

BTI 2014 | Ghana Country Report

Status Index	1-10	7.36	# 23 of 129	
Political Transformation	1-10	8.30	# 17 of 129	➔
Economic Transformation	1-10	6.43	# 39 of 129	➔
Management Index	1-10	6.64	# 15 of 129	
	scale	score	rank	trend

This report is part of the Bertelsmann Stiftung’s Transformation Index (BTI) 2014. It covers the period from 31 January 2011 to 31 January 2013. The BTI assesses the transformation toward democracy and a market economy as well as the quality of political management in 129 countries. More on the BTI at <http://www.bti-project.org>.

Please cite as follows: Bertelsmann Stiftung, BTI 2014 – Ghana Country Report. Gütersloh: Bertelsmann Stiftung, 2014.

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Key Indicators

Population	M	25.4	HDI	0.558	GDP p.c.	\$	2047.2
Pop. growth ¹	% p.a.	2.2	HDI rank of 187	135	Gini Index		42.8
Life expectancy	years	60.8	UN Education Index	0.596	Poverty ³	%	51.8
Urban population	%	52.5	Gender inequality ²	0.565	Aid per capita	\$	39.3

Sources: The World Bank, World Development Indicators 2013 | UNDP, Human Development Report 2013. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$2 a day.

Executive Summary

During the period under review, the political and economic development in Ghana has been positive overall. So far, the influx of oil revenue has not had negative consequences, though speculation otherwise pervades public discussion. The sudden death of President John Atta Mills in July 2012, and the smooth transition of power that followed, proved that the constitutional process in Ghana is well established. The election campaign of 2012 was heated and sometimes volatile, but the elections themselves were conducted peacefully. While the opposition's demands for a review of the results are still in court, international observers declared the elections free and fair. Economically, Ghana joined the 10 fastest growing countries of the world in 2012. It enjoys growth not only from donor money, remittances from Ghanaians living abroad and oil revenue, but also from growth in a variety of different sectors.

Furthermore, at least up until now, the government has improved its financial administration and is striving for both effectiveness and efficiency in the delivery of public services. These steps bode well for future development. Ghana has thus continued to prove itself as a beacon of democratic stability and economic success in West Africa.

History and Characteristics of Transformation

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

1966, the first of many. Ghana then suffered several regime changes which mostly resulted in military dictatorships.

From this point on, aside from the current civilian leadership, there have been only two short periods of civilian rule in Ghana – from the late 1960s to the early 1970s, and from 1979 to 1982. Neither military nor civilian leadership has been able to stop the continuous decline of one of the world’s biggest cocoa producers after prices fell in the 1960s and never again reached the heights of the 1950s. During this period of economic decline, the political situation worsened, accompanied by a considerable increase in corruption and human rights abuses, and by inept efforts to stem the accelerating downturn in all areas of life. After the second coup d’état by Jerry Rawlings on New Year’s Eve 1981, an era of political stability was established – the first “revolutionary” years of the regime notwithstanding. Succumbing to pressures both from economic realities and from international monetary institutions, Ghana’s government decided to pursue a structural adjustment program “to the letter,” including a strategy for curbing rising social violence through repression. After initiating economic reforms, the Rawlings regime hesitantly bowed to calls for political reform. This was due in part to the growing self-confidence of the political opposition after the end of the Cold War and to the acceleration of the political reform process in neighboring countries like Benin. The introduction of multiparty politics was accompanied by heavy criticism of Rawlings’ tight control over the political process. Unsurprisingly, the first democratic elections of 1992 were characterized by certain irregularities. Nevertheless, despite fears of another period of dictatorship dressed up in civilian disguise, the Rawlings administration, now duly elected, proved different. As a civilian president, Rawlings was willing to adhere to constitutional procedures in general and accepted the separation of powers that enabled the establishment of a thriving free press and an independent judiciary. Rawlings was re-elected in 1996, but did not follow the example of other African presidents in changing the constitution to allow himself a third term in office after 2000.

The New Patriotic Party (NPP), the sole non-Nkrumahist party, had emerged as the only relevant opposition in the 1990s, but boycotted the elections in 1992. In 2000, the NPP won the election, marking the first, but not last, change of government by means of democratic election since independence. Rawlings’ National Democratic Congress (NDC) candidate, John Atta Mills, conceded defeat and settled into his role as leader of the opposition. The Fourth Republic survived this crucial development without difficulty, and President Kufuor’s new administration embraced an accelerated political and economic reform program. It did away with the last remnants of dictatorship – especially certain limits to the freedom of press – and refocused its concerns on economic development, to spur on growth after a stagnant period and a major economic setback in 1999. While these reforms continued after Kufuor’s re-election in 2004, the lack of immediate benefits for a wide range of the population led to the second democratic change in power in December 2008 – January 2009. The NDC’s Atta Mills defeated the NPP’s Akuffo-Addo by a very narrow margin in the second round. After his untimely death in 2012, former Vice President John Dramani Mahama was sworn in as president, then narrowly won as the NDC candidate in December 2012.

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

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

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

Transformation Status

I. Political Transformation

1 | Stateness

Although the Ghanaian political system is still riddled with political and ethnic divisions, which sometimes lead to violence, the government's monopoly of the use of force has not been challenged in the period under review. This status was solidified by the generally violence-free elections of December 2012. While crime remains a concern, the general atmosphere is one of overall security and the actual crime rate statistics have shown a decline in recent years. While law-enforcement agencies are not generally regarded as competent enough to tackle future challenges, they have been able to instill a certain degree of law and order throughout most of the country. Still, accusations by the opposition in regard to undue meddling in political affairs especially during elections, resurface persistently.

