Ghana

2011

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Ghana

Overview

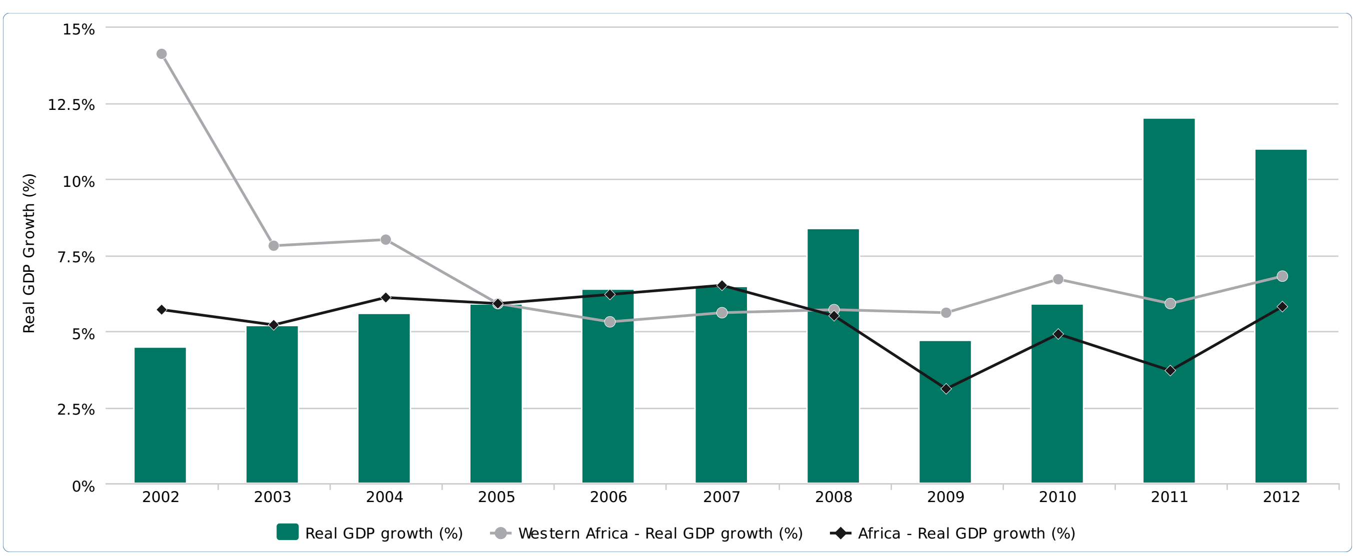
Ghana has rebased its national accounts, changing the base year from 1993 to 2006. According to the national authorities, following the rebasing, the size of the economy in real gross domestic product (GDP) terms has been raised threefold and placed Ghana among the lower middle income group of countries. The rebasing has also suggested greater fiscal space for Ghana with a reduced revenue-to-GDP ratio. While questions on the international acceptability of the new numbers remain, one point is clear: they confirm what most observers have often suggested, namely that the size of the Ghanaian economy has hitherto been grossly under-estimated.

Economic growth has remained strong with real GDP growth reaching an estimated 5.9% in 2010 compared to 4.7% in 2009. Growth prospects are even brighter as real GDP growth of 12.0% and about 11.0% are projected for 2011 and 2012 respectively, largely on account of the start of oil production in commercial quantities in December 2010. In addition, the country's increasingly democratic settlement and social stability have served to boost the confidence of investors, leading to rising investment.

The country's strong growth has been achieved within a sound macroeconomic environment. Prudence in fiscal and monetary management has contributed to the easing of inflationary pressures with declining interest rates. The private sector has responded positively to the government's development programmes and the improved business environment. The rise in bank lending and capital inflows suggests increasing investor confidence. New partnerships between Ghana and emerging economies such as China and South Korea are providing additional sources of financing and expertise for development.

Nevertheless, challenges remain, such as a very weak fiscal stance and fragile external balances. Growing fiscal challenges include large domestic payment arrears. Also, the government's new public sector pay policy – the Single Spine salary (SSS) policy – requires a huge budgetary outlay, which could threaten macroeconomic stability unless renewed efforts are made to enhance domestic resource mobilisation. Ghana should also adopt a sustainable debt management strategy to avoid post-HIPC (Highly Indebted Poor Countries) debt overhang. In addition, strong and sustainable growth over the next decade will require continued high levels of investment; this will be conditional on prudence in the management of the oil revenues. Besides, unemployment and underemployment are key challenges that require the government to enhance the job-relevant skills of the workforce, especially in the large informal sector of the economy.

