Ghana

2012

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Ghana

- The outlook in 2012 and 2013 remains positive with projected GDP growth of 8.3 % (7.6% non-oil) and 7.7 % (6.3 % non-oil) in 2012 and 2013 respectively.
- A key risk to the fiscal outlook for 2012 is the possibility of higher public spending pressure due to the elections and wage pressures from the implementation of the new pay policy.
- The population in the 15-24 age group has an unemployment rate of 25.6 %, twice that of the 25-44 age group and three times that of the 45-64 age group.

Overview

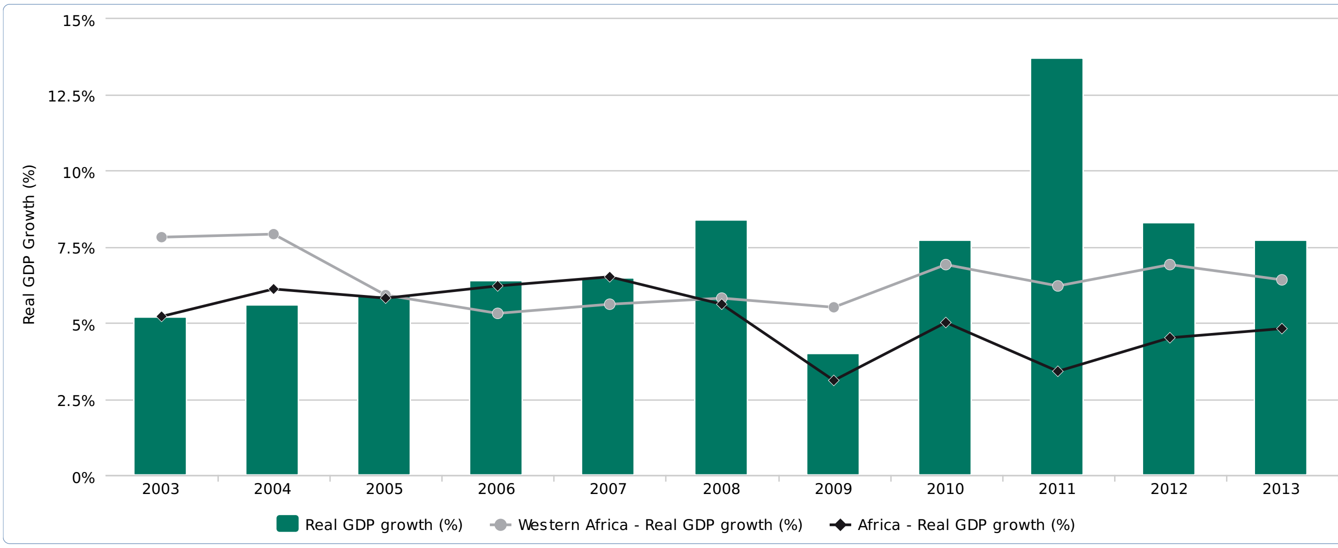
In 2011, Ghana made progress in consolidating the gains made in the management of its macro-economy in 2010 as year on year inflation dropped to 8.7 % and the fiscal deficit fell to 4.3 % of gross domestic product (GDP). The GDP growth for 2011 is projected to increase sharply from 7.7 % in 2010 to 13.7 % (7.5 % non-oil) aided by oil revenues and strong export performance of cocoa and gold. Future growth prospects remain strongly positive with projections of 8.3 % and 7.7 % for 2012 and 2013 respectively. Oil production and mining activities led industrial sector growth at 36.2 %. This was followed by the services sector (5.8 %) and the agricultural sector (5.2 %).

Ghana's middle-income status and oil receipts have provided the country with the fiscal space to seek non-concessional sources of finance. In August 2011, the Ghanaian Parliament approved a 3 billion dollars (USD) loan from the China Development Bank (CDB). This facility is the largest ever secured by Ghana and will be used to finance the infrastructure gap identified in the national development strategy, the Ghana Shared Growth and Development Agenda (GSGDA). As Ghana starts accessing non-concessional financing to meet its development needs, the government will need to ensure the preservation of the country's debt sustainability and the development of a strong institutional framework for public investment decisions.

Ghana continues to enjoy a more open society, with a vibrant media and strong public dialogue, which point to the consolidation of democratic rule. This has enabled Ghana to outperform most countries in West Africa and in the continent on measures of civil liberty, political rights and political stability. The parliamentary and presidential elections slated for December 2012 could further consolidate democracy. A key risk to the macro-economic and fiscal consolidation plan in the election year would be to maintain public spending within prudent levels to ensure that spending pressures ahead of the elections are kept within sustainable limits.

Although Ghana has made strides in meeting the Millennium Development Goal (MDG) targets on under-five mortality and maternal mortality, the country is unlikely to meet these targets unless effective interventions are put into place. The maternal mortality rate, which stands at 451 per 100 000 live births, has not shown any significant reduction. Despite interventions such as the new Child Health Policy (2009) and a scaling-up and sustaining of child survival interventions, the under-five mortality rate has fallen slowly from 111 to 80 deaths per 1 000 live births. At this rate, the target of 50 deaths per live birth is unlikely to be achieved unless effective initiatives are implemented. To address the lack of progress, government has outlined an MDG Acceleration Framework (MAF) for maternal health and completion of an Emergency Obstetric and Neonatal Care Needs Assessment, which will guide future actions on MDG 5.

