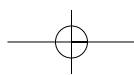
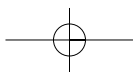
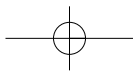


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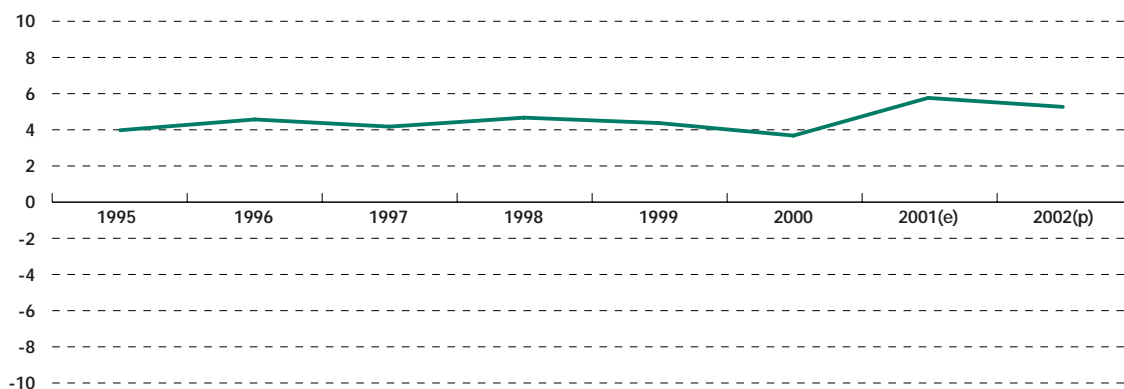
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AFTER TWO DECADES OF ECONOMIC recovery and structural reforms starting in 1984 that made Ghana one of Africa's "success" stories in economic growth during the late 1980s and early 1990s, the macroeconomic fundamentals of the country have weakened. The fiscal and monetary positions deteriorated in response to poor domestic policies and external constraints. The rate of inflation rose sharply, the cost of borrowing rocketed and the foreign exchange of the local cedi depreciated massively. The deterioration in the economic fundamentals was reflected in real GDP growth, which slumped to 3.7 per cent in 2000, the lowest level in about a decade. However, the

macroeconomic situation is expected to improve especially in fiscal performance. This will lead growth to rebound to 5.8 per cent in 2001, and be maintained at 5.3 per cent in 2002. Ghana's successful democratic transition that occurred in 2000 gives a positive sign on the possibility of the country's reform process deepening. The country needs to revamp its adjustment policies in privatisation and maintain a grip on reforms already made in the financial and other sectors in the effort to enhance growth to alleviate the widespread poverty of the country.

Ghana's successful democratic transition that occurred in 2000 gives a positive sign on the possibility of the country's reform process deepening

Figure 1 - Real GDP Growth



Source: Authors' estimates and predictions based on IMF data.

Recent Economic Developments

The Ghanaian economy suffered its worst growth performance for about a decade in 2000 when real GDP growth slumped to 3.7 per cent. The 2000 performance continued four successive years of economic decline. The poor performance in 2000 was attributed to terms of trade deterioration as the prices of the country's main export earners — gold and cocoa — fell, while the price of crude oil — the nation's main import commodity —

rose rapidly. These developments led to a severe drop in foreign exchange earnings. Poor domestic economic performance that created fiscal imbalances and excessive monetary growth compounded the external problems to lead to substantial reductions in production and consumption. Real GDP growth is projected at 5.8 per cent in 2001 and 5.3 per cent in 2002 as the impact of the external shock is lessened with improvements in export performance, and political changes bring about some positive changes in economic policy.

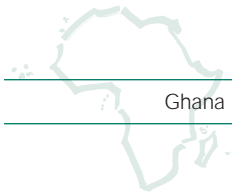
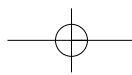
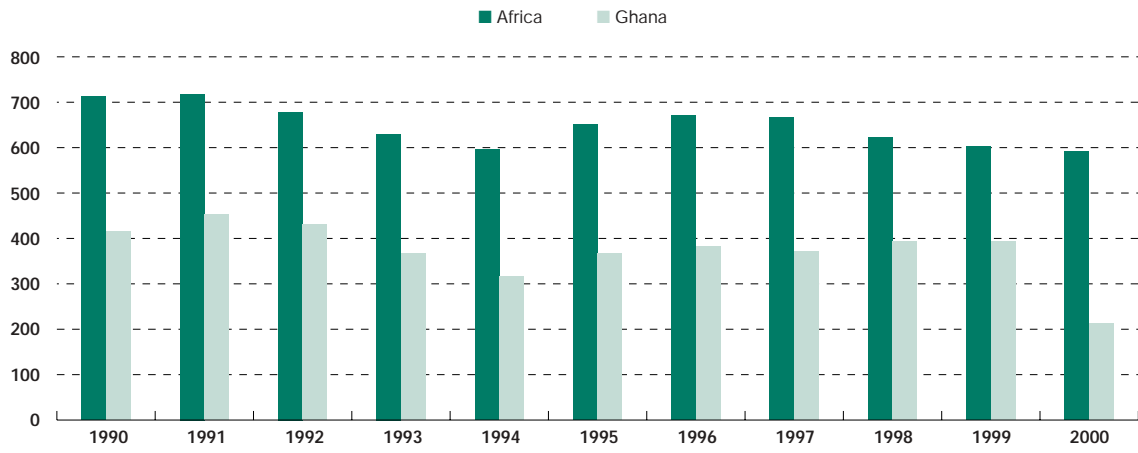


Figure 2 - GDP Per Capita in Ghana and in Africa (current \$)

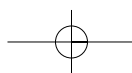


Source: Authors' estimates based on IMF data.