There are no serious shortcomings in the definition of citizenship or who is a citizen. Likewise, there is no systematic policy of denying certain groups their constitutional rights.

Ethnic conflicts, mostly over land use or succession issues in traditional leadership settings, do happen periodically. While there is no state-driven discrimination against certain ethnic groups, the politicization of ethnic loyalties remains a disturbing and potentially dangerous feature of Ghanaian politics. The dividing line between a political and an ethnic conflict is not always clearly drawn. The newly elected president, John Mahama, comes from a multi-faith family and has shown no inclination for using religion as a weapon of political conflict.

Officially, there is separation between religion and state, especially because the country is divided into a poor and marginalized Muslim north and a better-developed Christian-dominated south. This division continues to cause migration to the megacities of Kumasi and Accra, with incalculable risks. Politicians of all parties are careful to avoid allowing religious sentiments to spill into political discussions, and a certain religious balance is respected in all higher government appointments.

Question
Score

Monopoly on the
use of force

8

State identity

9

No interference of
religious dogmas

8

Ghanaian society is deeply religious and the emergence and strength of Pentecostal churches has contributed to this characteristic. No politician can survive politically without portraying himself as a devout religious person. Religious dogmas continue to play an important role, at least verbally, and have to be invoked persistently for politicians to be successful.

Basic administration is of fair quality, and is concentrated in urban areas, but remains advanced by sub-Saharan African standards. Despite efforts for administrative reform in recent years, the visibility of the state is still limited, especially in rural areas. Corruption in particular remains a challenge, despite the fact that salaries have been paid on a regular basis. It is difficult to find civil servants willing to accept a post, in unattractive rural areas, a problem which has hindered administrative effectiveness. At times, the legitimacy and image of state officials is questioned.

Basic
administration

7

Moreover, the north-south divide also applies to the outreach of public services, despite the fact that more resources were allocated to the north.

2 | Political Participation

Universal suffrage, the right to campaign, and democratic elections are assured both de jure and de facto. There have been no serious violations of the principles of free and fair elections during the last four elections from 1996 to 2008. Ghana is one of the few African countries with several peaceful turnovers at the ballot box. The recent election of 2012 was largely free from violence, apart from a few incidents during the campaign, despite problems with a new biometric identification system. The results of the presidential election, which handed former Vice President Mahama a narrow victory, has not been accepted by the opposition, however. The NPP is contesting the results in court and has claimed that it has evidence the NDC committed electoral fraud. Meanwhile, all international observers have deemed the elections free and fair.

Free and fair
elections

8

The elected government enjoys both legitimacy and the effective power to govern, though within the limits of a fairly inefficient civil service. The opposition generally accepts the rules of the game, though it has repeatedly accused the ruling NDC party of electoral fraud, which has not been proven as of the time of reporting. Parliament and the president have real power and are not subject to any outside veto power. The military – a key player in former periods of Ghanaian politics – has lost influence during the last decade, no longer exercising power over civilian authorities

Effective power to
govern

9

In general, political and civil organizations can develop, meet, organize and campaign for their issues freely without state interference. New parties establish themselves regularly. For example, before the 2012 elections Nana Rawlings, the wife of former dictator Jerry Rawlings, broke away from the NDC, formed her own party, and

Association /
assembly rights

10

campaigned as a presidential candidate (though she did not run because the electoral body rejected her candidacy for technical reasons). Currently, the biggest obstacle for change in the party system is the apparent inability of the small “Nkrumahist” parties to join forces and form a formidable “third party” to increase competition in the current two-party system. The parliamentary elections of 2012 diminished the representation by third parties to just one representative in parliament and two independents.

Freedom of expression is generally guaranteed and there is no organized repression of the media. There is a danger of capable journalists being attracted away from the media by better-paid positions in the civil service, therefore diminishing the vibrancy of independent media outlets. The state-owned media has established a certain degree of autonomy, but outright criticism of government policies is rare or relatively weak. The quality of reporting has been an increasingly contentious topic, especially in regard to sensationalist tabloid papers. Electronic media, especially radio stations and the internet, have come to play a more important role. Internet access is freely available in most urban areas and increasingly so in some rural parts of the country, depending on the availability of sending masts for mobile telecommunication. Still, the access rate is restricted to a little more than 5% of the population. Ghana is ranked “free” by the “Freedom of the Press” 2012 survey conducted by the Freedom House, and ranked 3rd in Africa with an absolute score of 28.

Freedom of
expression
9

3 | Rule of Law

In Ghana’s presidential system, checks and balances generally prevail, though the executive branch has a tendency to dominate the system, especially if the position of the president is filled by an energetic individual. It remains to be seen, however, how President Mahama will act in this regard. The current majority of the ruling NDC party in parliament has increased since the 2012 elections with 148 seats against 123 for the NPP and four for one Nkrumahist-party and independents. Party discipline is not an overarching feature of all parties, and the ruling NDC, as well as the opposing NPP, are highly fragmented into different factions. Parliamentary discourse is marked by dissent. With the continued dissolution of the Nkrumahist parties, Ghana can now be described as a stable two-party-system (see below).

Separation of
powers
8

The judiciary is by now based on a firm tradition of independence, developed as far back as the Rawlings era. The system seems to be stable and well respected. There has been no apparent evidence of government meddling in judicial procedures, but the use of civil libel laws against critical journalists by individual politicians remains a problem. Corruption and limited administrative capacity continue to pose the biggest challenges, exemplified in unduly long legal procedures. The fact that after

Independent
judiciary
8

the elections the opposition decided to protest mainly through the courts is evidence of the general respect for the judiciary and its role.