Figure 1: Real GDP growth (W)



Source: National authorities' data; estimates and predictions based on authors' calculations.

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

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Table 1: Macroeconomic indicators

	2009	2010	2011	2012
Real GDP growth	4.7	5.9	12	11
CPI inflation	19.3	8	8.5	6.9
Budget balance % GDP	-7.6	-7.9	-7.7	-5
Current account % GDP	-8.1	-7.6	-6.4	-2.5

Source: National authorities' data; estimates and projections based on authors' calculations.

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

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Table 2: GDP by sector (in percentage)

	2005	2010
Agriculture, forestry, fishing & hunting	30.4	30.2
Agriculture, livestock, fishery, forestry and logging	-	-
of which agriculture	-	-
of which food crops	-	-
Mining and quarrying	2.8	1.9
Mining, manufacturing and utilities	-	-
of which oil	-	-
Manufacturing	10.2	6.5
of which hydrocarbon	-	-
Electricity, gas and water	2.1	1.2
Electricity, water and sewerage	-	-
Construction	5.7	9
Wholesale and retail trade, hotels and restaurants	11.4	13
of which hotels and restaurants	5	7.2
Transport, storage and communication	15.9	12.4
Transport and storage, information and communication	-	-
Finance, real estate and business services	7.8	9.3
Financial intermediation, real estate services, business and other service activities	-	-
General government services	-	-
Public administration & defence; social security, education, health & social work	9.9	12.7
Public administration, education, health	-	-
Public administration, education, health & other social & personal services	-	-
Public administration, education, health & social work, community, social & personal services	-	-
Public administration, education, health & social work, community, social services	-	-
Other community, social & personal service activities	3.7	3.8
Other services	-	-
Gross domestic product at basic prices / factor cost	100	100

Source: Data from Ghana Statistical Service (GSS).

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

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The Ghanaian economy has continued to perform well over the last decade, with consistently increasing annual growth rates from 4.2% in 2001 to 7.3% in 2008. However, in 2009 the growth rate dipped to 4.7%, reflecting the fallout of the global economic crises. In addition, the change in political leadership in 2008 and the sense of uncertainty in policy strategies and direction slowed investor activity. In 2010 the economy recovered to achieve an estimated growth rate of 5.9%. Growth is projected to surge to 12.0% in 2011 as Ghana exports crude oil for the first time. Oil output is projected to contribute 5.3 percentage points to this growth. Growth is projected slightly lower at about 11.0% in 2012, an election year, when increased uncertainty may dampen investor confidence.

Ghana's growth performance in 2010 was driven by the industrial sector with a 7% growth rate, achieved largely through the impressive growth performance of the mining and energy sub-sectors. These sub-sectors grew by 10.5% and 13.3% respectively in 2010 compared with 8.2% and 7.5% respectively in 2009. The manufacturing sub-sector continued to record poor growth in 2010 with a provisional outturn of a 1.0% growth rate following the dismal -1.3% growth rate recorded in 2009. Following years of poor performance by the manufacturing sector, its dominance in industry was overtaken by the construction sub-sector in 2007. Indeed, Ghana's manufacturing is currently struggling with poor growth performance and renewed government effort at addressing the sub-sector's constraints is needed. Over the years tax increases on the sector and intensified import competition have continued to dampen prospects.

In 2010 agriculture grew at 4.8%, lower than the 6.1% in 2009. Crops output and livestock production suffered in 2010 from flooding in the northern regions of the country which caused the destruction of many farms. However, cocoa output continued to be strong, recording nearly 640 000 tonnes in 2009/10 to follow the peak production of 710 000 tonnes in 2008/9. Indeed, since 2004 cocoa output in Ghana has not fallen below 600 000 tonnes a year. The continued strong performance of the cocoa industry reflects increased government support to the sector, taking the form of higher domestic prices the government pays to farmers, improved disease and pest control programmes, rehabilitation of feeder roads in cocoa-growing areas, and payment of bonuses to cocoa farmers. The government revised the producer price of cocoa upward twice in the 2009/10 crop year and again in October 2010. The current producer price of GHS 3.200 (Ghana cedi) per tonne represents 75.15% of the net free-on-board (FOB) price and is the highest in the history of the industry. There is, however, a downside risk to Ghana's expansion of cocoa output, which is being derived largely from increased acreage of cocoa farms. Ghana has suffered huge losses of its forest resources through deforestation over the years. The annual deforestation rate has averaged 65 000 hectares per year, some of which are lost to cocoa farms. Currently, Ghana's primary rainforest has been reduced by nearly 90%.