The recent growth performance has been led by the services sector, while the growth performance of the dominant sector — agriculture — has stagnated with telling effect on total income growth. The agricultural sector contributed about 36 per cent of total GDP and grew at a lower rate of 2.1 per cent in 2000 compared with 3.9 per cent in 1999 and 5.1 per cent in 1998. The growth performance in 2000 was the lowest since 1995. The poor performance of agriculture in 2000 was caused by the crops and livestock sub-sectors, which grew at only 1.1 per cent compared with 4.7 per cent in the previous year. The performance of all the other sub-sectors — forestry, logging and fisheries — was better in 2000 than in the previous year. Significantly, the cocoa sub-sector grew at 6.2 per cent in 2000 compared with a decline of 0.5 per cent in 1999 in response to an increase in the administered cocoa producer price of 7.9 per cent over the level that had remained the same in 1998 and 1999. The outlook for agricultural production appears brighter barring any significant deterioration in weather conditions. The 2001 budget statement announced additional measures to reduce post-harvest losses. New initiatives put up in the budget statement include measures to reduce the importation of rice, and a special relationship between the Ministries of Finance, Agriculture, and Trade and Industries to minimise the problem of inadequate finance for agriculture. Above all, the new administration is more inclined to support agriculture, as the main

farming areas also happen to be the political strongholds of the ruling party.

The industrial sector suffered setbacks in 2000 though its share in GDP remained at 25.2 per cent. The sector recorded an unimpressive growth rate of 3.8 per cent in 2000 as compared with 4.9 per cent in 1999 and 3.2 per cent in 1998 when Ghana experienced severe energy shortages. The poor showing in 2000 was largely attributed to the poor performance of the manufacturing sub-sector, which accounts for over 50 per cent of industrial output. With the generally high import dependency of Ghanaian manufacturing, the shortfall in foreign exchange during 2000 severely affected production. The manufacturing sector also suffered from the high rate of inflation that translated into high cost of production and low demand. Growth in manufacturing was 3.8 per cent in 2000 compared with 4.8 per cent in 1999. The performance of the industrial sector, especially that of the manufacturing sub-sector in the context of the Vision 2020, is disturbing. The Vision envisages an 8 per cent annual growth rate for the manufacturing sector to enable the Vision objectives to be achieved. Rather disappointingly the sector has so far managed an average growth rate of only 3.1 per cent since 1995. The other sub-sectors fared better but performed below their 1999 levels. Favourable rainfall patterns ensured adequate water levels in the Akosombo reservoir, and with additional



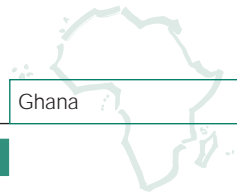
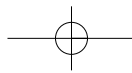
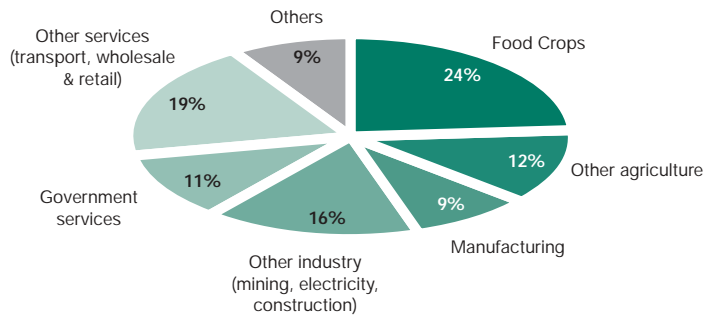
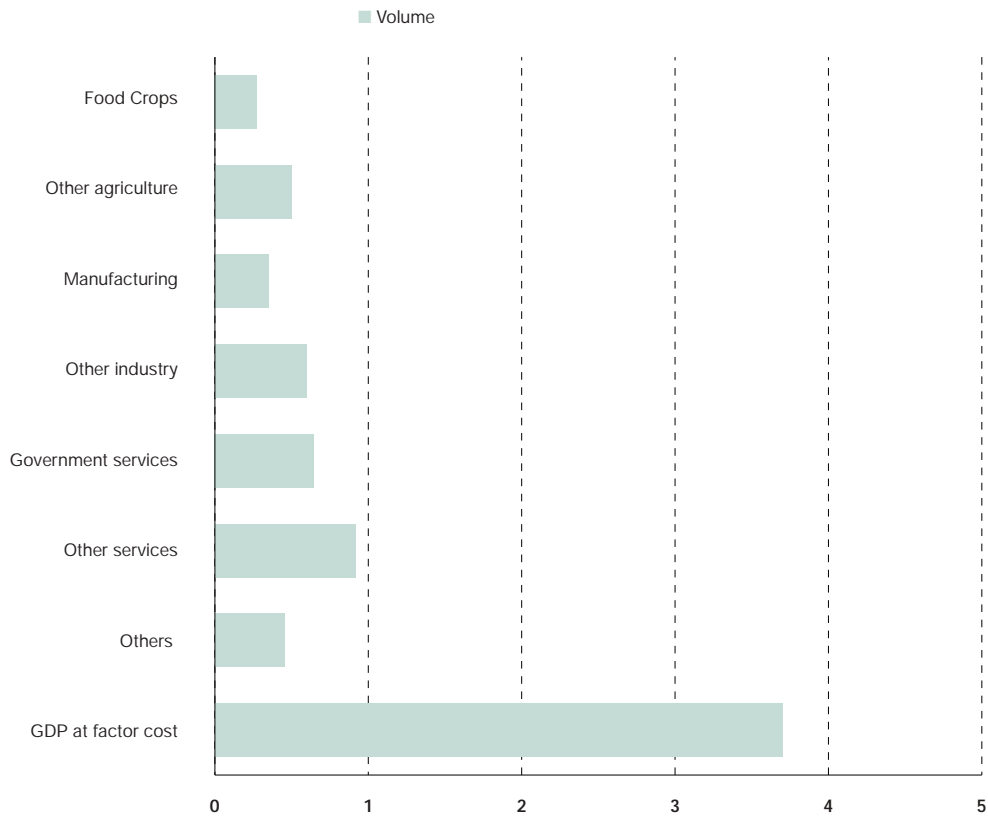


