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- **Although Ghana registered relatively commendable economic growth in 2014, the economy faced major challenges in the form of a sharp currency depreciation, deepening energy crisis, deteriorating macroeconomic imbalance and rising inflation and interest rates.**
- **Over the medium term, the economy is projected to recover bolstered mainly by higher oil and gas production, combined with increased private sector and public infrastructure investments, as well as an improved macroeconomic framework and political stability.**
- **Ghana's accelerated economic growth over the past decade has helped the country achieve the Millennium Development Goal (MDG) goal of halving poverty, although there is evidence of growing disparities in spatial development and income inequality across regions, especially in the three northern regions. Progress in the achievement of other MDGs remains mixed, with the 2015 targets likely to be missed.**

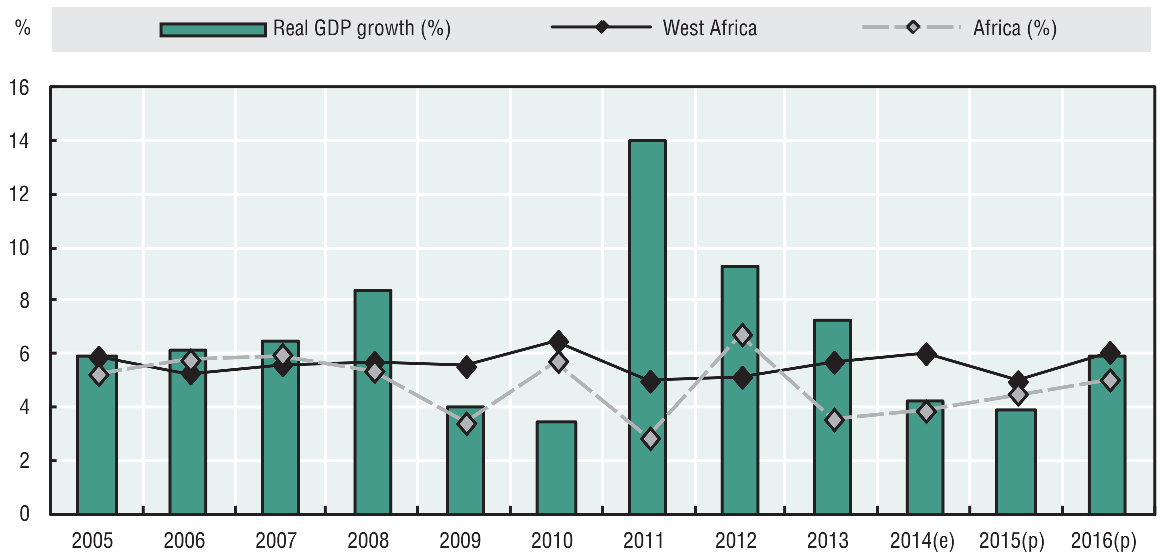
Overview

Ghana's economy is expected to slow down for the fourth consecutive year to an estimated 3.9% growth rate in 2015, owing to a severe energy crisis, unsustainable domestic and external debt burdens, and deteriorated macroeconomic and financial imbalances. Provisional gross domestic product (GDP) figures issued by the Ghana Statistical Services (GSS) further suggest that the economy expanded by 4.2% in 2014, less than the growth of 7.3% recorded in 2013. The drivers of growth continue to be the service sectors, which constitute 50.2% of the economy, followed by industry and agriculture at 28.4% and 19.9% respectively. In 2016 the economy is expected to recover, registering a growth of around 6%, bolstered by an increase in oil and gas production, private sector investment, improved public infrastructure and the country's political stability. Nonetheless, the prevailing low international oil prices could slow the pace of economic growth in the future.

High growth rates over recent years have been accompanied by the build-up of macroeconomic imbalances. In 2014 current account and fiscal deficits widened to 9.2% and 10.4% of GDP respectively, and the rate of inflation averaged 17.0%. By the end of December 2014, foreign reserves were at 3.2 months of import cover, thanks to inflows from the eurobond of USD 1 billion and a cocoa syndicate loan of USD 1.7 billion. The domestic currency, the cedi (GHS) depreciated by over 30% in nominal terms over the first nine months of the year compared to a depreciation of 4.1% during the corresponding period in 2013. The continued growth in the budget deficit resulted in public debt increasing from 55.8% of GDP in December 2013 to 67.1% of GDP by the end of December 2014. To address the increasingly unsustainable fiscal and current account imbalances, the Ghanaian authorities started negotiations for a stabilisation programme with the International Monetary Fund (IMF) that was expected to begin in early 2015.

While growth in Ghana has been inclusive, most of the jobs generated have been in the informal economy, with significant spatial disparities and rising income inequality. Although Ghana met the first Millennium Development Goals (MDG) target, that of eradicating extreme hunger and poverty, four of its ten regions are lagging behind. However, Ghana will not meet the MDGs related to reversing the loss of environmental resources, reducing the proportion of people without access to improved sanitation, and achieving significant improvement in the lives of people living in slum areas.