The services sector recorded a 6.1% growth in 2010 compared with 5.9% in 2009. Financial services and expansion in the telecommunications industry continued to spearhead growth of the sector in 2010. The telecommunications sub-sector expanded by 10.8% in 2010 raising total telephone access lines to about 17 million in 2010 from 15.2 million in 2009. In 2010 Ghana achieved telephone penetration rate of nearly 74%, with mobile telephony accounting for about 98% of the total access lines.

The demand composition of GDP continues to indicate investment as a key driver to growth. Both public and private investments have remained strong since 2007, when sharp reductions in the stock of external public debt provided a big stimulus to capital formation. Ghana has maintained an investment-GDP ratio above 30% since 2006. However, the investment share of GDP fell to just below 30% in 2009 and 2010 because of the lingering effects of the global financial crisis. As indicated in Table 3, the volume of domestic private and public capital formation as projected will be moderate in 2011 as private sector confidence in the economy is maintained. In 2011, the government is also expected to begin a huge housing scheme for the security services and undertake the construction of many roads, which will boost public investment. Export growth is expected to be high in 2011, as crude oil exports begin.

Table 3: Demand composition

	Percentage of GDP (current price)		Percentage changes, volume			Contribution to real GDP growth		
	2002	2009	2010	2011	2012	2010	2011	2012
Gross capital formation	19.7	29.9	17.9	15.3	9.9	6.7	6.4	4.3
Public	6.1	9.5	24	19	12	2.9	2.7	1.8
Private	13.6	20.4	15	13.4	8.8	3.9	3.8	2.5
Consumption	96.3	95.9	1.8	6.4	6.4	1.9	6.6	6.3
Public	17.6	19.6	-13.3	10.8	2	-3.7	2.4	0.5
Private	78.7	76.3	7.2	5.2	7.8	5.6	4.1	5.8
External sector	-16	-25.8	-	-	-	-2.8	-1	0.4
Exports	42.4	50.9	13.7	15.1	11.8	6.3	7.4	6
Imports	-58.5	-76.7	10.1	9	6.1	-9.1	-8.4	-5.5
Real GDP growth rate	-	-	-	-	-	5.9	12	11

Source: Data from Ghana Statistical Service (GSS) and Bank of Ghana; estimates (e) and projections (p) based on authors' calculations.

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

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Fiscal Policy

Ghana has a good record in macroeconomic management underpinned by anti-inflationary monetary policies and fiscal consolidation anchored on the elimination of wasteful expenditures. However, fiscal stability has recently been strained by rising budget deficits. The government's priority has therefore been on fiscal restraint through both revenue enhancing and expenditure rationalisation policies. The government's effort to reduce its fiscal deficits is also made more urgent by its commitment to meeting the basic primary convergence criteria of the West Africa Monetary Zone (WAMZ). The convergence criteria require the government to meet a fiscal deficit target not exceeding 4% of GDP.

While some success has been achieved in expenditure rationalisation through removal of fuel subsidies with the smooth operation of the automatic petroleum pricing regime, domestic revenue mobilisation has not improved much, largely as a result of the lack of new measures aimed at increasing the tax effort. As a result, the government continues to accumulate large domestic payment arrears. In 2010 these payment arrears were estimated at 12% of GDP.

The payment arrears have a significant negative impact on the economy. They constrain private sector activities, thereby slowing down growth and employment creation. Indeed, many private entrepreneurs, especially in the construction sector, complain of an inability to revamp their businesses because of the government's failure to honour its payment obligations to them. In 2010 lower private capital formation was largely attributed to these arrears. Also, government arrears in transfers to statutory funds delay the provision of the economic infrastructure required to support growth and deliver much needed social services.

In 2010 both government revenue and expenditure fell. Government expenditure dropped from 41.5% of GDP in 2009 to 39.7% in 2010 reflecting a decline in recurrent expenditure. At the same time, all the revenue components declined in 2010. The overall budget deficit increased marginally in 2010 to 7.9% of GDP from 7.6% of GDP in 2009.

The government has made a more determined effort to enhance revenue mobilisation in 2011 with a number of proposed tax policies including review of exemptions, widening the tax base and increasing the marginal tax rate. Improving revenue mobilisation in 2011 is indeed critical to the implementation of the government's new wage policy – the Single Spine Salary (SSS) policy. This pay policy is a unified salary structure that places all public sector employees in one vertical structure and ensures that jobs within the same job category are paid within the same pay range. The SSS replaces the system of over 90 different salary structures as well as over 65 different types of allowances that has been in existence in the Ghana public service. Although, the implementation of this new wage policy is spread over a period of five years, the wage bill for fiscal 2011 is estimated to be one of the highest in sub-Saharan Africa. Also, over 75% of the total wage bill and the associated increases resulting from the salary structure go to employees in only three ministries, departments and agencies (MDAs), namely education, health and local government. Thus, implementing the new pay policy could result in reducing social spending on a sustainable basis if no new additional resources are mobilised.