Figure 3 - GDP by Sector in 2000



Source: Authors' estimates based on domestic authorities' data.

Figure 4 - Sectoral Contribution to GDP Growth in 2000

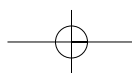


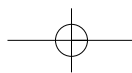
Source: Authors' estimates based on domestic authorities' data.

resources from the Aboadze Thermal Power Plant and imports from Côte d'Ivoire, the electricity and water sub-sector expanded by 4.5 per cent in 2000 compared with 7.6 per cent in 1999. The construction sub-sector continued its positive growth with a growth rate of 5.1 per cent in 2000 compared with 5.4 per cent in 1999. Growth in construction was aided by major

works such as the Accra Flood Control Programme, the Keta Sea Defence Project, and the Korle-Lagoon Ecological Restoration Project, all of which continued in 2000.

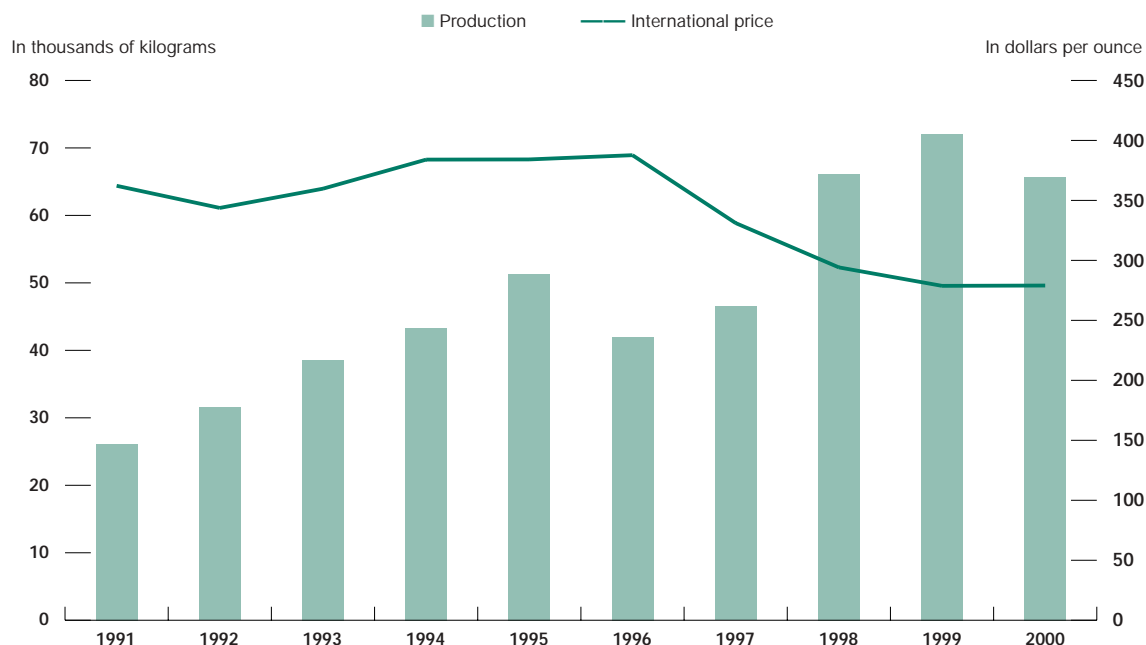
Growth in the mining and quarrying sub-sector at 1.5 per cent in 2000 was dismal compared with 2.9 per





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Figure 5 - Gold Output and International Price



Source : Ghana Chamber of Commerce and World Bank.

158

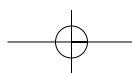
cent in 1999. The poor performance was attributed to declines in gold production of about 9 per cent in 2000 compared with a 9 per cent gain in 1999. The production shortfall reflected the labour and financial troubles at Ashanti Goldfield that were played out from 1999. The industry sources at home indicated also that the legal and investment framework with respect to mineral rights was a limiting factor to increased production. In addition the failure of the gold price on the international market to recover translated into shrinking profitability.