Figure 1. **Real GDP growth**



Source: AfDB, Statistics Department AEO. Estimates (e); projections (p)

Table 1. **Macroeconomic development**

	2013	2014(e)	2015(p)	2016(p)
Real GDP growth	7.3	4.2	3.9	5.9
Real GDP per capita growth	5.2	2.1	1.9	3.9
CPI inflation	11.7	17.0	8.3	8.7
Budget balance % GDP	-9.5	-10.4	-9.5	-9.9
Current account % GDP	-11.9	-9.2	-12.7	-17.3

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

Recent developments and prospects

Ghana's economy has had a commendable growth trajectory, with an average annual growth rate of about 8% over the past six years. In 2011, it reached a record high of 15% as oil production started at commercial volumes. While still enviable, the growth rate was revised to 4.2% in 2014, indicating stress in the economy. The extensive power cuts, the rapid depreciation of the domestic currency, and falling global prices for gold and oil have taken a toll on the economy.

In 2015, the rate of growth is expected to remain low at 3.9% because of an expected gradual recovery in industry, before reviving in 2016.

Fiscal and external sector balances continue to widen, resulting in a rise in inflation and a significant depreciation of the currency. Between January and September 2014, the cedi depreciated by 31.2% against the US dollar, compared to a depreciation of 4.1% during the corresponding period in 2013. Debt levels, according to current estimates, had climbed to 67.1% of GDP by the end of December 2014. Prospects over the medium-term period to 2016 indicate the rate of inflation rate easing to a single digit, as the effect of administered prices of oil and utility tariffs, as well as the depreciation of the cedi, are phased out. External and fiscal balances will continue to experience widened deficits, chiefly as the consequence of the fall in oil prices, which affects both export earnings and government revenue.

Even so, growth has been broad-based, driven largely by services, which contribute around 50% of GDP, followed by industry (mining, manufacturing and construction) at 28.5% of GDP and agriculture at around 21% (Table 2). Most sectors posted growth rates of close to around 4% in 2014. The contribution of industry was slightly undermined by the poor performance of manufacturing, which registered a marginal growth of 1%. This was due to a number of factors, among them power cuts as generating companies continued to experience operational problems exacerbated by shortages of gas and reduced water levels in the Akosombo and Bui reservoirs. The rapid depreciation of the domestic currency by over 30% in 2014 undoubtedly had a substantial negative impact on the cost of manufacturing as most inputs are imported.

Table 2. **GDP by sector (percentage of GDP at current prices)**

	2009	2014
Agriculture, forestry, fishing & hunting	32.9	20.7
of which fishing	2.5	1.5
Mining and quarrying	2.1	9.5
of which oil	0.0	6.3
Manufacturing	7.2	6.2
Electricity, gas and water	1.2	1.1
Construction	9.1	12.8
Wholesale & retail trade; repair of vehicles household goods; Restaurants and hotels	12.5	10.3
of which hotels and restaurants	6.4	4.8
Transport, storage and communication	12.8	13.9
Finance, real estate and business services	5.3	6.7
Public administration and defence	7.2	8.5
Other services	9.7	10.4
Gross domestic product at basic prices / factor cost	**100.0**	**100.0**

Source: Data from domestic authorities

Oil production continues to drive the contribution of mining and quarrying to the overall economy, rising from 24.5 million barrels annually in 2011 to around 36 million barrels in 2013 and to around 40 million barrels in 2014. The contribution of crude oil production to GDP increased from about 5% in 2011 to around 6.3% in 2014. Crude oil proceeds continue to represent a substantial share of total exports, rising from 21.8% in 2011 to 28.3% in 2013, ranking second to income from gold, which accounted for 36% in 2013. The contribution of oil proceeds to government revenues, though still marginal at around 8% of total domestic revenue in 2014, is significant as the inflows are in foreign currency. If the global oil price remains at the February 2015 level of around USD 50 per barrel or fell further, there could be a more significant adverse effects on government revenues. Nonetheless, prospects for increased oil production are promising. Since the inauguration of the Jubilee Field, 23 other wells have been discovered and in November 2014, the parliament ratified two new oil agreements for the Tweneboa-Enyoram-Ntome (TEN) and Sankofa projects. By 2017 and 2020, production of around 100 000 barrels per day (p/d) is expected from Tweneboa-Enyoram-Ntome and Sankofa projects, leading to overall production of around 200 000 barrels p/d by 2020. An Exploration and Production (E&P) Bill is also under consideration by parliament with a view to replacing the Petroleum (Exploration and Production) Act, 1984 (PNDC Law 84), in order to provide a more comprehensive legal regime.

In 2014 gold production and earnings were strongly affected by low prices, which declined from an annual average of USD 1 410 per ounce in 2013 to USD 1 289 by June 2014, leading to an overall decline in the value of gold exports of around 26%. Given limited prospects for higher prices in 2015, Ghana will continue to experience lower earnings from gold exports. The main gold mine, Ashanti Gold's Obuasi, shut down production, and several other larger mines were reducing production levels because of the fall in world prices and the ongoing energy crisis in Ghana.

The construction sector has consistently registered double digit growth bolstered by investments in real estate, improved public infrastructure, and investment in the mining sector. The construction sector on average registered growth rates of around 14% over 2011 to 2014, and is poised to maintain the same pace of growth over the medium term to 2017. The sector is on the rise, taking advantage of increased demand for residential and office accommodation, as well as hospitality services reflecting the growth of the middle-income class. Ghana is among those African countries with a sizeable middle-class population.