Figure 1: Real GDP growth (Western)



Figures for 2010 are estimates; for 2011 and later are projections.

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Table 1: Macroeconomic Indicators

	2010	2011	2012	2013
Real GDP growth	7.7	13.7	8.3	7.7
Real GDP per capita growth	5.4	11.3	6	5.4
CPI inflation	10.8	8.7	8.2	7.7
Budget balance % GDP	-5.9	-4.3	-1.8	-1.5
Current account % GDP	-8.2	-11.6	-8	-9

Figures for 2010 are estimates; for 2011 and later are projections.

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Recent Developments & Prospects

Table 2: GDP by Sector (percentage of GDP)

	2006	2010
Agriculture, forestry, fishing & hunting	30.4	29.9
Agriculture, livestock, forestry and fisheries	-	-
of which agriculture	-	-
Mining and quarrying	2.8	1.8
of which oil	-	-
Manufacturing	10.2	6.8
Electricity, gas and water	2.1	1.5
Electricity, water and sewerage	-	-
Construction	5.7	8.6
Wholesale and retail trade, hotels and restaurants	11.4	12.3
of which hotels and restaurants	5	6
Transport, storage and communication	15.9	12.5
Transport and storage, information and communication	-	-
Finance, real estate and business services	7.8	9.7
Financial intermediation, real estate services, business and other service activities	-	-
General government services	-	-
Public administration & defence; social security, education, health & social work	-	-
Public administration, education, health	4.8	7
Public administration, education, health & other social & personal services	-	-
Other community, social & personal service activities	-	-
Other services	8.8	9.9
Gross domestic product at basic prices / factor cost	100	100
Wholesale and retail trade, hotels and restaurants	-	-

Figures for 2010 are estimates; for 2011 and later are projections.

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Ghana’s economy in 2011 continued to perform well as the country made gains in the consolidation of its fiscal stabilisation plan. The fiscal deficit fell from 5.9 % of GDP in 2010 to an estimated 4.3 % in 2011 due to strong revenue performance. For the first time in more than three decades, Ghana has been able to sustain single digit inflation rates for 19 consecutive months. Despite strong growth in export receipts over the first 11 months of the year from oil (USD 2.6 billion), gold (USD 4.5 billion) and cocoa (USD 1.9 billion), as reported by the Bank of Ghana (BOG), the current account deficit is projected to worsen from 8.2 % of GDP to 11.6 % due to the rebound in both oil and non-oil imports and net outflows in the services and income account. In 2012, the current account deficit is expected to improve to 8 % of GDP.

GDP growth in 2011 was driven by the industrial sector which grew by 36.2 %, slightly below the target of 37.2

%. The strongest performance came from the mining and quarrying sub-sector, which includes petroleum, which grew by 225.4 % as compared with 7 % in 2010. The construction and electricity sub-sectors also recorded appreciable growth rates of 17 % and 13.7 %, respectively, exceeding estimated growth rates of 7.9 % and 13.3 % in 2010. The growth in the construction sub-sector was largely attributable to massive public and private construction activity. A marginal growth of 1.7 % and 1.9 % was achieved in the water and sewerage and manufacturing sub-sectors respectively. The re-commencement of the operation of two pot-lines at the Volta Aluminium Company (VALCO), helped to boost the manufacturing sub-sector's performance in 2011. Some of the reasons for the poor performance of the manufacturing sector include: intensified import competition, which has dampened competitiveness of local manufacturing companies; high utility prices; low research and development efforts; high costs of inputs and raw materials; increases in tax rates; and removal of tax holidays over the last five years. To address the poor performance of the manufacturing sector, the Ministry of Trade and Industry, in June 2011, launched the National Industrial Policy (NIP 2011-15). Key policy initiatives to be implemented under the NIP, among others, include the provision of support to the land reform process and the enhancement of labour productivity through the application of new technologies.

The service sector continues to be the leading contributor to GDP. It grew by 4.2 % in 2011, below the target of 9.9 % and lower than the outturn of 6.1 % in the previous year. The five main growth drivers of the services sector are: community, social and personal service activities (12 %), information and communication (10.5 %), public administration and defence (7.3 %), transport and storage (7.1 %), and health and social work (6.1 %). The hotels and restaurants sector, as well as business and other service activities sectors, contracted by 11 % and 1 % respectively as compared to the targets of 13.5 % and 10 %.

The agriculture sector expanded by 2.8 % in 2011, which was below the targeted growth rate of 5.3 % and the estimated outturn of 5.3 % in 2010. The low growth rate of the sector is largely explained by the sharp decline in reforestation activities, which led to a drastic contraction of the forestry and logging subsector by 14 %. All of the other sectors within this sub-group expanded: crops (5.4 %), livestock (5.1 %) and fishing (1.7 %). The high growth performance of the crops sub-sector was largely due to the spectacular growth performance of the cocoa sub-sector which grew by 14 %. In 2011, Ghana was able to achieve its target of 1 million tonnes of cocoa production after producing 640 000 tonnes in the 2009/10 crop season. This record production level is the highest since the country registered its name on the international market as a producer of cocoa.