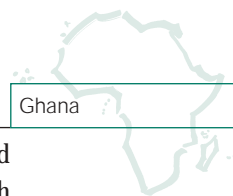
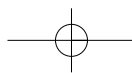
The services sector continued its impressive growth performance of the last four years, recording a growth rate of 5.4 per cent in 2000 compared with 5.0 per cent in 1999. Developments in tourism and telecommunications led the growth in services. The year 2000 saw a steady increase in both mobile and fixed telephones in Ghana; fixed telephone subscribers increased from 158 398 in 1999 to 191 380 while the three cellular phone operators increased their subscriber base to about 45 000. The tourism sub-sector saw an expansion in the number of tourists from 372 000 in 1999 to 399 000

Table 1 - Demand Composition (percentage of GDP)

	1995	1998	1999	2000	2001 (e)	2002 (p)
Gross capital formation	20.0	31.5	35.4	31.2	29.3	27.8
Public	14.0	11.3	9.8	9.8	9.2	8.7
Private	6.0	20.2	25.6	21.4	20.1	19.1
Consumption	88.4	81.4	80.9	88.6	94.4	98.5
Public	12.1	10.3	10.8	9.6	8.9	9.0
Private	76.3	71.1	70.0	79.0	85.6	89.5
External sector	-8.4	-12.9	-16.2	-19.8	-23.7	-26.2
Exports	24.5	33.9	33.7	60.9	58.5	57.1
Imports	-32.9	-46.7	-50.0	-80.7	-82.2	-83.3

Source: Authors' estimates and predictions based on domestic authorities' and IMF data.





in 2000 and a 26 per cent increase in tourism receipts between 1999 and 2000.

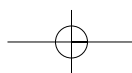
The growth performance since 1995 has been characterised by high consumption. The level of total consumption that appeared to fall after 1997 surged in 2000 in the private sector. The situation inevitably implied lower domestic savings and a high reliance on foreign savings. Total consumption is expected to remain high in both 2001 and 2002, with the increase in consumption coming from the private sector. The resurgence of private consumption and the consequent low private investment would be worrying in an economy where the private sector is expected to lead in directly productive activities.

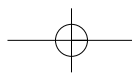
Macroeconomic Policies

Fiscal and Monetary Policies

Ghana's fiscal performance in 2000 continued its poor performance of the recent past. The overall budget deficit remained large at 7.9 per cent of GDP in 2000, although the primary deficit as a share of GDP fell from 3.8 per cent in 1999 to 0.4 per cent in 2000, reflecting the external effect on the budget in 2000. The poor fiscal performance in 2000 continued the norm that government budget balances and other fiscal indicators deteriorate tremendously each year that general elections are held. During the 1992 elections the budget balance deteriorated massively from a surplus of 1.6 per cent of GDP in 1991 to an overall deficit of 5.2 per cent of GDP in 1992. Similarly, there was a deterioration of the overall balance in 1996 from the 1995 levels. Such election-induced budget deficits make it appear as if democratic general elections have a negative impact on the macroeconomic stability of the country, especially as the dividing line between operational costs and "vote-buying" expenditures is unclear. Ghana might have to consider other forms of funding elections such as an "election fund" with funding spread over the four years preceding an election. This would avoid the situation where all the high election expenses are financed from the election year's budget.

Relative to GDP government total revenue increased to 19.8 per cent of GDP in 2000 compared with 16.8 per cent in 1999. Tax revenue, which accounted for over 80 per cent of total revenue, increased to 16.3 per cent of GDP in 2000 compared with 13.6 per cent of GDP in 1999 indicating the improvement in the domestic effort at raising revenue. The increase in tax revenue was the result of the increase in the VAT rate by 25 per cent to bring the level to 12.5 per cent. Tax revenues also benefited from two other taxes introduced in 2000 — Ghana introduced ECOWAS community levy of 0.5 per cent of the cif value of imports originating from non-member states of ECOWAS in April 2000; and a special tax of 20 per cent was imposed on so-called non-essential imports including poultry, milk, potatoes, grapes, apples, wheat, flour, chocolates, perfumes, beauty and make-up preparations etc. Non-tax revenue also grew by about 27 per cent in 2000. Diversiture receipts grew tremendously by as much as 509 per cent in 2000, owing to an extensive campaign during the year to recover outstanding payments. On the expenditure side, in 2000 total government expenditure relative to GDP increased to 27.7 per cent compared with 26.2 per cent in 1999. However, in absolute terms there was a 47.6 per cent increase in total expenditure in 2000. This represented the highest single increase in government expenditure since 1996, and stood in contrast to the declining trend in increases in government expenditure of the recent past, which had signalled some sort of improvement in government expenditure management with the introduction of the Medium Term Expenditure Framework (MTEF) in 1998. The major item in government expenditure during 2000 that increased significantly to mark a departure from the recent past was interest payments on external and domestic debt. These items of expenditure rose in nominal terms by 110.8 per cent and 70 per cent respectively in 2000. These increases were explained by the exchange rate crisis, which forced a massive increase in the cedi equivalent of external interest payments, while domestic monetary developments forced increases in interest rate on the Treasury bill. In 2000, wages and salaries as a percentage of GDP fell compared with 1999 as government was hiring no new employees while retrenching others. Although the government granted





 Ghana

a 20 per cent increase in the minimum wage in November 2000, its impact on the budget was not immediate as the implementation date was in 2001. Amid the rising recurrent spending, capital expenditure fell from 9.8 per cent of GDP in 1999 to 9.2 per cent in 2000, continuing the declining trend of public investment expenditure of the recent past. The situation reflected the public sector that was gradually withdrawing from directly productive activities. However, the private sector was at the same time investing less, pointing to problems ahead in refurbishing the capital stock of the economy.