While high-ranking officials and politicians still enjoy a good degree of protection against prosecution, recent instances in anti-corruption activities show that even newly appointed officials of government are not safe from public scrutiny if they are found to be involved in illegal activity. In addition, with the advent of oil money into the system, public awareness of high-ranking cases of corruption has been heightened. However, it is too early to know if this trend toward accountability will last. Given that oil production is still recent, Ghana could still be confronted with the “resource curse” and all its ramifications.

Prosecution of
office abuse
6

Civil liberties do not only exist on paper. The government and state agencies are closely monitored by the media, however, regarding violations of civil rights. Basic human rights are respected and there is no systematic policy of denying individuals’ constitutional rights. Single instances of police abuse are more connected to poor training and challenging work conditions. Efforts are underway continuously to increase the professionalism of security forces in the country. In areas without a significant or permanent presence of public security officers, civil rights are often determined and protected based on traditional law, which does not necessarily follow the letter of public law.

Civil rights
8

4 | Stability of Democratic Institutions

Democratic institutions can be described as fully functional and stable. Although the constitution affords the president vast powers, parliament is more than just a talking shop. The majority of parliamentarians do take their duties seriously – for example in the intense and time-consuming vetting process preceding the appointment of new cabinet ministers. Presidents only exercise control over their own parties, and in some cases not even there, as the ruling party, the NDC, is fragmented into various competing factions. Shortcomings in the administration are mostly of structural origin – corruption, education and underfunding – and are less connected with undue political interference. The fast and smooth transition process after the death of President Atta Mills to then Vice President Mahama in early 2012 proves that legitimate processes are followed deliberately and consciously.

Performance of
democratic
institutions
9

Commitment to democratic institutions is high. For example, two turnovers of power at the ballot box, still an exception in Africa, demonstrates a high commitment to democratic institutions by the political elites (despite the lingering electoral dispute after the 2012 polls). Moreover, a voter turnout of around 80% in 2012 is evidence of the public’s faith in democratic institutions.

Commitment to
democratic
institutions
9

5 | Political and Social Integration

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

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

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

Party system
8

Interest groups
8

Traditional leaders, that is, chiefs, still exercise considerable influence by informal means.

Popular consent to democracy and the basic pillars and norms of a democratic institutional set-up appears high despite some instances of violence and the use of popular discontent by the parties in the election campaigns. This judgment includes the economic and political elites, which are quite aware that their own success is dependent on the continuation of democratic governance in Ghana. The high degree of participation in the most recent elections (slightly above 80%, some ten percentage points higher than in 2008) shows that the enthusiasm of voters is still considerable. It has to be noted that certain legitimacy problems exist, especially in regard to the non-delivery of certain public goods (poverty reduction, job creation) by the system, a sentiment which helped trigger the last change of government. Afrobarometer surveys conducted in Ghana since the 1990s have shown a strong and increasing commitment toward democratic values and processes, with the latest result in 2012 showing that 79% of the population rates Ghana as a democracy (with some minor problems) and more than 90% disapprove of any dismantling of democratic institutions in Ghana.

Approval of
democracy
9

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

Social capital
7

II. Economic Transformation

6 | Level of Socioeconomic Development

Question
Score

Socioeconomic
barriers
5

Ghana ranked 135th out of 187 countries in the 2011 HDI (no HDI has been published in 2012). This rank places the country in the group of countries with “medium human development.” Ghana scored 0.144 in the Multidimensional Poverty Index (MPI), which has replaced the Human Poverty Index (HPI) In the Gender Inequality Index (GII), Ghana ranked 122 out of 146 countries (data from 2011).

Economic development is still uneven. The north of the country is considerably marginalized, which unfortunately correlates with the fact that majority of Muslims is live in the north. This reflects immediately in inequalities in regard to income as well as access to education, where the infrastructure arrangements are better in southern Ghana. Within the country in general, distribution of wealth is relatively uneven (with a Gini coefficient of 42.8), but so far growth, especially in agricultural commodities, has spread benefits within a wider part of the population.

Still, some achievements have been made in regard to equality of opportunity in the area of education. Primary schools do not ask for school fees and both free meals and free transport have been provided. The overwhelming response has put a heavy burden on important indicators like teacher–pupil ratio and the infrastructural condition of primary schools. Gross enrollment is about 100%, which is encouraging. Around half of students leaving primary school access secondary education. Here, scholarship schemes exist, including money made available by traditional leaders for gifted children in their area of influence. The male/female ratio for enrollment in primary school is nearly 100% and drops to only 90 % in secondary education. Universities are still more dominated by male students, while generally, enrollment in tertiary education is very low (below 5%), – insufficient to provide qualified staff for an emerging economy. It is interesting to note that living in an urban area does not necessarily make access to education easier. In fact, the lowest enrollment rate for primary schools in the country is in the Greater Accra region. While in the impoverished north the ratio between male and female enrollment is the worst in the country, overall the enrollment of female students is higher than in the capital. In the Upper West region, female enrollment is considerably higher than male.

Outside the educational system, a difficult situation persists in terms of gender equality mainly because of economic and social problems rather than prohibitive laws. In regard to gender equality, more policies have to be put in place. The recent 2012 Afrobarometer survey focuses on gender issues as well. The results show that

around 80 % of respondents are in favor of equal rights for both sexes and only a small percentage insists on maintaining different treatment, as dictated by tradition. This correlates strongly with replies in the survey in regard to school enrollment, where many strongly disapproved of statements that boys' education should take precedence over girls' if funds are limited.