Ghana's fiscal consolidation programme was re-launched in 2011 after a setback in 2010. The fiscal deficit improved from 7.2 % of GDP in 2008 to 3.5 % in 2009 but worsened to 5.9 % in 2010.

Provisional data for the first three-quarters of 2011 indicate strong fiscal performance. Total revenue and grants for the first three-quarters grew by 46.5 % mainly because of improved performance of import duties, the value-added tax (VAT), petroleum and domestic taxes. Oil revenue accruing to government per the petroleum purchase agreement with the Ghana National Petroleum Company (GNPC), based on a total output of 24.78 million barrels, are estimated at USD 337.33 million or 7 % of GDP in 2011. Oil revenue has provided government with fiscal space to increase priority spending outlined in its national development strategy, the GSGDA. Key challenges for the future include the prudent management of oil revenues and the maintenance of a competitive non-oil sector.

In accordance with the Petroleum Revenue Management Act (PRMA), which outlines the provisions for the management of the petroleum revenue in Ghana, the government has published the receipts for oil production and export. The 2012 budget announced how the revenues accruing to government were allocated: USD 156.1 million was transferred to GNPC as equity financing and carried interest and USD 112 million was transferred into the Consolidated Fund as the annual budget funding amount. Another USD 54.8 million went into the Stabilisation Fund and USD 14.4 million was transferred into the Heritage Fund accounts. For 2012, the government is projecting a total benchmark oil revenue of GHS 1.24 million (USD 745 million) based on a benchmark price of USD 90 per barrel.

Macroeconomic Policy

Fiscal Policy

In 2011, Ghana made gains in the consolidation of its fiscal stabilisation plan, and the fiscal deficit fell from 5.9 % in 2010 to an estimated 4.3 % in 2011. The fiscal deficit is expected to improve to 1.8 % and 1.5 % in 2012 and 2013 respectively. The increase in total tax revenues and grants as a percentage of GDP from 16.7 % in 2010 is driven by the expansion in the economy as a result of the oil production and tax reforms instituted in 2011. Thus, although tax revenue declined slightly from 2010, oil tax revenues increased.

Following the rebasing of the GDP, the tax to GDP ratio fell 13 % in 2010. To address this, in 2011 the government initiated a number of measures to strengthen tax collection and expenditure management as well as to widen the tax net and boost revenue. These include: integrating revenue services (IRS, VAT, CEPS) under the Ghana Revenue Authority; increasing the VAT and withholding tax threshold; extending the coverage of the communication service tax, and implementing new measures to tax the informal sector amongst others. The 2012 budget announced various tax measures to both deepen the tax net and improve revenue receipts. Some of these initiatives include an increase in the corporate tax rate from 25 % to 35 %; a windfall profit tax of 10 % for the mining sector and a capital allowance of 20 % for five years in the mining and oil and gas sectors.

In the same period, expenditures increased by 22.4 % and formed 21.7 % of GDP. This increase in expenditure reflects the large wage bill due to higher than budgeted base pay increases and the cost of migrating into the Single Salary Spine (SSS), the government's new pay policy. Public sector wages, which form about 42 % of recurrent expenditure, continue to exert pressure on the wage bill and present a constraint to implementing the budget. The wage pressures due to the migration onto the SSS are a key risk to fiscal policy.

The government made efforts to address payment arrears, which in the recent past negatively affected the banking sector and constituted a major threat to fiscal stability. The arrears situation has been better managed with the re-instatement of commitment controls in October 2010. Cash payments to settle arrears equivalent to 1.1 % of GDP were made early in 2011 and a second tranche of public bonds amounting to 1.1 % of GDP were issued to clear the debts of the Tema Oil Refinery (TOR) to the Ghana Commercial Bank (GCB). A total cash payment of GHS 3.08 million (USD 1.92 million) has been made to reduce arrears owed to road contractors, statutory funds and state-owned enterprises from 2009 to end September 2011, leaving a balance of GHS 1.5 million (USD 937.1 million). To better manage arrears, a comprehensive database has been established in 2011 to facilitate monitoring of commitments. There has also been a directive to ministries, departments and agencies (MDAs) by the Office of the President (in October 2010) mandating all MDAs to seek authorisation through Commencement Certificates before committing government to contractual obligations. These steps have led to a significant reduction in payment arrears and the fiscal imbalance. Government has also put in place a strategy for regularising payment arrears by 2015 using a mix of bonds and cash.