The government's expenditure arrangements in 2000 presented some worrying developments. During 2000 the government spent the equivalent of about 5 per cent of total expenditure to settle arrears owed to road contractors and other creditors. These expenditures were, however, non-budgeted government outlays and represented about 273 per cent increase in arrears payments compared with 1999. The omission of such large outlays from the budget raises issues about the degree to which policy decisions embodied in the budget could be said to reflect a rational choice among available alternatives in accordance with priorities.

The 2001 budget appeared to accept that the restoration of fiscal stability was crucial to jump-start the stalled economy. The budget proposed to reduce the overall deficit from the observed 7.9 per cent of GDP in 2000 to 5.2 per cent of GDP in 2001. The outlook

on this proposal appears bright given the array of measures already taken and the new taxes introduced to meet anticipated expenditure increases. In February 2001, petroleum prices were doubled in order to staunch operating losses at the state-owned refinery, and similar increases in electricity and water tariffs took effect in May 2001 to curtail losses in these utilities. The budget passed in March 2001 raised taxes and curtailed expenditure appropriations, and a further package of fiscal measures was devised for implementation from mid-2001. New taxes raised in the budget include the development levy, profit tax on mining firms and increased airport tax. The government was successful in dialoguing with business to accept the taxes to avoid constraining production. These measures are expected to yield dividend as the domestic tax effort is expected to improve to 16.8 per cent of GDP in 2001 and projected to increase further to 17.4 per cent of GDP in 2002. These improvements will contribute to improving the budget outturn to an expected primary surplus of 0.9 per cent of GDP in 2001, with further expansion in the surplus to 1.5 per cent of GDP in 2002.

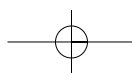
The year 2000 was a particularly difficult one in terms of monetary developments. The government's aim was primarily to "bring down inflation and also to stabilise the cedi," for which the monetary policy objective was to sustain the moderate growth in money supply that was achieved in 1999. For the year 2000, broad money supply (M2+), planned to reach an end-of-year growth of 16 per cent, rather grew by 39.8 per

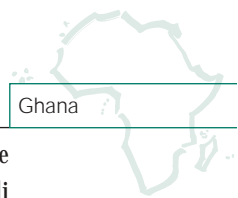
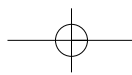
Table 2 - Public Finances (percentage of GDP)

	1995	1998	1999	2000	2001 (e)	2002 (p)
Total revenue and grants^a	22.0	18.2	16.8	19.8	19.7	20.0
Taxes	12.7	13.5	13.6	16.3	16.8	17.4
Grants	3.6	2.2	1.7	2.1	1.5	1.2
Total expenditure and net lending^a	30.4	28.6	26.2	27.7		
Current expenditure	16.4	17.3	16.4	18.5		
<i>Excluding interest</i>	12.2	10.3	10.8	11.0	10.3	10.4
Wages and salaries	5.6	5.5	5.6	5.2	4.9	4.9
Interest payments	4.2	7.0	5.6	7.5		
Capital expenditure	14.0	11.3	9.8	9.2	8.6	8.2
Primary balance	-4.2	-3.4	-3.8	-0.4	0.9	1.5
Overall balance	-8.4	-10.4	-9.4	-7.9		

a. Only major items are reported.

Source: Authors' estimates and predictions based on domestic authorities' and IMF data.





cent by the end of the year. The Net Domestic Asset (NDA) of the banking system drove the increase in broad money in 2000. Claims on the central government and on the rest of the economy grew by 112.1 per cent and 78.5 per cent respectively during 2000. The high growth in claims on the government reflected the intensive government borrowing from the banking system to finance the fiscal deficit of the year as well.

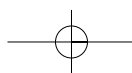
Inflation went up strongly in 2000 exacerbated by pressures from both the fiscal and external sectors. While it has been the norm for Ghana to register double-digit rates of inflation in the last decade, the major improvement that was achieved in 1999 with the annual average inflation rate of 13.8 per cent was quickly obliterated in 2000 as the end of the year rate reached 40.5 per cent. The fiscal measures — the increase in VAT in June, the 20 per cent special tax on “non-essential” imported items and the increase in fuel prices — combined with the depreciation of the cedi to propel increases in prices of goods in 2000. Even at the high rate, it is safe to say that the rate of inflation in 2000 was cushioned by some mitigating factors; for instance, the government did not allow the full pass-through of changes in the price of petroleum products on account of the increase in crude prices on the world's market and the depreciation of the exchange rate. This was a difficult policy decision in an election year. Inflation is indicated to have fallen to 32 per cent in August 2001. The fall in inflation is giving some credence to the government's claim of restoring stability, albeit slowly, to the economic fundamentals. The decline in the rate of inflation is expected to be maintained in 2001 to result in a yearly average of 30.6 per cent, and then decline to 22.1 per cent in 2002.

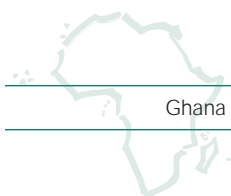
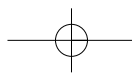
Interest rates generally edged upwards in 2000 along with the inflationary trend. The prime market rate on the 91-day Treasury Bill rose from a level of 36.7 in June to a peak of 40.6 per cent before declining to 38.1 per cent by end-2000. Commercial banks increased their base rates accordingly, but in the end the spread between the borrowing and lending rates in commercial banks remained very high at around 30 per cent with adverse consequences for financial inter-mediation.