Economic indicators		2009	2010	2011	2012
GDP	\$ M	25977.9	32174.2	39565.0	40710.8
GDP growth	%	4.0	8.0	15.0	7.9
Inflation (CPI)	%	19.3	10.7	8.7	9.2
Unemployment	%	-	-	-	-
Foreign direct investment	% of GDP	9.1	7.9	8.1	-
Export growth	%	7.6	24.6	30.1	9.5
Import growth	%	-12.6	21.0	47.7	15.8
Current account balance	\$ M	-1897.2	-2747.3	-3500.5	-
Public debt	% of GDP	36.2	46.3	43.4	56.5
External debt	\$ M	7191.3	9317.9	11288.6	-
Total debt service	\$ M	277.9	368.2	344.9	-
Cash surplus or deficit	% of GDP	-5.6	-7.2	-3.9	-
Tax revenue	% of GDP	12.6	13.4	14.9	-
Government consumption	% of GDP	11.7	10.4	16.6	13.6
Public expnd. on edu.	% of GDP	5.3	5.5	8.2	-
Public expnd. on health	% of GDP	2.8	3.0	2.7	-
R&D expenditure	% of GDP	-	-	-	-
Military expenditure	% of GDP	0.4	0.4	0.2	0.3

Sources: The World Bank, World Development Indicators 2013 | International Monetary Fund (IMF), World Economic Outlook 2013 | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database 2013.

7 | Organization of the Market and Competition

The institutional framework for promoting free markets and competition has been improved upon somewhat, though limitations persist. In the 2013 World Bank “Doing Business” report, which scrutinized the ease of doing business in 183 countries, Ghana ranked at 64 (as compared to 63 in the 2012 report and to 67 in the 2011 report). Still, within Africa, only Mauritius, South Africa, Botswana, Tunisia and Rwanda are ranked higher. Economic reforms under the supervision of the Bretton Woods institutions have helped to create a market-driven approach. There is a high degree of market competition, hindered mostly by limited access to affordable loans. Market distortion by subsidies still exists, especially with a substantial sum spent on utilities. Reducing subsidies is a very difficult task to accomplish politically, however. When the Atta-Mills administration attempted to reduce fuel subsidies, there were protests, and the government responded by reversing some of the reductions. Aside from that, the pricing regime is market-oriented and liberal. In general, direct intervention by government has been limited, though the state still plays a major role as a contractor of private businesses. Labor laws remain quite restrictive, though the effectiveness of regulations is doubtful in view of the strong informal economy. Many of the problems businesses in the formal sector encounter stem not from regulations, but rather from administrative inertia and corruption. Currency problems, especially high inflation and a strong tendency towards dollarization, persist and have not been tackled efficiently in the period reported here. For most of the urban poor and rural dwellers, who do not participate in the production of cash crops, the informal sector remains a major source of income. A lot of economic activity only occurs in the informal sector because of the inability of the administrative system to properly register and supervise the economy. Still, the relatively strong performance of the non-oil-sector in recent years shows that, as of now, the influx of oil-money has not led to serious market distortions.

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

Market-based
competition

7

Anti-monopoly
policy

5

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

Liberalization of
foreign trade
8

The legal underpinnings of the banking sector and the capital market are well designed, although some weaknesses persist, especially in the connection between central bank directives and the responsiveness of private banks (e.g., the effect of the interest prime rate set by the central bank). The market-driven approach has helped to stimulate the aforementioned expansion of the private banking sector. This in turn has increased competition and the availability of banking services beyond major urban areas. The banking system has recorded steady growth in assets as well as profitability and non-performing loans declined towards 14.1% of total loans by mid-2012. In addition, credit growth has been remarkable, therefore giving further incentives to local business to invest. The government, with technical support from the World Bank, has further increased its focus on the risk-management capacity of banks, including the recapitalization of problem banks as well as the strengthening of audit procedures.

Banking system
8

The Ghanaian central bank enjoys a good degree of autonomy in the system, but it is not always effective in influencing the banking sector. The Ghanaian stock exchange in Accra has continued to play an important role in attracting investment and raising capital. It is the second largest in West Africa after Lagos and has recently been named the “most innovative African stock exchange” by the New York Stock Exchange. It has a market capitalization of between \$10 million and \$15 million.

8 | Currency and Price Stability

Ghana’s management of its own currency, the cedi, is mostly affected by the problem of inflation, and increasingly, depreciation. This has been very evident in the period under review. Inflation has continued to be around 10 %, with occasional jumps upwards. Monetary policy was tightened considerably in 2012 by the Bank of Ghana, which raised its policy rate three times. However, a wage increase of 18 % for public servants endangers to offset any positive influence from this measure.

Anti-inflation /
forex policy
5

The future of the inflation rate is caught in the same dilemma as the central bank: While the bank would like to raise interest rates more in order to mop up excess liquidity and lower the inflation rate, it is also under pressure to lower rates in order to make loans to the private sector more affordable, especially because of the high inflation.

Exchange rates with foreign currencies are volatile and the influence of the central bank to manage them is limited, as was shown by the massive depreciation of the cedi in 2011, which was only kept under control by depleting the government's foreign reserves to below \$1 billion. The goal to raise foreign reserves to around \$3 billion permanently – a sum able to cover imports for a period of three months – has not been attained consistently and is in permanent danger. Dollarization of the economy, in existence ever since Rawlings came to power decades ago, has continued to put pressure on the cedi as well, as citizens prefer to put their savings in a less inflation-prone external currency.