The agricultural sector, enjoying continued favourable weather condition, saw in 2014 its highest growth since 2010, of 5.2% , thanks to robust growth in forestry and logging (9.4%), fishing (16.4%), livestock (5.3%), and crops at 3.6% (although the growth in crops was low compared with that of 5.9% in 2013). The recent and projected rise in world market cocoa prices could provide a boost to Ghanaian farmers in 2015.

In view of the broad-based nature of the Ghanaian economic growth, the country is experiencing a low rate of unemployment (around 5%) as the population benefits from jobs created in the service sector and agriculture. Much of the employment generated is, however, in the informal economy. Although the share of agriculture continues to dwindle, declining from 23% of GDP in 2011 to around 20% in 2014, the sector remains a mainstay of the economy in terms of crop production and the employment of around 45% of the workforce. The chief threat to agricultural production in Ghana is the high dependence on rainfall, world market prices and the depletion of natural resources, especially the forest stocks.

Macroeconomic policy

Fiscal policy

The government's budgetary operations have continued to register increasing budget deficits despite initiatives to raise tax revenue and control expenditure. Over the two years to 2014, the budget deficit averaged over 10% of GDP, largely because of reduced domestic revenue collection and growing public expenditure. Domestic revenue collection in 2013 was 16.8% of GDP and in 2014 there was a slight recovery in revenue collection, projected to amount to about 18% of GDP, though far lower from the target of 21.6% of GDP. On the other hand, total expenditure increased by 6.4% between 2013 and 2014. Salaries and wages continue to take up a substantial share of domestic revenue, accounting for 34.5% (down from 42.2% in 2013), coupled with high debt service (interest) of about 23% of domestic revenue in 2013 and estimated to rise to 32% in 2014. Once statutory obligations (in particular public sector salaries and wages and debt repayment) are accounted for, there remains a very narrow fiscal space for other essential activities; particularly capital expenditures. Implications of the widened budget deficit are reflected in increased public-sector outstanding debt.

The 2014 fiscal consolidation measures involved continued removal of subsidies in oil prices and electricity tariffs towards full-cost recovery and control of the wage bill through i) setting conditions to guide annual salary increases; and ii) identification of ghost workers (employees whose names appear on payrolls but not working for the business entities) and wastage. These measures were timely and essential, but a lot more needs to be done to reduce the fiscal deficit in a sustainable manner. Accordingly, the Authorities are in consultation with the IMF to assist with fiscal consolidation efforts.

To further address the fiscal constraints, efforts would need to focus on raising revenue, cutting expenditure, and reducing the reliance on short-term domestic borrowing to finance the budget deficit. Financing of the budget deficit through short-term borrowing has been associated with high interest rates and consequently increased debt service, as short-term instruments (91-day to 1 year) on average accounted for over 30% of total domestic debt in 2013. Consequently, interest rate on 91-day instruments was at 25.5% in September 2014, far higher than the interest rate of 19.2% that prevailed in December 2013. The high interest rate not only has implications for public-sector debt but also for domestic private-sector investment.

Table 3. **Public finances (percentage of GDP at current prices)**

	2006	2011	2012	2013	2014(e)	2015(p)	2016(p)
Total revenue and grants	**17.8**	**18.7**	**18.8**	**16.8**	**18.2**	**19.4**	**20.5**
Tax revenue	13.9	17.5	17.1	16.1	17.4	17.9	19.1
Grants	3.4	2.0	1.5	0.5	0.6	1.3	1.3
Total expenditure and net lending (a)	**21.8**	**24.4**	**30.6**	**26.3**	**28.5**	**29.0**	**30.5**
Current expenditure	14.3	20.5	25.2	21.8	23.2	23.5	24.5
Excluding interest	12.2	17.8	21.7	17.1	16.3	15.9	15.8
Wages and salaries	6.1	10.9	11.1	11.1	9.7	9.5	8.9
Interest	2.1	2.7	3.5	4.6	6.9	7.6	8.8
Capital expenditure	5.9	3.8	5.3	4.5	5.3	5.5	5.9
Primary balance	**-1.9**	**-3.0**	**-8.2**	**-4.9**	**-3.5**	**-1.9**	**-1.2**
Overall balance	**-4.0**	**-5.7**	**-11.8**	**-9.5**	**-10.4**	**-9.5**	**-9.9**

Note : a. Only major items are reported.
Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations

Monetary policy

Monetary policy in 2014 was marked by contractionary measures to contain rising inflation and the depreciation of the domestic currency. The Bank of Ghana raised its policy rate by a cumulative 300 basis points to 21% in November 2014, up from 18% and 19% in February and July 2014 respectively. Despite the tight monetary policy, domestic credit continued to rise, as reflected by growth in broad money (M2+) by 36.8% at end-December 2014, compared with 19.1% in the same period in 2013. This was largely because of significant domestic financing of the public-sector debt. With credit to the private sector recording a 42.1% growth over the year to December 2014, allocation to beneficiaries has been mostly in favour of large enterprises and households, as opposed to small and medium-sized enterprises (SMEs): a reflection of the persistent lending risks to such enterprises.