Ghana operates a fully flexible foreign exchange rate system under which the foreign exchange of the cedi is market-determined and foreign currency readily obtained either through commercial banks or licensed foreign exchange bureaux. The inter-bank rate and the *bureaux de change* rate came closer nearing equity by end-1999, reflecting a market free of restrictions. The terms of trade shock in 2000, coupled with the reduced inflows of external aid, negatively affected the foreign exchange market. The cedi depreciated in nominal terms by 57 per cent against the US dollar in 2000 to follow a 49 per cent depreciation in 1999, compared with a 4.1 per cent depreciation recorded over 1998. With the reported inflation rates, the real exchange rate also depreciated sharply. As market operations shifted to the *forex bureaux*, the difference in the rates between the inter-bank and *forex bureaux* widened; the spread increased to about 5 per cent by end-2000.

External Position

Ghana's long history of reforms has delivered a most liberal trade regime. External trade tariffs have progressively been lowered to the current top rate of 22 per cent and simplified to four lines. The country's balance-of-payments performance remained poor in 2000 largely owing to the terms of trade movements. The trade deficit widened as the surge in imports was not matched by improvements in exports. Total export receipts in 2000 were \$2.09 billion compared with \$2.12 billion in 1999. The decline was explained by lower prices of cocoa and gold on the world market. Total receipts from cocoa in 2000 were \$436.8 million compared with \$552.3 million in 1999 even though export of cocoa beans was stable at around 347 000 metric tons in both years. Gold exports, however, declined from 2 551 000 fine ounces in 1999 to 2 504 000 fine ounces in 2000 attributed largely to production problems at Ashanti Goldfields. Imports were estimated at \$2.87 billion in 2000 showing a fall of 11 per cent on the 1999 level. Non-oil imports declined by about 20 per cent in 2000 owing to the sharp depreciation of the cedi. The value of oil imports rose by 56 per cent owing entirely to the increase in crude prices. There was a rise in private transfers in 2000





by about 5 per cent on their 1999 level to \$495 million, the highest level in over a decade. These transfers were remittances of Ghanaians living abroad, especially in Europe and the United States, and kept the current account balance from worsening in spite of the widening trade deficit. The trade deficit is expected to widen

further in 2001 and 2002. Exports are expected to fall marginally in 2001 on account of the continual depression in commodity prices. These will combine with higher levels of imports as the economy rebounds in 2001 and 2002 to result in the worsening trade balance.

Table 3 - Current Account (percentage of GDP)

	1995	1998	1999	2000	2001 (e)	2002 (p)
Trade balance	-3.9	-10.8	-14.5	-18.4	-21.4	-23.5
Exports of goods (f.o.b.)	22.2	28.0	27.6	49.3	47.9	46.8
Imports of goods (f.o.b.)	-26.1	-38.8	-42.1	-67.7	-69.3	-70.3
Services	-4.5	-2.1	-1.7	-1.4		
Factor income	-2.0	-1.9	-1.7	-3.1		
Current transfers	8.0	9.9	8.1	16.3		
Current account balance	-2.3	-4.8	-9.8	-6.6		

Source: Authors' estimates and predictions based on domestic authorities' and IMF data.

The total stock of Ghana's external debt stood at \$6.93 billion at end-1999. In terms of creditor base, 62 per cent was owed to multilateral institutions, 25 per cent to bilateral creditors, and 13 per cent to commercial banks. The total debt represented about 90 per cent of total GNP for the year. Ghana's debt burden qualified it for the Enhanced HIPC debt relief initiative. The NPV of external debt to fiscal revenue and the NPV of external debt to export criteria would have been 557 per cent and 152 per cent respectively at end-2000 after the application of traditional debt relief mechanisms, both above the enhanced HIPC thresholds of 250 per cent and 150 per cent respectively. The Kufour Administration duly indicated in the 2001 budget statement its intention of seeking relief under the Initiative.

The past administration had taken the opposite position when it announced to international donors in May 1999 that Ghana would not resort to the HIPC initiative for debt relief because it wished to protect access by Ghana's private sector to capital markets and maintain its long record as a responsible debtor. In addition, the previous government perceived that the volume of concessional loans from Japan (Ghana's largest bilateral donor), and possibly other donors, would be reduced if Ghana decided to benefit from the

HIPC initiative. However, Ghana's current position of dwindling external reserves and flagging international creditworthiness made recourse to HIPC an easier choice for the government. Based on IMF calculations Ghana's debt burden will reduce significantly under enhanced HIPC. The ratio of debt service to exports would decline from 17 per cent in 2001 to 11 per cent by 2003, and remain stable at 11 per cent thereafter. The IMF estimated that assistance under enhanced HIPC could translate into an average annual debt service reduction of about \$170 million over the 2002-2020 period. The debt to revenue ratio would decline from 558 per cent in 2001 to 160 per cent in 2003 and to an average of about 140 per cent over the 2001-2020 period. Ghana is expected to reach the decision point in December 2001.