Fiscal policy has been relatively prudent. The fiscal deficit has been well under control in 2011 and 2012, although some challenges surfaced. While reforming its tax system and increasing tax collection both directly and indirectly, the government faced liquidity problems from time to time, leading to unwarranted borrowing. Oil revenue has not been as high as expected due to production problems in the Jubilee oil field, and has had little impact on fiscal policies in 2011 and 2012. However, with the oil field in full production and the expected yields in coming years, this may change.

The debt burden has increased considerably and additional concessionary and non-concessionary loans have been taken in the period under review, many directly linked to big infrastructure projects. The debt stock rose from \$5.4 billion in 2009 to \$6.5 billion in 2010 and is reached \$8.4 billion in 2011. This amounts to a yearly debt-service of well above \$300 million. Overall, external debt – including that owed to Bretton Woods institutions – now reaches a little bit more than 20% of GDP. While this figure is quite high, GDP growth is very strong, and there is a good chance that the debt-burden can be managed properly, especially once oil revenue rises.

9 | Private Property

Property rights are adequately defined and generally protected. However, shortcomings in the rule of law, especially with respect to lengthy legal procedures and corruption, do exist. In rural areas, private property rights are occasionally overshadowed by communal or traditional property distribution and usage systems. Disputes in rural areas are either settled by traditional authorities or, in some cases,

Macrostability

7

Property rights

8

by violence. Foreigners, including investors, are not allowed to purchase land, but can lease it.

Private companies have played a major role in economic policy in recent years. Access to credit has become easier, but the policy of high interest rates in order to curb inflation makes repayment a challenge. Only in areas where strong FDI is apparent can this obstacle be overcome. Privatization is mostly an issue in regard to the remaining major state enterprises, especially in regard to utilities. A major challenge for any private enterprise remains the structural weakness of the material infrastructure – especially transport – and problems with power generation. The government has addressed the latter through the rapid expansion of hydro-generated power, as well as through the future utilization of gas for power production, accompanied by a reduction of subsidies for electricity, making the outlook for energy generation positive. As already mentioned under “market-based competition,” (7.1) Ghana is ranked at 64 (as compared to 63 in the 2012 report and to 67 in the 2011 report) of 183 in the latest “Doing Business” ranking, and is ranked 84th overall (9th in Africa) in the Heritage Foundation’s Index of Economic Freedom (of a total of 179 countries under scrutiny).

Private enterprise

7

10 | Welfare Regime

The welfare regime of Ghana consists mainly of indirect contributions. These are primarily either direct subsidies to essential commodities – like energy or fuel – or indirect subsidies through exemption from taxes on goods like food, which is exempted from Value Added Tax (VAT). In addition, special programs are available to certain targeted groups both in the sectors of health (against specific diseases like malaria, AIDS or tuberculosis) and education (with free meals and transport for primary school pupils). Furthermore, a health insurance scheme exists, which is not compulsory. Life expectancy at birth has risen consistently for the last ten years and has climbed beyond 60 years in 2005, reaching 63 years in 2010. Direct monetary support is only available for very distinct target groups such as orphans or those who take care of them. Access to support for these target groups is, however, hampered by administrative inertia and deficits in the outreach of distributive organizations, especially in rural areas. Basic problems like child malnutrition and certain pervasive diseases persist, but Ghana has made some progress in these areas. Aside from the informal sector, which is still the primary avenue of making ends meet for many, private remittances from abroad have an important impact on the livelihood of many Ghanaians, both through direct consumption as well as through the secondary effects of investments. It remains to be seen whether the influx of oil money will create pressure to develop a wider social safety net.

Social safety nets

5

As has already been partly assessed, some achievements have been made in regard to equality of opportunity in education. Primary schools do not ask for school fees and, as mentioned above, the government provides both free meals and free transport. The increase in school enrollment that has resulted has put a heavy burden on important indicators like teacher – pupil ratio and the infrastructural condition of primary schools. For secondary schools, scholarships exist, including money made available by traditional leaders for gifted children in their area of influence. While more progress needs to be made, the overall trend seems to be encouraging. It is also worth noting that education has been an important topic in recent elections, and public pressure to increase investment in this area is strong.

Equal opportunity
7

Outside the education system, inequalities persist mainly because of economic and social problems rather than prohibitive laws. Public perception in regard to gender equality is slowly moving against structural discrimination, as the most recent Afrobarometer survey indicates. Still, traditional values of family-life and the role of women in society persist even in modern urban areas, putting pressure on women to pursue a career while shouldering the full responsibility of housework and raising children.

In general, no structural discrimination based on ethnicity exists, but northern Muslims are generally regarded as less capable of skilled employment, and even well-qualified individuals have to overcome prejudices.

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

11 | Economic Performance

Macroeconomic data show that the Ghanaian economy has continued to be a success story, and has not been significantly hampered by the 2008 global financial crisis. Economic growth peaked close to 15 % in 2011, and showed strong 8 % growth in 2012. The peak of 2011 has been attributed mostly to the first big intake of oil revenue, but other sectors – cacao and gold – have also recorded strong and persistent growth. Oil revenue has been smaller than expected in 2012 because of production problems. Estimates indicate that even if the Jubilee oilfield produces at full capacity, oil revenue will not make up more than around 35 % of Ghana's GDP. Therefore, other economic activities remain vital for the future economic development of the country. Continued and persistent donor support and high levels of remittances from abroad have added to the positive outlook. The challenges to economic growth include persistently high inflation, above and around 10%, as well as the weakening of the cedi vis-a-vis major currencies, as has already been highlighted.