The banking sector remained robust with a 42.2% increase in total assets over the year to December 2014; reducing the non-performing loans (NPL) ratio from 12.0% to 11.3%; and substantial operating capital (17.9% capital adequacy ratio) above the prudential limit of 10%. Nevertheless, the cost of credit continued to increase, as the spread between lending and deposit saving rates remained over 20%. The 91-day instrument traded at 25.8% in December 2014, up from 19.2% in December 2013; and the average lending rate by the banking sector was 29% in December 2014, up from 25.6% in December 2013.

The impact of expansionary money supply was partly evident in higher inflation, which rose to 17% in December 2014. Although other factors played significant roles in the current high inflation rate (i.e. adjustment of oil prices and utility tariffs) key risks in respect of inflation include the underlying pressures from the high public budget deficit. The automatic adjustment of oil prices based on world market prices and depreciation of the cedi against major foreign currencies will continue to influence inflation expectations.

Economic co-operation, regional integration and trade

Ghana continues to be a strong advocate of regional co-operation and integration. The president of Ghana assumed the chair of the Economic Community of West African States (ECOWAS) in 2014, and has also played a key ambassadorial role in the context of the Ebola crisis. As a member of ECOWAS, Ghana has endorsed the ECOWAS Common External Tariff (CET), which was adopted by ECOWAS finance ministers on 20 March 2014, and is viewed as the final step in the process which was initiated seven years ago. The government, within the context of 2015 budget, has re-affirmed its commitment to abide by ECOWAS protocols related to abolition of the residence permit and the introduction of the biometric identity card for community citizens. Jointly with ECOWAS member countries in June 2014, Ghana signed the economic partnership agreement (EPA) with the European Union (EU), an initiative that is expected to promote trade and attract investment to West African countries.

Table 4. **Current account (percentage of GDP at current prices)**

	2006	2011	2012	2013	2014(e)	2015(p)	2016(p)
Trade balance	-15.7	-7.7	-10.1	-8.4	-10.8	-14.7	-18.8
Exports of goods (f.o.b.)	17.5	32.3	32.3	28.3	29.5	23.6	24.0
Imports of goods (f.o.b.)	33.2	40.0	42.4	36.7	40.3	38.2	42.8
Services	-0.8	-4.7	-2.3	-5.0	0.0	0.0	0.0
Factor income	-0.8	-3.1	-5.1	-2.8	-2.9	-2.8	-2.6
Current transfers	-0.8	6.6	5.7	4.3	4.5	4.8	4.1
Current account balance	**-0.8**	**-9.0**	**-11.7**	**-11.9**	**-9.2**	**-12.7**	**-17.3**

Source: Data from domestic authorities; estimates (e) and projections (p) based on authors' calculations.

Despite increased participation in regional economic co-operation, Ghana's external trade has continued to perform poorly. Having recorded a widened current-account deficit of 11.9% of GDP in 2013, performance in 2014 continued to deteriorate largely because of a decline in export earnings. There was slow recovery in the commodity prices of its major export commodities, notably gold and cocoa and production of crude oil levelled off at around 100 000 barrels per day. Ghana's non-traditional exports remained unchanged, a reflection of sustained growth despite a number of challenges facing the productive sector, including shortages of energy and depreciation of the cedi. Imports were subdued by the continued depreciation of the cedi. In May 2014, total imports were lower by 17.8% than in the same period in 2013. Notwithstanding reduced export earnings, gross international foreign exchange reserves got a boost from the inflows of the eurobond of USD 1 billion floated in September 2014, leading to improved import cover from two and a half months in June 2014 to 3.2 months in December 2014.