In spite of the new tax initiatives and the expectations of oil revenues the government's total revenue position is expected to stagnate in 2011 and 2012. Indeed, oil revenue is expected to contribute at least 6% of total revenue. Fiscal revenues from crude oil exports are forecast at USD 700 million in 2010 rising to USD 3 billion by 2013. Overall, available estimates indicate that crude oil exports will be in the range of USD 2 billion to USD 3.2 billion between 2010 and 2030. The overall budget deficit is projected to fall to around 7.7% of GDP in 2011 and further down to about 5.0% in 2012 as government revenues benefit from oil receipts.

Table 4: Public finances (percentage of GDP)

	2002	2007	2008	2009	2010	2011	2012
Total revenue and grants	19.3	32.8	33	34	31.9	29.7	29.3
Tax revenue	15.7	24.1	25.6	23.7	22.3	20.8	20.3
Oil revenue	-	-	-	-	-	-	-
Grants	3.1	6.2	4.8	6	5.3	4.7	4.8
Other revenues	-	-	-	-	-	-	-
Total expenditure and net lending (a)	26.1	41.5	47	41.5	39.8	37.5	34.4
Current expenditure	20	26.8	30.8	27.8	26.6	24.2	20.5
Excluding interest	13.8	23.6	26.8	22.7	21.3	19.8	18.2
Wages and salaries	8.5	10.3	11.7	12.2	11.2	9.9	9
Goods and services	3	4.1	3.8	3.1	3	2.9	2.7
Interest	6.1	3.2	4	5.1	5.3	4.3	2.3
Capital expenditure	6.1	11.9	14.6	12.3	13.2	13.3	13.9
Primary balance	-0.6	-5.5	-10	-2.5	-2.6	-3.4	-2.7
Overall balance	-6.8	-8.7	-14	-7.6	-7.9	-7.7	-5

a. Only major items are reported.
Source: Data from Ghana Statistical Service (GSS) and Bank of Ghana; estimates (e) and projections (p) based on authors' calculations.

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

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Monetary Policy

The Bank of Ghana's (BoG) primary monetary policy objective remains the reduction of inflation to single digits, within a formal inflation–targeting framework. The BoG also seeks to dampen exchange rate fluctuations. In 2010 the thrust of monetary policy was to deepen macroeconomic stability through lowering the rate of inflation. Monetary restraint in 2010 was designed to achieve single-digit inflation and contributed to a steady decline in inflation, from the peak of 19.05 in June 2009 to 8% at the end of December 2010. In 2010 growth of the monetary aggregates broadly slowed down with a similar slowdown of private sector credit growth. Growth in Broad Money Supply (M2+) slowed to 15.4% at the end of 2010 from 46.6% at the end of 2009. Similarly, credit to the private sector remained weak In 2010 recording an annual decline of 0.2% compared with a growth of 3.5% in 2009.

Sustaining single-digit inflation is challenging, given the expected increase in the pace of economic activity in 2011 in a global environment of rising world oil and food prices. Hence, more prudent fiscal policy and continued monetary restraint are needed. To this end, the BoG aims at consolidating the low inflationary pressures at single-digit level by strengthening its inflation-targeting framework and intensifying its engagement with the fiscal authorities to ensure better co-ordination of fiscal and monetary policies. The rate of inflation is projected to remain in single figures in 2011 and 2012, at 8.5% and 6.9% respectively.

With the easing of inflationary pressures in 2010 the policy rate of the central bank was reduced in 2010 from 18.0% in January to 13.5% in December. In response to the easing inflation expectations and the central bank policy rate cut there was a decline in yields across the auction market in 2010: the 91-day Treasury bill rate declined from 12.7% in January to 12.3% in December. In line with the general decline in interest rates, Deposit Money Banks' (DMBs) average base and lending rates also continued a gradual decline in 2010. Average base rate quotations of the banks were revised downward by 537 basis points (bps) between January and November 2010 to 26.03%. Similarly, average lending rates were revised downward by 513 bps to 27.63%

over the same period. On the deposit side, the three-month time deposit rate was revised downward by 950 bps to 9.5% while the savings deposit rate fell by 413 bps to 5.88% over the same period. A significant development in the financial system in 2010 was a strong non-resident investor demand for government securities that contributed to the lengthening of the average maturity**.** Government flotation of a three-year fixed rate bond and the strong foreign investor interest resulted in the share of these investors moving to 19.5% in October 2010 from 9.6% at end-December 2009.