Table 3: Public Finances (percentage of GDP)

	2003	2006	2007	2008	2009	2010	2011	2012	2013
Total revenue and grants	15.8	27.8	32.8	16	16.5	16.7	17.4	17.8	16.5
Tax revenue	11.9	20.2	24.1	11.6	11.1	12.1	11.7	11.1	10.5
Oil revenue	0.6	-	-	1.3	1.1	1.1	2.8	3.9	3.6
Grants	-	-	-	-	-	-	-	-	-
Total expenditure and net lending (a)	16.9	34.9	41.5	23.9	20.5	22.6	21.7	19.5	18
Current expenditure	11.8	22.3	26.8	14.8	13.4	15.1	13.8	12.2	11.6
Excluding interest	8.4	18.9	23.6	12.6	10.6	12	11	9.6	8.6
Wages and salaries	5.3	9.9	10.3	6.6	6.8	6.9	5.9	5.1	4.6
Interest	3.4	3.4	3.2	2.3	2.8	3.1	2.9	2.6	3.1
Primary balance	2.2	-3.7	-5.5	-5.7	-1.2	-2.8	-1.4	0.9	1.6
Overall balance	-1.2	-7.1	-8.7	-7.9	-4	-5.9	-4.3	-1.8	-1.5

Figures for 2010 are estimates; for 2011 and later are projections.

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Monetary Policy

The Bank of Ghana (Bog) continues to pursue a policy of keeping inflation within a narrow band of 6.5 % to 10.5 %, as well as maintaining exchange rate flexibility in support of the inflation targeting regime. The BoG has taken advantage of balance of payments surpluses to strengthen reserves and the exchange rate has been relatively stable due to the impact of the stabilisation programme, improvement in the balance of payments, non-resident investor confidence and interest in the domestic bond market. With improved terms of trade, the exchange rate has remained fairly stable with occasional volatility; the Bank of Ghana has intervened through sterilisation using domestic paper in some months to smooth excessive exchange rate volatility and manage liquidity.

Key risks to monetary policy include adverse developments in world commodity prices and foreign investment inflows, and public spending pressures ahead of the 2012 elections.

For the first time in more than three decades, Ghana has been able to sustain single digit inflation rates for 19 consecutive months. Since reaching a peak of 20.7 % in June 2009, inflation had declined to 8.7 % as at December 2011. The low inflation has been driven by relative stability in the food and non-food components of the consumer basket. For 2012, an inflation rate of 8.2 % is being targeted; upside risks to inflation include utility tariff adjustments announced in December, payment arrears and uncertainty surrounding wage settlement under the Single Salary Spine.

The sustained easing of inflation pressures coupled with the improved economic environment has encouraged the Bank of Ghana to cut its policy rate from 18 % in January 2010 to 12.5 % in December 2011. The reductions in the prime rate have prompted reductions in money market and bank rates with average base rates declining from about 31.3 % to 23.3 %. This has created a more favourable climate for the private sector; private sector lending increased by 16.9 % in 2011 after falling by 0.2 % in 2010. Lending to the private sector has also been enhanced by the passage of the Credit Reporting Act of 2009 and the establishment of a credit bureau and collateral system in 2010. The yields on short-term money market instruments have also declined; the 91-day Treasury bill rate declined from 20.1 % in January 2010 to 9.2 % by the end of 2011.

Economic Cooperation, Regional Integration & Trade

Despite oil production, the composition of Ghana’s trade continues to be dominated by primary commodities exports of gold (USD 3.7 billion) and cocoa (USD 1.7 billion), which account for 54.24% of export receipts in

2011. Receipts from crude oil exports formed 22 % of total export receipts (USD 1.97 billion). Crude oil is currently the second largest export earner after gold. Oil exports have the potential to surpass gold exports if and when production expands from 80 000 barrels per day (bpd) to its estimated peak levels of 120 000 bpd.

Ghana's external balance deteriorated in 2011, with an increase in the trade deficit from 9.2 % in 2010 to 10 % in 2011. Based on this, the current account deficit is projected to increase from 8.2 % in 2010 to 11.6 % in 2011. Exports, as a percentage of GDP, are projected to increase from 24.6 % in 2010 to 27.51 % and 28.1 % in 2011 and 2012, respectively. A significant proportion of the increase is expected to come from oil exports, as well as the high volume and value of gold and cocoa exports.

Imports increased from 33.8 % of GDP in 2010 to 37.4 % in 2011; this was driven by strong growth, oil imports and rising investment activity, especially in the oil sector. For 2012 and 2013, imports are expected to taper gradually and reduce to 34.9 % in 2012. This is expected to reduce the current account deficit to 8 % of GDP 2012.

The exchange rate came under pressure in the second half of the year, the cedi depreciated by 2.3 % against the US dollar in 2011, compared with an appreciation of 1.5 % in 2010. In order to smooth excessive exchange rate volatility and manage liquidity, the Bank of Ghana has intervened through sterilisation using domestic paper in some months to maintain the competiveness of the cedi. Supported by record foreign direct investment (FDI) inflows of USD 2.89 million mainly to the extractive industries in oil and mining sectors, official reserves are projected to rise to USD 5.4 billion at end 2011, covering just over three months of imports.