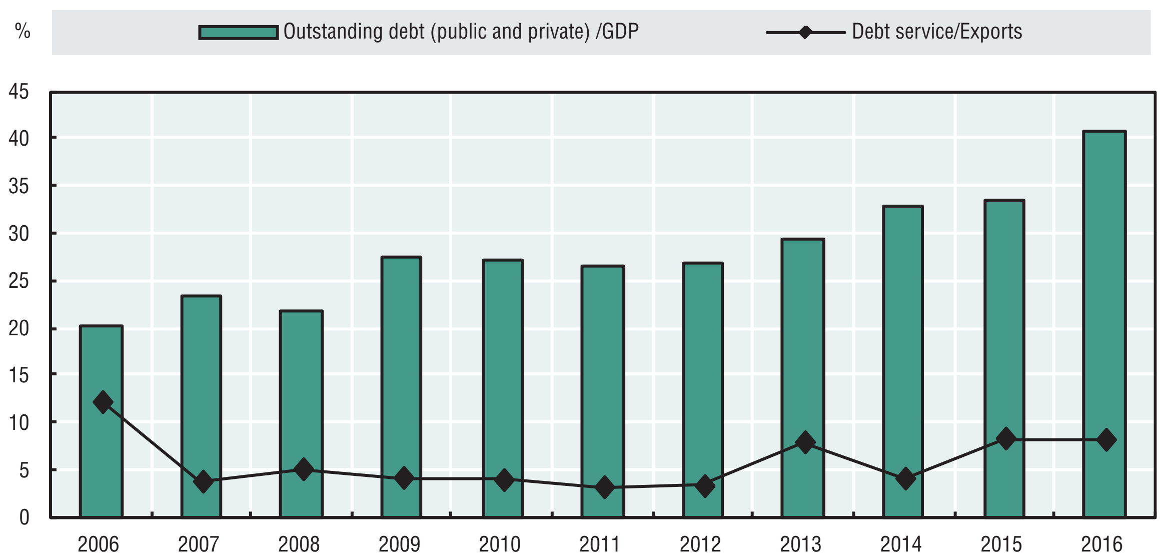
Debt policy

Debt management, an integral part of fiscal policy, has been reinforced by the introduction of a new debt management strategy encompassing a number of strategic interventions. The interventions announced in the 2014 and 2015 budgets include refinancing of short-term domestic debt through long-term borrowing and restricting non-concessional loans to infrastructure projects. Indeed, part of the government's eurobond of USD 1 billion raised in September 2014 and part of oil revenues are being used to refinance some short-term domestic debt and to serve as counterpart funds for ongoing infrastructure projects.

Following a widened budget deficit of over 10% of GDP since 2012, public debt rose sharply from 39.7% of GDP in 2011 to 55.3% in 2013 and further to 67.1% of GDP by the end of December 2014; with domestic debt accounting for 45.5% of total public debt. The inflows of the eurobond of USD 1 billion pushed up the public debt to USD 23.8 billion. The consequences of the rising public debt are visible in government spending on debt service, since about one-third of domestic revenue is spent on debt service interest. Moreover, payment of debt service interest is highly skewed towards domestic debt service at over 80%. This has been mainly due to high reliance on short-term instruments, which are associated with a high coupon rate of over 25%.

In line with Debt Sustainability Assessment (DSA) and in compliance with the debt management strategy, the current public debt level has surpassed the sustainability threshold of 60% of GDP. The government is, however, looking at possibilities of separating state-owned enterprises' (SOEs) debt from the public debt balance sheet, especially SOEs which have the ability to service their own debts. To this end escrow and debt service accounts have been established with the Bank of Ghana to recover loans extended to commercially viable public projects. To further ensure robust management of loans extended to commercially viable infrastructure projects, a special vehicle – the Ghana Infrastructure Investment Fund (GIIF) – has been established to take charge of finances required for such projects. The GIIF will receive seed money from the government, but will focus on mobilising private funds from capital markets for lending to public infrastructure projects based on the strength of their balance sheets. Concessional borrowing and grants will be devoted solely to social-oriented projects managed through the budget.

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



Source : IMF (WEO & Article IV)

Economic and political governance

Private sector

Ghana's private sector faced many challenges in 2014 as a result of three main factors; *i)* inadequate power supply (there has been an energy crisis since September 2012); *ii)* the sharp depreciation of the domestic currency (which depreciated sharply by over 40% in the first half of 2014 but recovered and remained fairly stable from September); and *iii)* access to credit. These challenges led to reduced economic activity and also impacted negatively on tax revenues and import volumes. According to the Association of Ghana Industries (AGI) report on the business barometer of September 2014, business confidence in the country fell significantly between 2013 and 2014, mainly because of the challenges cited. While SMEs indicated they suffered most from lack of power supply, the sharp depreciation of the currency and lack of access to credit, large companies noted that the depreciation of the cedi was the greatest constraint, followed by availability of power. Also the multiplicity of taxes was mentioned as one of the chief challenges to businesses in Ghana.

With the energy crisis projected to continue in 2015, business confidence has continued to fall, with most firms (according to the AGI) forecasting a reduction in employment. This is expected further to deepen the pessimistic outlook for 2015, along with the government's announcement of several new taxes in the context of the 2015 budget. Such tax measures include value-added tax (VAT) on oil products and financial services, the reversal of the excise tax on petroleum from *ad valorem* to specific, and extension to 2017 of the national fiscal stabilisation levy of 5% and special import levy of 1-2%. Consequently, Ghana's ranking in the 2015 World Bank *Doing Business* Report fell by three places to 70th position out of 189 economies rated.

Financial sector

Development of the financial sector in Ghana was further deepened with the introduction of the Ghana Alternative Exchange (GAX) in 2013 and the first ever listing of the eurobond in November 2014. GAX provides an alternative financing source to SMEs whose main challenge over the years has been a lack of credit. Nonetheless, up to the end of December 2014 only two firms had been listed on the exchange. Notwithstanding the slow pace, performance of the Ghana Stock Exchange (GSE) has been on the rise, with total listing of 38 equities from 36 companies by December 2014, with the overall market capitalisation of GHS 63.42 billion (about USD 21 billion). Mining companies and financial institutions dominated the GSE at 77% and 14.6% of market capitalisation respectively.

Ghana's banking sector continues to be robust in terms of capitalisation and liquidity levels. Capital adequacy ratio was 17.9%, which is above the minimum capital requirement of 10% by end December 2014; and real gross loans and advances of the banking industry grew by 21.9% over the year to the end of December 2014, much higher than the increase of 13.3% in 2013. The composition of credit portfolios showed that the proportion of banks' loans to the government and public institutions increased marginally by 5.9% in December 2014, with credit to the private sector growing by 42.1%. To further improve financial sector services, especially to SMEs, the Bank of Ghana has established a department specifically for Other Financial Institutions Supervision (OFIS) to enhance supervision of microfinance institutions.