External Position

The main aim of Ghana's trade policy is to enhance international competitiveness and secure greater market access for the country's products. The composition of Ghana's exports has not changed significantly for a long time. They have been dominated by gold and cocoa with about 41% and 24% shares respectively, reflecting a lack of significant progress at export diversification. However, with the export of oil from 2010, this structure will change but still reflect little diversification away from primary commodity exports.

Developments in Ghana's trade account are largely responsible for movements in the current account. The slow pace in economic activity in 2009 curtailed imports significantly compared with the previous year's level. As a result, and compared with 2008, the trade deficit was almost halved in 2009 leading to a sharp narrowing of the current account deficit (Table 3). In 2010 oil imports rose by about 36% on account of a higher crude price. As a percentage of GDP, however, imports remained quite stable. The trade deficit narrowed considerably in 2010 and the current account deficit also fell on account of a sharp rise in exports. The value of total exports rose by nearly 36%, with the value of cocoa and gold exports rising by 16% and 49% respectively. The current account deficit is expected to narrow considerably by 2012 largely thanks to higher export receipts from oil.

Ghana's managed floating exchange rate regime appears to be working well, with fewer BoG interventions recently to smooth fluctuations in the foreign exchange market. The exchange rate market remained stable in 2010 with the cedi trading strongly against major world currencies. The cedi appreciated by 0.1%, against the US dollar and remained equally strong against the euro.

Ghana's external debt rose by about 29% in 2010 to follow an increase of about 15% in 2009. Total public debt was the equivalent of 68.1% of GDP in 2010. The country's external debt burden is projected to increase considerably in the short term following a USD 13 billion loan agreement signed between the government of Ghana and China Development Bank and China Exim Bank. The government has also contracted a USD 1.5 billion housing loan from South Korea that will add to the debt burden in the short to medium term. An adoption of a sustainable debt management strategy by the government is clearly necessary to avoid potential post-HIPC debt overhang in the immediate future.

Table 5: Current account (percentage of GDP)

	2002	2007	2008	2009	2010	2011	2012
Trade balance	-11.2	-26.5	-31	-15.1	-9.2	-3.1	-0.7
Exports of goods (f.o.b.)	32.7	28.4	32.7	40.8	47.1	50.1	53.1
Imports of goods (f.o.b.)	43.9	54.9	63.7	55.9	56.4	53.2	53.8
Services	-1.1	-1.1	-3.1	-5.4	-12	-12.1	-9.1
Factor income	-2.8	-0.9	-1.6	-2.1	-0.5	-3	-2.8
Current transfers	14.6	13.9	13.7	14.4	14.1	11.9	10.1
Current account balance	-0.5	-14.6	-22	-8.1	-7.6	-6.4	-2.5

Source: Data from Bank of Ghana; estimates (e) and projections (p) based on authors' calculations.

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

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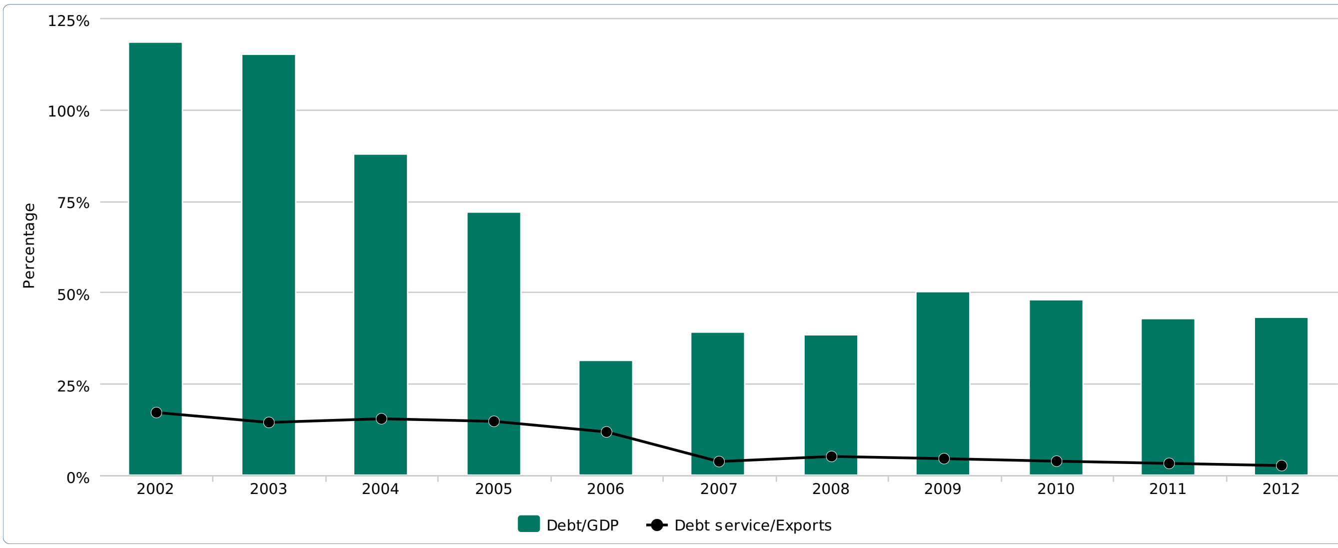
Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