Structural Issues

Ghana continues in its long history of structural and macroeconomic reforms dating from 1984, to increase private sector activity and increase investment in its areas of comparative advantage as well as in other areas. The country's comparative advantages include resource availability in gold, bauxite, cocoa and timber which currently drives the economy; and in the peac

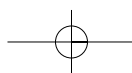
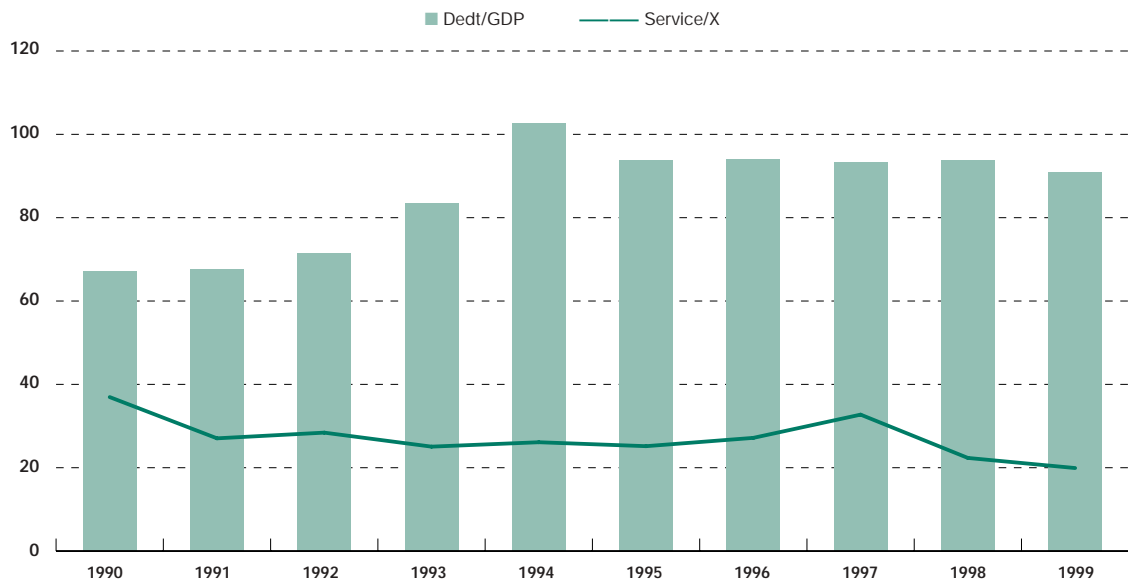




Figure 6 - Stock of Total External Debt (percentage of GNP) and Debt Service (percentage of exports of goods and services)



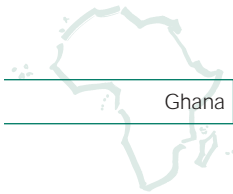
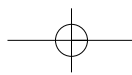
Source: World Bank (2001), *Global Development Finance*.

tradition of the country with an absence of personal security problems.

Ghana started a privatisation programme in 1995, which initially attracted international attention with major sales such as the Ashanti Goldfields Corporation, Ghana Telecom, Social Security Bank, and the Ghana Ports and Harbours Authority. However, out of the 139 enterprises earmarked for divestiture in 1995, only 60 had been sold by end-2000. The main obstacles to investor interest include delays in outsourcing companies for divestiture, and problems relating to land titles. The new government decided in early 2001 to continue with the divestiture programme. However, it also decided as a first step to carry out financial and managerial audit of the Divestiture Implementation Committee (DIC) — the body responsible for the programme — and to audit and review some divested companies for fraud and corruption. In effect, any major drives to get the enterprises sold have been put on the back seat for now. Not surprisingly, out of about 15 enterprises the government expected to sell in 2001 only one, Mim Timber Company Limited, had been sold by August 2001.

Ghana continues to carry out reforms in the financial sector. Earlier reforms included the authority for private banks to operate; removal of credit controls and liberalisation of interest rates and charges; the enactment of modern prudential regulations. Also, the capacity and efficiency of the central bank were improved through reorganisation of its structure, the strengthening of its procedures and capabilities. In addition, there were the implementation of management, institutional and financial restructuring packages for the commercial banking sector. Currently, while much of the banking system is functioning reasonably well, some banks continue to experience problems. In 1999 and 2000, the BOG closed down 21 rural banks and three commercial banks were also liquidated. The banking system is currently made up of 17 commercial and 113 rural/community banks. The major financial institutions are currently undertaking extensive modernisation including installation of ATMs.

The Ghana Stock Exchange, was adjudged the best performing market in Africa by the International Federation of Stock Exchanges and Africa's best performing market by the Standard New York Securities



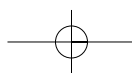
Inc. respectively in 1998. Since then, the performance of the market has been unimpressive. Following its worst year ever in 1999 when there was 8.7 per cent decline in the GSE all-share index, the market managed a 16.5 per cent rise in 2000. However, the rise in the index was due to the performance of only two companies as there was general decline in share prices of most companies. Money market instruments attracted invisible funds away from the capital market owing to the high nominal interest earned especially on the secured Treasury bills, as compared to the risk attributed to the capital market instruments. The stock market has seen a very slow recovery in 2001, with the all-share index rising by only 5 per cent during the first half of the year. Investors appear still cautious awaiting definite outcomes to the new government's economic measures.