On 11 September 2014, Ghana issued its third eurobond of USD 1 0 billion (12 years maturity). The issuance was oversubscribed by USD 1.9 billion and sold at a coupon rate of 8.125%. The successful issuance was however, overshadowed by the cut in Ghana's credit rating by Standard and Poor's from B to B minus, since the downgrade reflects risks in financing Ghana's wide fiscal and current account deficits.

Public sector management, institutions and reform

Ghana has continued to implement a number of public financial management (PFM) reforms, ranging, among others, from the Ghana Integrated Financial Management Information System (GIFMIS), payroll and wage reform, fiscal decentralisation and modernisation of revenue authority. The results of these reforms have however, been mixed. The GFMIS implemented since 2010 has yet to be extended to all public entities, making it difficult to ensure the credibility of budget estimates, as evidenced by the high annual budget overruns.

Key pay reform measures currently under implementation include; *i)* single salary spine (SSS) pay reform; *ii)* biometric registration of active public sector employees as the basis for payroll; *iii)* an e-payments electronic salary payment system; and *iv)* monthly salary validation by heads of department. These reforms aim to improve efficiency and establish control of the payroll. Despite the reform measures, control of Ghana's wage bill continues to pose a challenge to the budget. Wages and salaries continue to capture a significant share of expenditure at 34.5% (down from 42.2% in 2013) and represented 54.4% of total revenue in 2014, leaving a narrow fiscal space for other essential activities, especially expenditure on service delivery and capital development.

The implementation of the SSS has also been challenged by labour groups agitating for higher wages. To establish control of the payroll a human resource management information system

(HRMIS), which is under implementation, was expected to be rolled out by February 2015 and fully integrated into all public entities by 2017; an exercise which is still underway. Moreover, a human resource audit currently in progress is aimed at establishing the degree of over-staffing within public institutions. Multi-year salary negotiations are being carried out to ensure predictability of the size of the wage bill in the budget.

Natural resource management and environment

In addition to minerals and oil, Ghana's economy relies heavily on climate-sensitive sectors such as agriculture, energy and forestry. About 70% of the population depends directly or indirectly on agriculture (fisheries, crops and animal husbandry) and the forest sector for both timber and non-timber products. Ghana's heavy reliance on these sectors poses risks in developing sustainable livelihoods, reducing poverty and increasing economic growth. About 50% of the population live in rural areas and are mainly dependent on rain-fed farming making them vulnerable to natural disasters such as bush fires, flooding and droughts. Ghana's National Climate Change policy launched in July 2014 notes the need to develop adaptive measures to address climate change issues instead of the reactive measures currently being implemented

As with other gold producing countries, Ghana also faces a challenge in ensuring economically, socially and environmentally sustainable mining, particularly for the artisanal and small scale mining sector, which is estimated to encompass about 1 million miners, as opposed to 200 000 in the large scale formal sector. The country has faced an energy crisis since September 2011, with extensive power rationing in 2014, which is continuing into 2015. Even as Ghana has been shifting the energy mix towards thermal and other sources, it is still quite dependent on hydro and, thus, it has been significantly impacted by low production from the two hydro dams (Akosombo and Bui) as a consequence of insufficient rainfall.

Oil and gas production is expected to increase between 2015 and 2016, following the commercialisation of the second floating production, storage and offloading (FPSO) vehicle at the Tweneboa-Enyoram-Ntome (TEN) and Sankofa fields. In addition, the parliament's ratification of a new agreement for oil exploration, development and production activities in the expanded shallow water at Tano Block indicates great prospects for the sector.

Political context

Ghana continues to manifest a liberal political economy with vibrant media and is considered to be one of West Africa's most resilient democracies. The year was marked by significant political activities geared towards the 2016 elections by the two main political parties: the National Democratic Congress (NDC) (incumbent) and the New Patriotic Party (NPP). Protests by labour, political parties and other demonstrations have also been evident in 2014, given the prolonged energy crisis, and the impacts of inflation, the rapid depreciation of the cedi, as well as the removal of subsidies on utilities and fuel. Nonetheless, Ghana continues to rank as one of the top 10 African countries in governance according to the Mo Ibrahim Index for 2014.

To strengthen further governance and to combat corruption, the government in November 2014 launched the National Anti-Corruption Action Plan (NACAP), which had been under development since 2011. These efforts have led to a gradual reduction in corruption perception as demonstrated by Transparency International's Corruption Perception Index (CPI) for 2013 that moved the country up to 63rd place from 64th in 2012. Nevertheless, corruption perception and public cynicism towards the fight against corruption continue to be high. The media have reported several high level cases of corruption, some of which are currently in court and others are being reviewed by a commission of enquiry set by the president.

Social context and human development

Building human resources

Ghana has made considerable progress in meeting the first MDG but is not on track to meet a number of the MDG targets, particularly those related to reversing the loss of environmental resources, reducing the proportion of people without access to improved sanitation, and achieving significant improvement in the lives of people living in slum areas.