Source: National authorities' data; estimates and predictions based on authors' calculations.

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Structural Issues

Private Sector Development

Ghana's effort to improve its business environment continues to yield positive results. Private sector response to the government's programme has been positive. In 2009 the change in political administration and the associated uncertainty regarding the direction of economic policy were largely responsible for a dip in Ghana's business climate with a slip of five places on the World Bank's *Doing Business* ranking. The situation, however, reversed in 2010 with a position change by ten places to 67th out of 183 countries. The improvement in the country's *Doing Business* ranking in 2011 was largely accounted for by improvement in access to credit where the country's ranking improved to 46th. Other improvements were in the areas of starting a business, paying taxes and enforcing contracts. Ghana, however, slipped in the areas of registering property, trading across borders, closing business, protecting investors and dealing with construction permits.

Ghana's commitment to enhancing private sector development is enshrined in its new Medium Term National Development Policy Framework dubbed "Ghana Shared Growth and Development Agenda" (GSGDA), for 2010-13. Among the key thematic considerations is the enhancement of international competitiveness in Ghana's private sector. The framework proposes to initiate measures to improve the investment climate and transform the economy from factor-driven to a more competitive, efficiency-driven economy. Towards this end, the country is committed to improving all aspects of doing business. In 2011 the government proposes to design a transparent, simplified and client-friendly business application process and provide support to strengthen public-private dialogue.

The government has made the provision of support to small and medium-sized enterprises (SMEs) a cornerstone of its recent private sector development effort. In 2010 the Ministry of Trade and Industry provided support for micro, small and medium-sized enterprises (MSMEs) in the form of training as well as finance in their operations. Through the Business Development Services Fund the ministry helped over 140 MSMEs to acquire technical assistance to address issues of low productivity, access to markets, product development and access to finance.

The banking sector's support for private sector development has been growing. In 2010 the banks extended more financing to the private sector. The banks allocated significant proportion of deposits to long-term investments, which is a good sign of their commitment to long-term development. Access to credit by SMEs improved in 2010, culminating in improved overall credit conditions from the banking sector. However, the credit delivery of the banks continues to be constrained by high cost-to-income ratios and deterioration in the quality of their loans books.

The Ghana Stock Exchange (GSE) continues to develop with improved market turnover and market capitalisation. The GSE was ranked the most innovative African Stock Exchange for 2010 by the *Africa Investor* based in New York. Market turnover, in terms of number of shares traded, increased by about 224% with 94.4% improvement in shares values. Market capitalisation also improved by about 25% in 2010. The improved performance of the stock market in 2010 was largely driven by stocks in the banking and finance sector, agriculture, food and beverage, and energy sectors. The improved performance of the stock market in 2010 could also be explained by a possible shift of funds from the money market in favour of the capital market on account of the lowering of the Treasury bill rate in 2010. However, the fact that there were no new listings on the GSE in 2010 raises questions about the depth of the exchange. The outlook over the next few years hinges strongly on the continued improvement in the macro fundamentals.

Other Recent Developments

Ghana continues to undertake other structural reforms and institution-building, focusing recently on energy, public sector reform and privatisation**.** The production of oil in commercial quantities which began in 2010 poses challenges and opportunities at the same time. Expected revenue from oil production will boost domestic resources. However, the increased financial resources also require efficient public financial management to avert potential waste and corruption. There is also the potential problem of the "Dutch disease", or revenue curse. An oil revenue bill was presented to parliament in 2010.