Output strength
8

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

As already mentioned under “macrostability,” fiscal policy has been relatively prudent but the debt burden has increased considerably. On the other hand, tax collection has improved and financial management has been relatively transparent.

Foreign direct investment has been relatively high and has registered a surge especially in 2011. In 2012, the total amount reached \$7 billion.

Official employment statistics have to be taken with a grain of salt, as they do not cover the important informal sector and, therefore, only provide a limited view. Economic growth in Ghana has been consistently above population growth, Ghanaians living in the diaspora are increasingly returning as economic opportunities increase.

12 | Sustainability

Environmental issues do not play a significant role in political and economic decision making, despite public declarations to the contrary. A “National Environmental Action Plan” has been promulgated, but implementation has not been impressive so far. Ghana lacks an adequate environmental monitoring system, mainly because the responsible ministry’s funding is restricted and not used efficiently. The far more pressing issues of addressing abject poverty and, at the same time, strengthening the performance of state institutions, override environmental concerns. The main topic of the last election campaign was education, and, to a lesser degree, infrastructural investment in general. Therefore, the environmental consequences of investments are only scrutinized seriously if and when donor assistance or international agreements are involved. This relates also to the emerging oil sector and the possible environmental hazards of offshore production. Environmental protection is rarely discussed and many policies lack proper implementation. The tax system barely takes environmental issues into account. As long as economic challenges exist, this picture will not change fundamentally. Land degradation has become an important challenge for the agricultural sector, which might generate an economic incentive to tackle this specific environmental issue with more diligence. The relative success of tourism and the interest of visitors in a clean environment have at least increased environmental awareness. Still, it is questionable how long the tourism sector will continue to play an important role in political considerations after the increase in oil revenue. Until awareness is heightened, it will probably be the donor community’s task to act as an

Environmental
policy
5

advocate for environmental sustainability. The fact that the government has – together with private investors – invested heavily in hydroelectric power has less to do with environmental concern than with the abundance of water power. Efforts to utilize natural gas for energy production have also increased. At the same time, the traffic situation in major cities has worsened considerably, as the emerging middle class acquires vehicles. Not surprisingly, the Environmental Performance Index 2012 places Ghana only at 91 out of 132 countries.

Education was the most important topic of public debate during the last election campaign. The opposition took the government by surprise in proposing free secondary education. It took the NDC some time to counter with a more modest (and more realistic) proposal and a promise of general infrastructural development. Still, the debate about education prevailed throughout the campaign and has obviously attracted the electorate's attention.

Ghana's education system has been improving slowly, but successfully. The focus on primary education and increasing teacher training has shown some tangible results, especially with regard to overall enrollment. Building maintenance and teaching quality remain major problems, especially in the country's north, but also in some urban areas. The current government's declared intent to use significant portions of the oil revenue to enhance the education system further bodes well for the future. In any case, donor assistance will continue to play a critical role in improving education, especially in capacity building.

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

Government expenditure for education hovers around 5-6% of GDP and normally a little less than 25% of the overall budget, therefore constituting a large share. Around a third of the education budget goes into primary education, another third into the two tiers of secondary education (junior and senior), a very small percentage into technical and vocational education (around 1%), and the rest into the tertiary system. Teachers enjoyed a pay raise of 19% in 2012 (along with all other public servants). With a literacy rate of about 66%, Ghana is still among the last third in worldwide literacy, and male students only attend seven years of school on average.

Education policy /
R&D
6

Transformation Management

I. Level of Difficulty

Ghana shares some of the structural constraints of other African countries, but has achieved some progress in overcoming these challenges and its potential in doing so in the future has increased. While neither geographical location nor lack of natural resources form an impediment to management (quite the contrary), one of the major problems that Ghana faces is persistent abject poverty throughout the country, with the north disproportionately affected. Much of the problem is rooted in educational deficiencies, which result in a poorly trained workforce. Administrative inertia and corruption form another cluster of structural constraints. A thorough revision of the public workforce, eliminating “shadow workers,” and a significant rise in salaries are first steps to addressing the problem. Future reforms will likely be hampered, however, by the lack of efficient and effective institutions to fully implement even very sound policy changes. Ghana also continues to face challenges in its health system, which is still unable to address some major public health challenges. Ghana has not been severely affected by epidemic diseases in the period under review, and HIV/AIDS prevalence is, as far as official statistics are available, relatively low (around 2% in the most important age group of 15–24). While the quantity of HIV tests taken has increased, it should be noted that the data still lacks full empirical validity.

Structural
constraints

6

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

Civil society
traditions

4

ministries are actively engaging NGOs in pursuing their goals, exemplifying a good relationship between public and non-public actors. In summary, the development of civil society can be regarded as positive.

Generally, Ghana is not a country of intense and violent ethnic and political conflicts. Still, this general assessment does not mean that all is well. The social fabric of society and the coercive power of government institutions are not strong enough to effectively prevent political or ethnic violence. Outbursts occur, especially in an atmosphere of heated political competition before elections. The country is clearly split into religious and ethnic groups, although the ethnic card has not been played as strongly as in other African countries. While conflicts persist and can be exploited for political means – something which will continue in the foreseeable future – they do not occur frequently enough to undermine day-to-day life in Ghana.

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

So far, the way the government handles the influx of oil revenue has not affected the social fabric of society on a very fundamental level, as there is a certain consensus among political actors not to repeat the mistakes of its big neighbor, Nigeria. Still, the issue was a “silent driver” in the last election campaign and needs to be reassessed regularly.