The country has shown progress in the areas of human development, as demonstrated in investment enhancing access to education, health and sanitation among other services. Information from the Ghana Living Standard Survey 6 (GLSS6) points to an increase in access to a range of health services and education, even though spatial disparities and inequalities across socio-economic groups need to be addressed.

Nearly 28% of rural communities were found to have a drugstore or chemical store, and about 25% had a clinic, health post or Community-based Health Planning and Services (CHPS) compound with only 3% of the communities having a hospital. Staffing was an issue, as only 12.2% of rural communities had a community health worker and only 9.7% had a nurse.

Ghana was one of the first sub-Saharan African countries to put in place national health insurance (NHI). The proportion of the population registered or covered by a health insurance scheme has been growing with registration higher in the urban areas (71.5%) than in the rural areas (63.9%) and with 32.3% of the population not yet registered or covered.

According to GLSS6, close to 20% of the population aged 15 years and older have never been to school. The proportion of the population which has never attended school in the rural areas (33.1%) is more than twice that of the urban areas (14.2%). There is also a marked difference between males (9.1%) and females (14.3%) who have never attended school. Attendance rates in primary, junior and senior high schools, as well as transition from one level to the other, have improved over the period of 2005/06 to 2012/2013, but with persistent low attendance rates in the savannah areas. The national average school attendance rate stood at 80.8% in 2013, with Greater Accra having the highest attendance rate of 92.0%, while the Northern region recorded the lowest rate of 50.4%. In terms of global rankings, Ghana maintained its 138th rank in the United Nations Development Programme Human Development Index (HDI) with a score of 0.573 in 2013, slightly higher than the 0.571 recorded in 2012.

Poverty reduction, social protection and labour

The number of people living in extreme poverty is considered high even though it has declined over time. According to GLSS6, poverty rates declined from 51.7% in 1991/92 to 28.5% in 2005/2006 and stood at 24.2% in 2012/2013, which meets the first MDG target of halving poverty. The proportion of people living in extreme poverty declined from 16.5% in 2006 to 8.4% in 2013, with the number of people who cannot afford to feed themselves (2 900 calories adult equivalent per day) reduced by 39% from 3.6 million in 2006 to 2.2 million in 2013.

The GLSS6 indicates a fall in the levels of poverty everywhere except in the Eastern Region over the period of 2006 to 2013, with significant disparities across regions. The Rural Savannah accounts for a significant share of the poor (27.3%) and for nearly three-fifths of those living in extreme poverty in Ghana; with five out of ten regions recording rates of poverty incidence lower than the national average. Worryingly, income inequality has been on the rise, widening from the Gini coefficient of 0.353 in 1992 to 0.428 in 2013. Moreover, inequality between regions and in rural and urban areas increased, thus undermining the impact of the robust economic growth the country has achieved over the years.

According to GLSS6, a quarter (25.2%) of the working population of around 12 million have no formal education, while slightly more than half (57.2%) have education up to primary school level. The proportion of wage employees in urban areas (35.1%) is about three times higher than in rural areas (10.2%). In spite of the low rate of unemployment (5.2%), more than one-third of the working population are underemployed.

The growing recognition of the importance of social protection to address poverty, vulnerability and inequality has accelerated attempts to expand the coverage and benefit of programmes such as the Livelihood Empowerment against Poverty (LEAP), National Health Insurance Scheme (NHIS), School Feeding Programme, Free School Uniforms and Exercise Book Programme, the Capitation Grant and Labour Intensive Public Works (LIPW). The LEAP is to be scaled up from 150 000 to 200 000 beneficiary households by the end of 2015. The LIPW as of September 2014 had generated 5 559 021 person-days of employment creating a total of 110 480 temporary jobs for the rural poor. The ministry of gender, children and social protection (MOGCSP) reported that over 88 908 persons had been employed under the LIPW in 2014, with 52 177 (about 58.7%) of them being women. An assessment of the LIPW revealed that indicators with notable improvements include reduction in extreme poverty, improved health outcome of children (especially in receipt of curative health care), paid employment, as well as access to social infrastructures by various modes of transport. The MOGCSP is working with other stakeholders to have a social protection policy and law in place by 2016 to address challenges of effectiveness and efficiency.

Gender equality

Ghana is making progress in promoting gender equality through the development of a requisite policy and legal framework for gender equality and women's empowerment. A draft National Gender Policy 2014 is underway to replace the current National Gender and Children Policy adopted in 2004. Ghana has also ratified international and regional instruments protecting women's rights, among which, the Convention on Elimination of All Forms of Discrimination Against Women (CEDAW) ratified in 1986, and the Protocol to the African Charter on Human and Peoples' Rights of Women in Africa signed in 2004.

Participation of women in economic activities is high because of the prevalence of women in low-skilled work, but large gender gaps exist in education, health, governance and politics. The literacy rate for women, which is currently 65%, is 13% lower than that for men. Gender parity (Gender Parity Index - GPI) in education is further reduced according to educational levels. For instance, GPIs for primary, secondary and tertiary education in 2013 were 0.98, 0.92 and 0.63 respectively.