Table 4: Current Account (percentage of GDP)

	2003	2006	2007	2008	2009	2010	2011	2012	2013
Trade balance	-5.4	-24.1	-26.5	-17.5	-8.5	-9.2	-10	-6.8	-7.6
Exports of goods (f.o.b.)	20.8	29.7	28.4	18.5	22.5	24.6	27.5	28.1	26.4
Imports of goods (f.o.b.)	26.2	53.9	54.9	36	31	33.8	37.4	34.9	34
Services	-2.2	-1.1	-1.1	-2	-5.1	-5.7	-7.4	-7.2	-6.4
Factor income	-1.5	-1	-0.9	-0.6	-0.6	-0.6	-0.4	-0.4	-0.5
Current transfers	10.1	19.8	13.9	9.4	10.2	7.2	6.1	6.4	5.5
Current account balance	1	-6.5	-14.6	-10.8	-4	-8.2	-11.6	-8	-9

Figures for 2010 are estimates; for 2011 and later are projections.

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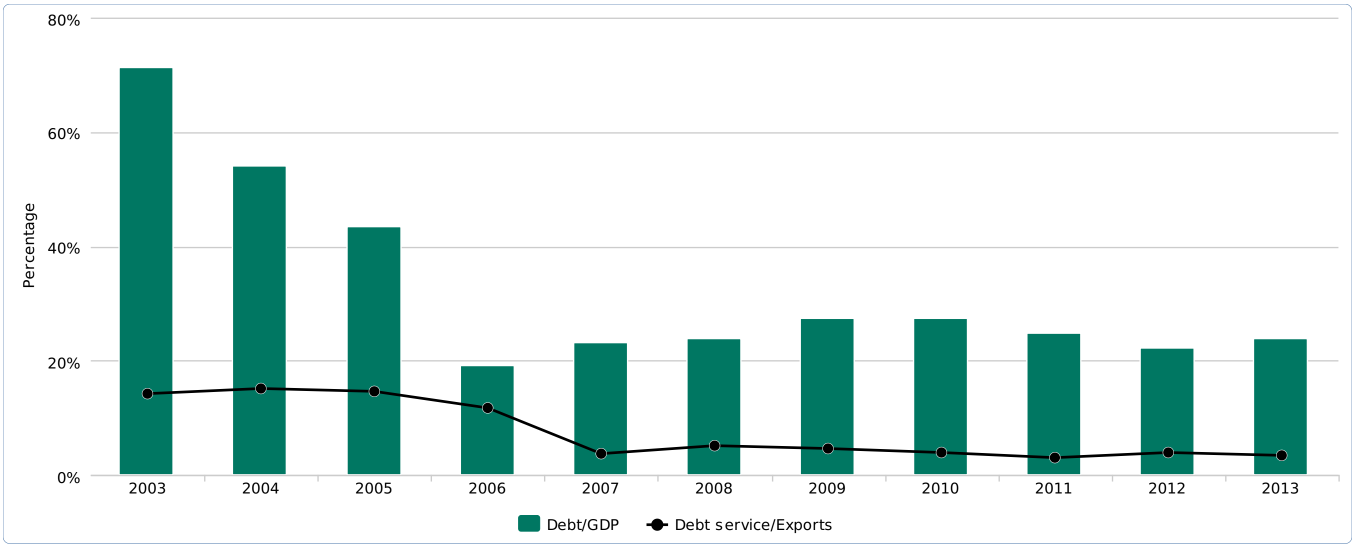
Debt Policy

In 2011, the government is estimated to have contracted new external loans totalling about USD 4.3 billion, increasing the external debt stock by 21.7 % over the end of December 2010 level to USD 7.6 billion. The new loans contracted include the USD 3 billon facility from the China Development Bank and USD 10 million from Brazil, highlighting the influence of non-traditional donors. The new facility is the largest ever secured by Ghana and is be used to finance infrastructure development, including rail rehabilitation, gas infrastructure, road building, a second harbour at Takoradi and the construction of landing sites for fishermen along the coast. However, reliance on non-concessional financing such as the above facility and the implementation of a new public-private partnership (PPP) policy calls for the development of a strong institutional framework for public investment decisions.

Domestic debt was GHS 11.7 billion at the end of November 2011, showing an increase of 39.2% over the end December 2010 level. The total public debt is estimated at GHS 23.4 billion at the end of November 2011, equivalent to 43.9% of GDP, up from 37.8% of GDP at the end of 2010. Currently, the total debt stock is fairly evenly split between domestic and external debt. The above notwithstanding, Ghana's Debt Sustainability Assessment (DSA) updated in November 2011 shows Ghana's external debt burden indicators remaining below their respective indicative thresholds, provided programmed fiscal consolidation is achieved. The DSA assessed the country at a moderate level with the possibility of improving to low debt stress.

Substantial progress was made in deepening debt-management skills and policies in 2010. The debt-management division has been re-organised with units specialised by functional areas and a Debt Management Strategy was developed in December 2010. The strategy aims at ensuring prudent levels of risk, maintaining public debt at sustainable levels over the medium to long term and the development of a domestic debt market.

Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



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Economic & Political Governance

Private Sector

The government has been active in building a policy and regulatory environment that is more conducive to enterprise development. Ghana has been ranked twice as a top 10 reformer globally by the World Bank's *Doing Business* report. The country's *Doing Business* ranking also steadily improved from 106 in 2006 to 60 in 2011 but slid to 63 in 2012 because of increasing costs and difficulties in starting a business. The access to finance indicator, which is the top-most challenge cited by Ghanaian businesses, registered a decline although the Central Bank reported a year-on-year growth of 26.3 % in private sector credit in 2011.

A number of challenges continue to adversely affect Ghana's private sector efficiency and present major constraints for growth. These include weak infrastructural systems, especially in the energy, transport and telecom sectors ; ineffective public administration structures ; under-developed financial systems and inadequate managerial and technical capacities of enterprises. Improving the overall business environment, as well as enhancing private sector competitiveness, continues to be a high priority. Both areas remain important pillars of the GSGDA and are also integral to the recently launched Private Sector Development Strategy 2011-15 (PSDS II) and the Ghana Industrial Policy (GIP), which aim to address binding constraints to business development, promote value addition and raise productivity of Ghanaian businesses. The government has also launched a second phase of the Financial Sector Strategic Plan II (FNSSP II), which lays out policy and legislative reforms to deepen the financial sector and develop capital markets.

Increasingly, the private sector is being considered by the government as a significant partner in the financing and delivery of infrastructure. Consequently in 2011, the government approved the PPP policy designed to provide guiding principles for PPP arrangements and attract private capital to provide financing for key infrastructure projects. To encourage the availability of long-term capital in the domestic market, several regulations including those on pension reforms, passed in 2011. As well, the Stock Exchange tax holiday and capital gains tax have been extended for another five years, while fiscal incentives have also been offered to investment funds to spur stock market activity.

Financial Sector

From the early 1990s, Ghana's financial system has undergone extensive reforms, some of which were driven by the Financial Sector Adjustment Programme (FINSAP I and II) and the FINSSIP I. These reforms led to the privatisation of the banking sector, which had been dominated by state-owned banks, improvements in the regulatory and supervisory framework and the development of a capital market. However, the financial system remains relatively underdeveloped and still lacks most of the sophisticated financial products that are available in international financial markets. The bond market is dominated by the government and there is only one corporate bond listed making it difficult for companies to diversify their capital raising methods.

To address the challenges in the financial system, a second phase of the Financial Sector Strategic Plan II (FINSSP II 2011-15) was approved in 2010 and launched in June 2011; the strategy aims at developing the financing base of banking institutions, easing barriers to access to finance, introducing innovative financial instruments and improving quality services through increased competition. The plan also integrates the recommendations of the FSAP. The mobilisation of domestic resources and their efficient utilisation are two of the most crucial tasks that must be undertaken to revitalise the private sector and the Ghanaian economy as a whole. Generally, Ghana's banking system is profitable and liquid with high capital levels. However, a number of challenges remain. These include weak risk management practices and overexposure to certain sectors and borrowers due to an excessive government role, and inadequate bank accounting practices due to a weak legal framework. Driven partly by high domestic arrears accrued by the government, non-performing loans (NPL) within the banking system remained high, especially from 2008. The government has, since 2010 and 2011, started to pay off some of the arrears. As well, the issue of government bonds to retire the TOR debt to GCB in 2011 has reduced some of the stability risks.

To address the undercapitalisation of the banking sector, the BoG in 2008 increased the minimum capital requirement to GHS 60 million. As at December 2011, 16 banks had met this requirement, including 13 foreign-owned banks.

Public Sector Management, Institutions & Reform

The government has, since January 2010, been implementing the SSS. The policy aims to transfer 520 000 public sector employees onto the new public pay structure. Implementation continued somewhat unevenly in 2011, with some labour groups embarking on strike actions and agitating for higher increases, which, in some cases, were not met. The implementation of the SSS is estimated to have significant implications for the wage bill and the national budget if not managed properly. The wage bill, which forms about 41 % of total revenues in 2011, continues to present a constraint to government expenditure as it absorbs a large share of public expenditure and non-oil GDP.

Implementation of the decentralisation policy continued in 2011, with the Civil Service Act laying out the re-aligned roles of the ministries. The decoupling of the Local Government Service from the Civil Service is ongoing; however, there is a need to put in place clear plans and processes for undertaking the institutional and personnel capacity strengthening at either or both (national/local) levels consistent with this major structural reform. A key challenge to the implementation of decentralisation is insufficient physical structures in newly created districts and the resourcing of the metropolitan, municipal and district assembly (MMDA) sub-structures.

In 2011, the government continued to implement reforms in pubic financial management to manage the effective establishment control and commitment that had been undermining efforts to maintain expenditure within budget ceilings. These reforms include the Ghana Integrated Financial Management Information System (GIFMIS), which would aid in the reporting on expenditure and revenues and a manual interim cash management system, to be migrated onto GIFMIS when the system comes online. The planned GIFMIS roll to 14 ministries in 2011 did not materialise due to delays in completing funding arrangements. Instead, the system is expected to be rolled out comprehensively to all spending units from January 2012. Other key reforms being implemented include the Treasury Single Account (TSA), a new chart of accounts based on the GFS 2001 classification system; and Programme Based Budgeting (PBB) in 2010. The PBB system was piloted in the Ministry of Tourism and the Ministry of Communications in 2011and is expected to be extended to seven MMDA in 2012.

