a positive influence on basic social services and might contribute directly to the eradication of absolute poverty, if pursued with dedication. Ghana's efforts in regional peacekeeping and diplomacy should be supported wherever possible. Yet, external shocks from a fragile sub-region can still negatively influence these social efforts, and an exacerbation of economic problems might lead to decreased legitimacy. Therefore, both issues have to be monitored in order to ensure the strength of the democratic framework for the future.