In the field of governance gender equality remains a challenge. While women increasingly serve in high-profile positions, such as Speaker of Parliament and the Chief Justice of the Supreme Court, there is still room for more women to be appointed to decision-making and political positions. Of the 275 members of parliament, 30 are women, representing 10.9% of parliamentarians. Only 22% of the 72 ministerial and deputy ministerial posts are occupied by women. The Affirmative Action Bill currently before parliament aims at halting discrimination in all aspects of national development. Nonetheless, the 2014 The United Nations Development Programme Human Development Report (HDR) indicated a slight decline in the country's gender inequality index to 0.549 in 2013 from 0.556 in 2012, ranking Ghana in 122nd position out of 187 countries.

Thematic analysis: Regional development and spatial inclusion

The number of administrative regions in Ghana has changed over the years, from five regions at independence to six in 1959, and to eight in 1960 and ten in 1983. The regional boundaries are defined by the constitution of the country. The Southern and Western parts of the country, comprising the Greater Accra, Western, Eastern, Central, Volta and Ashanti regions are more developed, compared with the Northern Savannah Ecological Zone comprising the northern parts of Brong-Ahafo and Volta and the Northern, Upper East, and Upper West regions.

The first group of regions accounts for the largest part of economic activity in the country and is home to over 73% of the country's population. These regions are characterised by large concentrations of major economic activities including agriculture (mostly cocoa, yams, plantains and vegetables), forestry resources (timber), mining (particularly gold in the Ashanti and Central regions) and offshore oil platforms in the Western region. The manufacturing, trade and transport activities are inside the more populous major towns and cities such as the capital city of Accra, Kumasi in Ashanti region, Cape Coast in Central region, and Takoradi in the Western region where oil and gas explorations are located.

Aside from the impetus coming from the location of specific mineral resources, the concentration of economic activity in Ghana is a function of geography, agglomeration factors and historical legacies. In pre-colonial times the Western region was marked by the presence of powerful kingdoms such as the Ashanti kingdom. The European colonial masters settled along the coast and provided infrastructure, industries and institutions, especially those devoted to education and religion. Infrastructure, particularly rail, in the Southern and Western regions was critical to exploiting and extracting gold and cocoa, and education provided a strong foundation for development in the post-independence period.

The Ashanti region is the most populous in the country with 19.4% of the country's population, followed by Greater Accra with 16.3%. The least populous regions are the Upper West (2.8%) and the Upper East with 4.2%. About 43.8% of the population lived in urban centres in 2000 and this increased to 50.9% in 2010, mainly as a result of high rural urban migration in pursuit of economic opportunities. The remaining eight regions of the country are predominantly rural, with urbanisation levels below the national average. Rural-urban disparities are highest in the North. As the Northern Savannah is the least urbanised, the population is dispersed and mostly isolated from economic development, a phenomenon exacerbated largely by location. It is furthest from the coastal regions where growth and comparative advantages have accumulated over time. Disparities within the North are mutually reinforcing, necessitating a broad-based strategy for socio-economic transformation. For example, poor road connectivity, low levels of urbanisation, limited public facilities, markets and related infrastructure have had a detrimental impact on recruitment and retention of public sector workers with impacts on the provision of social services and development outcomes.

Ghana has a strong policy agenda, as enshrined in its constitution and vision and planning documents and strategies, to prioritise measures addressing disparities across socio-economic groups and across regions. In the post-independence period, there was significant investment to increase human capital formation through the provision of free compulsory basic education and then later tertiary education and the extension of basic healthcare services.

Ghana's medium term strategy for 2014-17, the Ghana Shared Growth Development Agenda (GSGDA II), acknowledges that Ghana's accelerated economic growth has not resulted in the expected levels of job creation and that poverty at the subnational level remains high, especially in the three northern regions. The GLSS6 reports that five out of ten regions have a poverty incidence higher than the national average, with the Rural Savannah zones accounting for a significant share of the poor (27.3%) and for nearly three-fifths of those living in extreme poverty in Ghana. The GSGDA II encompasses an explicit emphasis on tackling the growing inequality in socio-economic and spatial development. Specific policy objectives to address the disparities are articulated in the context of key focus areas; principally, those related to human development, productivity and employment creation, as well as through the use of modalities such as special development zones to reduce spatial development disparities among regions across the country.

The idea of special development zones started in 2000, with the announcement of the Savannah Accelerated Development Programme (SADP) to address the regional disparities in the three northern regions of the country. In 2010 the SADP approach was further strengthened, through an act of parliament, which established the Savannah Accelerated Development Authority (SADA). SADA's mandate is for the development of the Northern Savannah Ecological Zone (NSEZ). It is mandated to accelerate inclusive growth and transformation through strategic planning, resource mobilisation for private sector, social and infrastructure investments, as well as through development co-ordination. To replicate the SADA approach in other disadvantaged regions, bills have been submitted to parliament for the establishment of Western and Eastern Corridor Development Authorities.

The objective of tackling spatial disparities is also mainstreamed across focus areas of the GSGDA II related to infrastructure, modernisation of agriculture and structural transformation of the economy, as well as in Ghana's human settlements development policy, which focuses on spatial/land use planning and management; urban development and management; housing/shelter; slum upgrading and prevention; disaster prevention; institutional arrangements; and rural development and management.