Conflict intensity
4

II. Management Performance

14 | Steering Capability

Because of its close cooperation with the donor community and the constraints of strong inflation, the government has pursued a pragmatic course. It has focused on the economic sector and essential reform of the administrative service, highlighting financial administration. The election campaign somewhat hampered administrative planning as “election gifts” had to be distributed to close ranks around the incumbent president. Prioritization of goals has been a continuous challenge as the president is forced to adjust to external circumstances, on the one hand, and demands by his own party on the other. It is to be expected that the government will continue to rely on donor sympathy in order to accomplish certain development goals. Some reforms -

Question
Score

Prioritization
7

like in the public service or in the banking sector - have gone well so far. In any case, the government is pursuing its goals within the limits of constitutional law.

Gaining and organizing expertise is an ongoing challenge, but Ghana is not producing the necessary manpower to provide it, so the government has to rely on external advice in many cases, either provided by the donor community or purchased at great expense. Strategic planning units in ministries and parastatals are chronically understaffed and not always up to the task, as has been shown by the inability of the very important Ministry of Education to promulgate promised strategic plans in time.

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

Implementation
8

In general, it is difficult to determine from past experience how many changes and reforms are actually direct consequences of institutional learning by government or a result of external influence. Generally, the balance has been tilted towards the latter. Having said this, it is apparent that where challenges are identified, public institutions are generally ready and willing to initiate adjustments and to avoid or rectify mistakes of the past, especially in the face of public scrutiny or media attention. The various ongoing reforms show that the government is willing to identify its shortcomings and take steps to improve its policies. Still, as mentioned earlier, Ghana relies significantly on external advice and expertise from development partners in many areas of change management. This is, in itself, not a problem, as employment of this expertise is already an indicator of the general willingness to be innovative. The potential danger is that innovation can be externally driven, and that public institutions only follow along with this external drive, making ownership of change processes at least questionable. Despite these reservations, the already mentioned efforts demonstrate both the willingness of the government, as well as the general ability, to adapt, reform and innovate the political system and the economy. Sometimes progress is slower than expected, but a certain degree of determination is visible.

Policy learning
8

15 | Resource Efficiency

The government is only partly using its available resources efficiently. This is mainly due to long bureaucratic delays in implementing policies and a lack of professionalism. State resources are wasted through corruption and there is a clear lack of customer-oriented service culture, even in the tourism sector. However, visible and systematic self-enrichment by leading politicians is not a common feature in Ghana, although the looming oil windfall and the negative consequences of “easy money” in other African countries demand increased vigilance in this regard. At the cabinet level, politically motivated dismissals or removals have been evident in the past, especially involving potential contenders for the presidency. Changes of government typically entails a reshuffle in the higher echelons of administration as well.

Efficient use of assets

5

Fiscal discipline has increased in general and has been maintained at a satisfactory level, although financial planning is not consistent enough to avoid occasional liquidity problems. A balanced budget will be possible with the increased oil revenue, but has not been achieved in the last years. Foreign reserves develop in a volatile fashion, especially as long as the central bank tries to intervene in the market to stabilize the exchange rate. Despite a central government, the influence of regional and local leaders is still considerable and has been enhanced by a process of decentralization. Still, the allocation of resources from Accra means that the central government maintains a certain degree of control over expenditures at all levels.

There has not been a serious problem with diversion of funds and the inappropriate use of otherwise designated budget allocations – at least until recently. The budgets are calculated conservatively.

In general, the administrative system is still bloated, as lay-offs are highly unpopular and politically dangerous. Consequently, even well-meaning administrative reforms have only been partially successful. The most recent administrative reforms aim to solve this problem by identifying “ghost workers” (and their subsequent erasure from the pay roll) and by a rise of public servant’s salaries by 19 %. It remains to be seen if these measures have the desired effects. So far, the most visible outcome is a significant reduction in payroll costs for the government, despite the salary increase.

In general, government policy is quite coherent, as, all important decisions are taken centrally, despite all decentralization efforts. While competition between ministers and state agencies exists, as in any other democracy, these actors have not seriously blocked policymaking processes when the political will from the center has been strong. Some overlap in responsibilities still exists, especially between ministries, but also between public institutions aligned to certain ministries. An important challenge for Ghana is donor cooperation, which has been partly solved by the multi-donor

Policy coordination

7

approach employed in the country. Still, Ghana has been highly attractive for development aid both from government and NGO sources, which makes coordination a big challenge. Different public institutions have not yet fully taken up the task of coordinating between donors, which could be intentional. It is partly in the government's interest to attract multiple funding, even if the outcomes are potentially contradictory.

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

Anti-corruption
policy
6

Auditing of state spending is, in comparison to other African countries, on a quite sophisticated level. This tradition of transparency can be traced back to the stringent reforms of the late 1980s and early 1990s led by World Bank initiated structural adjustment programs and efforts to modernize the financial administration and monitoring systems. Auditing is especially strong for budget monitoring, although some lapses have occurred in recent times.

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

The transparency of the public procurement system is as questionable as the monitoring of codes of conduct and similar provisions. With the influx of oil revenue, the Public Procurement Act of 2003 has become more important, as it is still one of the most comprehensive legal regulations in Africa in regard to the administration of public tenders, although it is not always implemented to the letter. Scrutiny of the free media has helped to keep officials in check on a certain level, and auditing processes have led to sometimes damning conclusions. Still, corruption pervades all levels of state administration, and will continue to do so as long as administration remains weak and the government continues to be the major investor and contractor in the economy. To what extent the recent increase in salaries for public servants will alleviate the problem remains to be seen.