To enhance efficiency in public service delivery, the government has initiated steps to carry out public financial management reforms. This reform includes the transformation of public financial reporting systems through the implementation of the Ghana Integrated Financial Management Information Systems (GIFMIS). The GIFMIS is expected to improve the effectiveness of service delivery and allocation of resources to ensure more accountable, effective and transparent government.

As part of the effort to address existing weaknesses in the budgeting system, the government has also introduced Programme Based Budgeting (PBB). In 2009, the government introduced an interim system of a Cash Management Framework to support the fiscal consolidation process. In 2010 all revenue agencies were brought under a common management in a newly established Ghana Revenue Authority (GRA) with a view to promoting efficient domestic revenue mobilisation. Looking ahead, the government is expected to intensify its effort to fully implement the fiscal decentralisation policy. The government intends to undertake institutional and capacity development to facilitate the implementation of a revised intergovernmental fiscal framework.

Emerging Economic Partnerships

Ghana's economic relations with the rest of the world have seen a remarkable shift in recent times from close ties with advanced economies to growing links with emerging ones in the areas of trade, aid and foreign direct investment (FDI). Between 2003 and 2009, the value of Ghana's exports to advanced economies dropped from 65% to 50% against an increase from 25% to 36% in those to emerging and developing economies. Similarly, the value of Ghana's imports from emerging economies has witnessed a significant increase from 50% to 59% and a drop of 8 percentage points to 40% in those from advanced economies during the same period. The share of imports from countries in Africa averages 25%.

During the past decade the destination of Ghana's exports has increasingly shifted away from countries such as the United States, Belgium, France, Germany and Japan to India, Malaysia, Mongolia and Ukraine. At the same time, imports from India, China, Brazil, Nigeria and Côte d'Ivoire have risen considerably while those from the United Kingdom, the United States, Belgium and France have either stagnated or declined. The major increase in imports value from emerging economies came from China which saw an increase in exports to Ghana from USD 354.2 million in 2003 to USD 1.78 billion in 2009 resulting in a rise in China's share of total import value to Ghana from 9% to 17%.

In the area of investment, Britain remains the main source of FDI inflows (excluding mining) in terms of value of investment, accounting for about 37% of total FDI to Ghana between 1994 and 2009, followed by the United States, the United Arab Emirates, Nigeria, Malaysia and China in that order. China, however, leads in the number of registered projects with 415 projects mainly in manufacturing and general trade. India comes next with 388 projects, mainly in the area of manufacturing, followed by Lebanon with 291 projects. In 2007 China ranked second to Britain in terms of value of FDI, indicating the increasing presence of China in Ghana's FDI.

Ghana's economic co-operation with the East, particularly China, has grown remarkably in recent times. Over the past decade aid inflows to Ghana from China have increased considerably. The largest single aid inflow has been in the energy sector and involved USD 562 million for the construction of the Bui hydroelectric dam. This project will add 400 megawatts (MW) of electricity to the national grid. Other significant aid from China includes a USD 99 million interest-free loan for the construction of landing sites for fishing communities and a USD 30 million concessional loan for the first phase of a national fibre optic and e-government project extended in 2007 and 2008.

In 2009 China and Ghana also signed an agreement of economic and technical co-operation under which China would provide Ghana with a grant and interest-free loan of USD 3.6 million in 2010. In 2010 the two countries signed agreements totalling USD 13 billion with the China Development Bank and the China Exim Bank for the development of infrastructure in the areas of road, rail, energy, water and education. A USD 1.5 billion housing deal with the South Korean government in 2010 is a major step in expanding economic co-operation and partnership with emerging economies.

India is one of the top five foreign direct investors in Ghana. In 2010 Indian investments in Ghana included over 46 projects with an estimated total value of USD 277 million. Indian investments are found mostly in the agricultural and manufacturing sectors of the economy. In addition, within the health sector, Ghanaian pharmaceutical companies manufacture drugs in collaboration with Indian firms. Recently, Ghana's financial sector has attracted Indian investment. In 2010 the Indian Bank of Baroda opened a branch in Ghana. Ghana's information and communications technology (ICT) sector also has a significant Indian presence. The Electronic and Computer Software Export Promotion Council of India regularly invites Ghanaians to its exhibitions in India to share ideas on new technologies. Furthermore, under its Technical and Economic Cooperation (ITEC) programme, India awards annual scholarships to Ghanaians for both graduate and post-graduate programmes in ICT.