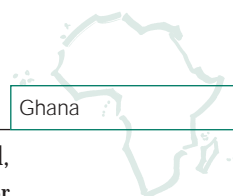
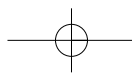
In the area of investment policies Ghana has pursued aggressive initiatives to market the country as a destination of choice for foreign investment. Earlier initiatives included the enactment of the new investment code and free zone programmes. The Ghana Gateway Project under the free zone programme registered 32 projects during the first quarter of 2001 with investors from such diverse areas as the United Kingdom, India, China, the United States, Germany, Lebanon, Nigeria, South Africa and Malaysia. The government has also been involved in some specific actions to attract investment including the 1998 high profile visit to Ghana by US ex-President Clinton and the annual African/African-American Conference. In response to these initiatives, in 1999 Ghana welcomed 16 major delegations of prospective investors. In 2000, these visits increased to 23. Ghana is currently pursuing regional integration through the sub-regional body of the Economic Community of West African States (ECOWAS). Already, a deepening of integration is observed as Ghana offers neighbouring Burkina Faso port and harbour facilities. Ghana and Nigeria, with the blessings of other ECOWAS countries, in 1999 formed the fast-track approach towards sub-regional economic integration, with the ultimate goal of a single monetary zone with a common central bank issuing a single currency. In line with its commitment to the regional body, the new administration has established a ministry responsible for regional co-operation.

Political and Social Context

Ghana is currently a politically stable country, and has been since 1992 when democratic elections were held after a decade of military dictatorship. The country's political stability adds to its growing track record of stability in a region of political upheaval. The 2000 presidential and parliamentary elections marked a major milestone as there was smooth transition of power from a ruling government to the opposition through the ballot box; a situation uncommon in Africa. The government is stable, and democracy appears to be working well in the country. A number of constitutional bodies have recently been set up in the country to promote democracy, and enhance probity and accountability. These include the Commission on Human Rights and Administrative Justice (CHRAJ) and the Serious Fraud Office (SFO). These are in addition to the Economic Crime Unit of the Ghana Police Service. Also, Ghana is among seven African countries that are piloting the new integrated strategy to fighting corruption sponsored by the World Bank and other developmental partners.

Poverty still remains a problem in Ghana even though the Ghana Living Standards Survey (1999) indicates that the level of poverty has declined since 1992. Estimates of the government and the World Bank establish that 29.4 per cent of Ghanaian households lived below the poverty line of \$1 a day in 2000. The GLSS (1999) indicated that poverty in Ghana remains a rural problem, with about 80 per cent of the poor living in rural areas. In terms of localities, significant poverty reduction has been reported in Accra and rural forest areas, while modest reductions were recorded in other urban areas in coastal districts. In terms of socio-economic groups, reductions in poverty were large among employees of public sector, private formal sector, export crop farmers as well as non-farm self-employed. While poverty decreased modestly for food crop farmers, it increased for the non-working population. The government currently utilises direct intervention measures to help the poor. In 2000, the government allocated the equivalent of about 17.4 per cent of total government expenditure for the provision of basic services for the





poor, including free medical attention for pregnant women, infants and the aged.

Ghana's successes in health care delivery are in the areas of physical access to health care delivery facilities and improved quality of health care. According to Ministry of Health data, life expectancy had risen to 59 years in 1998. While maternal mortality reduced from 740 per 100 000 in 1990 to 214 per 100 000 by 1998, the infant mortality rate declined to 60 per 1 000 live births over the same period. Infant vaccination for the six killer diseases has risen from 51 per cent in 1998 to 70 per cent in 2000. Also, immunisation of DPT3 improved from 73 per cent in 1999 to 80 per cent in 2000. Severe malnutrition among children had also reduced from 29.7 per cent in 1997 to 26 per cent in 1998. Nonetheless, there are still serious health problems. About 60-70 per cent of the country's health problems relate to communicable and preventable diseases including epidemics. In 2000 there was an upsurge of measles. At end-June 2000 more than 18 000 cases of measles were reported compared with 9 000 for 1999. On the positive side, the incidence of guinea worm — a water-borne disease that is prevalent in the poverty-stricken rural areas — assumed a downward trend: the number of cases reported in 2000 of 7 402 was down by 18 per cent on the number in 1999. Another source of worry is the increasing trend in HIV/AIDS. Although no official figures are given on prevalence rates some estimates put the infection rate at 4.6 per cent of the adult population. By end-September 2000 a cumulative total of 41 229 cases had been reported. Surveillance revealed 3 931 new cases between January and September 2000. In 2000, there was the successful introduction of the female condom and the inauguration of the National AIDS Commission as efforts to combat the spread of the disease.

The government's education policy continues to emphasise universal basic education and the reduction of adult illiteracy. The education indicators for Ghana indicate that by 1999 the adult illiteracy rate stood at 50 per cent, with a higher rate for females (63 per cent) than males (36 per cent). These figures put Ghana behind the rest of Africa where the average illiteracy figure is 43.5 per cent, with female and male ratios of

51.6 and 33 per cent respectively. On the other hand, in terms of enrolment the Ghana figures are better with total primary school enrolment (1999) of 82.8 per cent compared with 71.2 per cent for Africa. In 2001 the Ghana Ministry of Education estimates that while enrolment was 84.8 per cent for boys in primary school, that of girls was 74.4 per cent, suggesting that the significant gender gap in primary school enrolment was narrowing. However, there is a significant gap in the primary school enrolment figures between the urban and rural areas in Ghana. While the rate in urban areas increased from 74.8 per cent in 1992 to 89.5 per cent in 1999, the increase in the rural areas was from 51.6 per cent to 65.1 per cent during the same period.