Natural Resource Management & Environment

In 2010, Ghana achieved Extractive Industry Transparency Initiative (EITI) compliant status and extended the initiative to include the oil and gas sectors. Between 2010 and 2011, Ghana passed several laws governing the management of oil revenues to ensure transparency and accountability. Key bills passed include the Petroleum Revenue Management act (PRMA) and the Petroleum Commission Bills. To meet provisions of the PRMA, the Environmental and Natural Resources Advisory Council (ENRAC), chaired by the vice president, was established. A key challenge with the emerging oil and gas industry is the preparedness of the country to handle the environmental issues of the sector including the capacity to monitor the environmental impacts of oil production.

A National Climate Change Policy Framework (NCCPF), which was mainstreamed into the Ghana Shared Growth and Development Agenda (GSGDA), has been developed through a consultative process. The policy framework, which was presented as a discussion document at the Conference of Parties of the Climate Change Convention in Cancun, Mexico in 2010, has three key objectives : adapting to the impact of and reducing vulnerability to climate change; mitigating the impact of climate change; and pursuing a low carbon growth strategy.

Political Context

District level elections were held on the 28th of December 2010. The organisation of elections came under pressure due to a compressed time schedule caused by the November 2010 passing of a legal instrument affecting the local Government Act and the deadline for conducting elections by the end of the year.

The two dominant political parties, the National Democratic Congress (NDC) and the New Patriotic Party (NPP) held their national congresses in 2011 to elect their presidential candidates and executives. Both parties maintained the same flag bearers for the 2012 elections. The NDC retained John Evans Atta Mills as the presidential candidate. The NPP kept Nana Akuffo Addo. Both party processes were peaceful with both flag bearers wining over 50% of the delegates votes.

The introduction of biometric registration in the 2012 elections is expected to help check double registration and eliminate ghost names from the voter registry.

Social Context & Human Development

Building Human Resources

Ghana has made some progress in achieving some of the eight Millennium Development Goals (MDG), but is not on target to achieve several of them. Since 2004, Ghana has made impressive gains in net enrolment at the primary school levels. This has been as a result of pro-poor interventions such as capitation grants, school feeding programmes, free exercise books and school uniforms. However, the improvements in the net enrolment rate seen in prior years, suffered a reversal as the rate fell from 83.6 % in 2008/09 to 77.9 % in 2010/11. This drop in has been attributed to policy measures designed to increase access which led to an initial swell in the registration of older out-of-school children, whose numbers have decreased with time, leading to a fall in the admissions rate. Policies have been implemented to bridge the quality gap between rural and urban schools. However, this has been hampered by the difficulties of allocating staff to deprived districts. In 2012, the government plans to provide a 20 % salary bonus incentive to teachers in deprived districts. Despite the decline in regional disparities in the quality of education, there is a need for more focused efforts on completion and not just on enrolment.

Despite progress in reducing the under-five mortality rate, which dropped from 111 to 80 per 1 000 live births between 2003 and 2008, as a result of a number of initiatives including the new Child Health Policy (2009) and the scaling up and sustaining of child survival interventions, Ghana is unlikely to meet the MDG target of 50 per 1000 live births unless more effective interventions are implemented. The government's Health Sector Medium-Term Plan (HSMP) for 2010-13 identifies maternal health as a national priority. Efforts have been made to improve maternal health outcomes by providing free maternal health services, repositioning family planning and training and repositioning reproductive and child health staff. Despite these interventions, overall progress in the reduction of maternal mortality has been slow. Between 1990 and 2008, the maternal mortality ratio had reduced from 740 per 100 000 live births to 350 per 100 000 live births. At the current rate, Ghana is unlikely to attain its MDG target of 185 per 100 000 live births. To address the lack of progress in maternal mortality, the government has outlined an MDG Acceleration Framework (MAF) for maternal health and completion of an Emergency Obstetric and Neonatal Care Needs Assessment, which will guide future actions on this MDG.

Poverty Reduction, Social Protection & Labour

Ghana's strong economic performance since the mid-1990s has had a positive impact on poverty reduction. Despite this, inequalities in income have worsened and significant regional imbalances remain, notably the widening of the poverty gap between the north and the south. Several sector development plans including the Private Sector Development programme (PSDII), the National Youth policy, the 2009 National Employment Policy (NEP) and the National Social Protection Strategy (NSPS) have outlined specific interventions to address poverty and develop economic opportunity for the underdeveloped regions, especially the three northern regions.

The level of pro-poor spending has remained stagnant at 5.5 % of expenditures in the 2011 budget. The government continues to operate a number of social intervention programmes (SIP) to support the poor and most vulnerable groups. These include the National Health Insurance Scheme (NHIS) and expanded coverage of the Livelihood Empowerment Against Poverty (LEAP) to 55 000 people. Several plans and programmes have been established : the Micro-Finance and Small Loan Scheme (MASLOC), the Savanna Accelerated Development Authority (SADA), the National Youth Employment Programme, a school feeding programme and the provision of free textbooks and uniforms. Moreover, mandatory school fees for basic education have been removed and capitation grants implemented throughout the country. Electricity tariffs for initial consumption accounts have been reduced. Evaluations of the SIPs on their complementarities and effectiveness indicate they suffer from leakages and poor targeting. To address this, the SIPs have been implemented in phases in 2011 under a common targeting mechanism.