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

16 | Consensus-Building

The political leaders of both big parties have repeatedly voiced their determination to maintain and improve the democratic system of government. However, the last election campaign and the subsequent court proceedings against the results point to the fact that the trust in the opponent's credibility and prudence in adhering to democratic principles is limited. This was a setback from the opposition's response to the much narrower results of the elections of 2008. All current indicators point to a general acceptance of the democratic system and free-market economic principles, despite the persistence of a strong left wing faction in the now ruling NDC and smaller – increasingly irrelevant – Nkrumahist groups with socialist leanings. Dissent does exist in some areas, especially with respect to privatization, the role of foreign investment, the growth of state influence and the expansion of social programs.

Consensus on goals
8

For the most part, extra-governmental anti-democratic veto actors do not exist. Former military dictator and NDC-founder Jerry Rawlings remains influential, but his failure to support his wife's presidential ambitions within the NDC effectively shows that his influence is waning. In any case, he has not demonstrated an interest in pursuing undemocratic political goals, as this would tarnish the positive international image he has endeavored to build. Generally, the military is no longer an active political power.

Anti-democratic
actors
9

The government has always been aware of the very fragile sub-regional security situation and the danger of spillovers. Therefore, any threats to the current democratic system are most likely not internal, but external, insofar as a crisis in a neighboring country could be used to destabilize Ghana.

Consensus on the political system and its basic principles is high among both the political elite as well as the population. The opposition acts within the constitutional framework and rarely outside of it. Dissatisfaction is currently channeled either through the courts or by forming new parties.

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

Cleavage /
conflict
management
7

escalating, but are exploited up to a certain level. The equilibrium maintained is unfortunately not necessarily a stable one.

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

Civil society
participation
7

Apart from the alleged crimes committed during Rawlings' military dictatorship, there are no historic events that might require reconciliation. The voices demanding the prosecution of Rawlings himself have not been silenced by the NDC gaining power. However, it is no longer a "hot potato" in the political discussion as Rawlings' influence, even within his own party, has diminished. The overwhelming attitude of Ghanaians, as well as of the political elite, is to allow the past to rest. There is a general consensus that digging up evidence against Rawlings would undermine the peace of the general political situation.

Reconciliation
6

17 | International Cooperation

The government has continued to rely on the support of international development partners. While reliance on donor support can be criticized as dependency, the blueprint of international development agreements has helped Ghana to establish and maintain a reputation as a reliable and trustworthy partner in development. Despite written long-term strategies, short-term decision-making interferes repeatedly, especially when elections are approaching. Road maps exist in the form of a variety of strategic plans, but they are not always followed through and are sometimes victims of political whim. Ghanaian institutions are not always up to the task of renewing strategic plans and have difficulties in analyzing data and/or generating new data without help from outside. Given Ghana's role as a model democracy in West Africa, deviations and setbacks are tolerated by the donor community, and the underpinnings of public policy or rarely called into question.

Effective use of
support
9

The government is not only very interested in international cooperation, but it has proven to be a cooperative, constructive and reliable partner in the international arena, if not always a dynamic one. Ghana's good reputation for democracy and

Credibility
9

stability has helped to improve the political image of the country in the international arena. The country enjoys good relationships with the Bretton Woods institutions and the donor community as a whole. Ghana also entered and supported the New Partnership for Africa's Development (NEPAD) process from its inception, and was among the first to participate in the peer review mechanism. Furthermore, Ghana has a good tradition of participation with its own armed forces in U.N. peacekeeping missions.

Ghana's record in its relations with neighboring countries is for the most part positive. At no time during the last two years has the government acted in a threatening way or caused any conflict with its neighbors. Ghana's relationship with its traditional adversary, Togo, has improved considerably. Strong ties exist with Nigeria. The biggest immediate challenge is the problematic security situation in Côte d'Ivoire and Mali. Ghana has contributed 120 soldiers to the ECOWAS-force sent to fight Islamist insurgents in northern Mali. Ghana has shown a persistent commitment to the objectives of the Economic Community of West African States (ECOWAS), but regional integration is not among the highest priorities of the government. This may gradually change if some benefits of regional cooperation – such as from the West African Gas Pipeline – become apparent.

Regional
cooperation
8

Strategic Outlook

Ghana's strategic challenges for the coming years are twofold. First, the government must manage the growing oil revenue in a way that pleases the electorate and meets the standards of proper financial administration, including the necessary transparency and avoidance of squandering and corruption. Second, Ghana must maintain a watchful eye over regional security and stability, the absence of which could seriously endanger both political and economic progress. In order to face these two challenges, Ghana's government not only has to maintain and increase its own vigilance against the possible negative consequences of "easy money" coming into the country, but it also has to continue its close cooperation and financial monitoring activities with international partners, especially with the Bretton Woods institutions. Tackling the cleavages within the country – especially the north-south-dichotomy – remains on the agenda within this context. Effective and efficient distribution of funds will be essential for the democratic legitimacy of the state and the willingness of the general population to support democracy despite all its pitfalls. Therefore, strengthening of planning and implementation capacities in many ministries continues to be a task as well, and more urgently than ever. The current administrative reform is a good step in the right direction, but especially in training and recruiting, additional efforts are needed.

In regard to security policy, aside from close cooperation within ECOWAS, a modest investment in Ghana's own security apparatus might be necessary, especially to ensure effective and easily deployable armed forces, to avoid spill-overs from regional conflicts and to increase security on its borders. This would include not only training and the continuation of international exercises - like those performed in cooperation with NATO in the past - but also the strengthening of the civil departments of the Ministry of Defense.

In regard to both challenges, the government is well placed to meet them and awareness among political leaders is high.