Political Context

The Atta Mills Administration marked its second year in power in 2010 in a continuing stable and calm political environment. While political stability remains a hallmark of the country's democratic settlement, frequent outbursts by supporters of both the ruling National Democratic Congress (NDC) and the largest opposition party, the New Patriotic Party (NPP), often create anxiety and have the potential to foment trouble.

In 2010 the government set up a Constitutional Review Commission to review the 1992 constitution. The commission is expected to solicit and articulate the concerns of the public on amendments that may be required for a comprehensive review of the 1992 constitution, make recommendations to government for consideration and provide a draft bill for possible amendments. In 2010 public forums were held across the country on the public's views on the 1992 constitution. It is expected that a bill will be tabled in Parliament on the constitutional amendments in 2011.

Social Context and Human Resource Development

The government's current health policy objectives aim at increasing access to, and improving the quality of, health care and nutrition services and establishing fees that cover costs while protecting the poor. The government also aims to improve health infrastructure and enhance efficiency in service delivery. Increased coverage under the National Health Insurance Scheme (NHIS) has contributed to increased health-care utilisation in hospitals. The NHIS is designed to offer affordable medical care, especially to the poor and the vulnerable. Under the scheme, adult Ghanaians pay a monthly subscription of about USD 0.66 and the government caters for the health needs of the aged, the poor and children of parents who both subscribe to the scheme.

Available government figures indicate considerable progress in health service delivery in the country. Ghana has already achieved the Millennium Development Goal (MDG) target of reducing by half the proportion of children who are underweight. Also, there has been a significant reduction in child mortality, with the under-5 mortality rate falling from 111 per 1 000 live births in 2003 to 80 per 1 000 live births in 2008. Over the same period the infant mortality rate has fallen from 43 per 1 000 live births to 30 per 1 000 live births. Immunisation of children aged under 1 year old has also improved. According to government records in the past eight years, Ghana has not recorded any measles deaths and the number of children who are affected by the disease has reduced considerably. Attended deliveries have also improved from 39.3% in 2008 to 45.6% in 2009. However, HIV/AIDs continues to pose significant challenges. In 2009, the prevalence rate in urban communities remained higher at 3.6% compared with 2.2% in rural communities. Also, HIV prevalence among pregnant women witnessed an upsurge to 2.9% in 2009 after a period of decline.

Other grave health problems include infestations of guinea worm. Although the government is making efforts to subsidise the provision of safe water in endemic areas, guinea worm infestation continues to rise and progress in controlling malaria remains very slow. This is particularly the case with children aged under 5 who are the most vulnerable. For this age group of children, the malaria fatality rate has stagnated since 2004. Malaria is also considered the major cause of mortality and morbidity among pregnant women. It is estimated that at least 40% of total outpatient cases and 61% and 8% of hospital admissions of children under 5 and pregnant women respectively are malaria cases. The government's main strategy for combating the high incidence of malaria has been the use of insecticide-treated nets particularly for children and pregnant women. However, the fight against malaria should also focus attention on ensuring good sanitation.

The government has continued its efforts to increase access, improve quality and raise gender parity in education. The government's main education objective is universal primary education and over the years a number of policies have been pursued towards this end. Under the current Education Strategy Plan (2003-15) the government provides free and compulsory basic education aimed at achieving universal primary education by 2015. The government provides funds to all public schools on a per-pupil basis to cover costs, including sports, school development and feeding programmes. Other strategies that have been pursued in support of the plan include expansion of early childhood development services. These measures have resulted in the improvement in various key education indicators. According to government figures, net enrolment and primary school completion rates stood at 83.6% and 87.1% in 2009, showing a marginal drop from 2008 at 88.5% and 88.7% respectively. The primary school gross enrolment rate remained unchanged at 94.9% in both years. Also, gender parity at primary and junior high school has remained unchanged at 0.96 and 0.92 respectively since 2007.

Unemployment and underemployment remain major problems, reflecting the failure of past economic growth to generate substantial formal employment in the private sector, and the lack of job-relevant skills of the majority of the workforce. Ghana's labour market is still characterised by the dominance of employment in agriculture and a large informal economy. Government figures indicate that currently two out of three working adults are employed. The national unemployment rate is estimated at only 3% by government sources. The low rate of unemployment in the country disguises the high levels of unemployment and underemployment inherent in the large informal sector.

Indeed, the government's definition of unemployment excludes the large numbers of jobless people who may be available for work but do not necessarily seek work, for various reasons. Given the large informal sector where the genuine unemployed are engaging in any economic activity simply to survive, concerted effort is needed to reduce the numbers in employment that may be considered as vulnerable, as well as the "working poor".

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