Gender Equality

Ghana has made progress in promoting gender equality and a fairly comprehensive policy and legal framework exists for gender equality and women's empowerment. However, overall, implementation has been slow and significant gender disparities remain. For instance, the proportion of women Members of Parliament decreased from 10.9 % in 2002 to 8.7 % and 8.3 % in 2008 and 2011, respectively. Land ownership for women has also seen little improvement while access of women to credit, workspace and agricultural extension services remains very difficult. Although the primary and secondary education gender parity indices have improved markedly – recording about 97 and 87 females per 100 males, respectively – the tertiary gender parity index is only about 45 females per 100 males.

The Sector Medium Term Development Plan 2010-13 (SMTDP) has been developed in line with the GSGDA.

The aim is to support the implementation of government development policies affecting women and children through awareness creation and evaluation of policy outcomes. In addition, the plan seeks to improve the socio-economic status of women and children, as well as vulnerable and marginalised groups through targeted interventions. A new National Gender Policy is also being prepared to address gaps in the promotion of gender equality and empowerment. The road map for the policy has been discussed and it is envisaged that a new children's policy will also be developed to ensure the rights of both women and children are protected. The Ministry of Women and Children (MOWAC) has also developed an Institutional Re-engineering Action Plan for 2011-13 to assess effective delivery of its mandate. Since Parliament approved the gender responsive budgets (GRBs) in 2007, 11 other ministries have introduced GRBs.

Thematic analysis: Promoting Youth Employment

Ghana’s population is regarded as young and growing, as is typical of low-income countries. Youth make up an estimated 33 % of Ghana’s population of 22 million. Unemployment is high within this segment of the population. Data indicates that the younger age group of between 15 and 24 has an unemployment rate of 25.6 %, twice that of the 25-44 age group and three times that of the 45-64 age group. A key challenge of government has been to create decent job opportunities for the youth or to engage them in some form of skills training to improve their chances of employment.

Recent gains in Ghana’s economic growth have not translated adequately into job opportunities in the formal sector. An estimated 54 % of the labour force is engaged in informal economic activities with only 11.5 % working in the formal sector. The youth account for only 14% of the regular wage earners in formal sector employment, an indication that young people are unable to find formal sector employment and hence must create economic opportunities for themselves in the informal sector as own-account workers, domestic employees, apprentices or unpaid family workers. The informal sector employs an estimated 22 % of youth.

Youth unemployment in Ghana has a geographical dimension. It is generally higher in urban areas than in rural areas. Due to the vulnerability of the youth in the labour market a significant number of them remain unemployed. Young adults, aged 25 to 29, constitute the largest proportion of migrants. Ghana’s labour market is characterised by dominance of the agricultural sector which employs over 57 % of the working population. Agricultural incomes are low, and provide few opportunities for youth employment in rural areas. Due to the lack of employable skills and education, coupled with the inability to find gainful employment in the urban formal sector, these migrants resort to informal economic activities such as petty street trading and load carrying. This latter phenomenon has been associated with the migration of children and women from the north of the country to the capital city in search of work. The lack of gainful employment has led to increasing juvenile crime and the growing incidence of youth involved in violent conflicts (political, social and ethnic).

Despite the lack of a youth policy, the National Youth Employment Programme (NYEP) has been in place since 2006. The NYEP employs Ghanaian youth between the ages of 18-35 years. The programme aims at providing youth with employable skills and providing them with requisite working experience. The programme initially started with 9 modules but was expanded in 2010 to cover 15 modules in the areas of security services, fire prevention, immigration, agri-business, health, waste management, education, trades and vocation, amongst others. The programme, by February 2011, is estimated to have recruited, trained and employed over 108 000 unemployed youth and is expected to engage 400 000 by the end of 2013

The implementation of a new youth policy was postponed until August 2010, when the government launched the National Youth Policy based on the theme “Towards an empowered youth, impacting positively on national development”. The policy aims to set the context for the development of supportive economic and social policies to ensure that youth have adequate levels of employment, and that their rights are respected. The Ministry of Youth and Sports, religious organisations, and traditional authorities are tasked with the implementation of the strategy. With the launch of the 2010 National Youth Policy and the national development strategy, policy issues on youth are now being co-ordinated and regarded as a cross-cutting theme in all government agencies’ strategies.

Ghana’s educational system has been identified as inadequately equipped to provide young people with the skills required by the private sector, creating a mismatch of skills among the youth in the labour market. A significant proportion of the youth (14.31 %) have never been to school. Over 65.68 % of the youth have only primary level education and only 1.99 % have attained vocational level training. In order to address this challenge, the government has embarked on several policy initiatives to increase access to basic education, expand and enhance technical and vocational education, and support employment creation through skills development programmes for unemployed youth.