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GHANA

- **Ghana's economic growth, which had slowed from 4.0% in 2014 to 3.7% in 2015, is expected to recover to 5.8% in 2016 and 8.7% in 2017, following consolidation of macroeconomic stability and implementation of measures to resolve the crippling power crisis.**
- **Monetary and fiscal policies were tightened in 2015 and are expected to remain so in 2016 in line with the fiscal and monetary policy consolidation reforms underway as Ghana prepares for national elections in late 2016.**
- **Ghana continues to experience rapid urbanisation, which has led to a number of sustainable development challenges, particularly regarding sanitation and transportation infrastructure.**

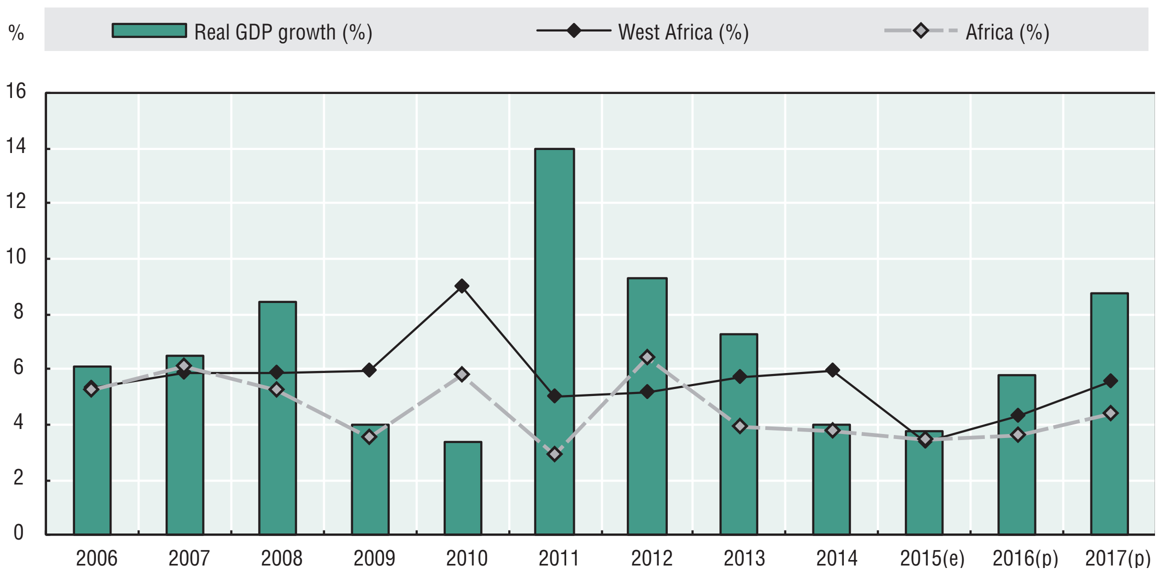
Overview

In 2015, the Ghanaian economy grew at an estimated 3.7%, down from 4% in 2014. The 2015 slowdown resulted from a number of economic challenges, most of which were in play in 2014. These include a 3-year power crisis, rising fiscal deficit and public debt levels, a significant external sector deficit and unpredictably low world market prices for the country's oil and gold exports. The services sector was the main driver of growth. The industrial sector also posted a positive growth rate of 9.1%. Over the medium term the country should see a recovery with a projected GDP growth of 5.8% in 2016 and 8.7% in 2017. The forecasted recovery in economic growth in 2016/17 depends on fiscal consolidation measures remaining on track, quick resolution of the power crisis, two new oil wells coming on-stream, and improved cocoa harvest and gold production.

Ghana maintained a tight monetary and fiscal policy in 2015. The government's fiscal consolidation programme aimed to address demand pressures exacerbated mostly by the wage bill and by public debt services, which account for most un-earmarked revenues. Monetary policy in 2015 continued to be tightened with measures to contain rising inflation and the depreciation of the domestic currency. To address these challenges, government entered into a 3-year Extended Credit Facility (ECF) agreement with the International Monetary Fund (IMF) in April 2015, successfully undertaking two reviews under the programme. The fiscal consolidation stance is expected to meet the conditions of the reviews in 2016 as well. Ghana will hold its national election in late 2016; peaceful and credible elections will be key for policy continuity and for solidifying the country's democratic dividend, especially after the closely contested 2012 elections and the judicial adjudication of the presidential elections.

By 2010 over half of Ghana's population lived in urban areas (localities with a population of 5 000 or more), as compared to 30% at independence in 1957. The urbanisation rate is projected to increase to 72% by 2035. While rural-urban disparities are still significant, there are signs that Ghana's cities are facing considerable challenges with land use, infrastructure and services provision (particularly with regard to housing, sanitation and transportation), and the absence of gainful and productive employment opportunities, especially for the youth. The critical policy challenge has been to ensure orderly and sustainable spatial development, co-ordination and planning, and measures to enable metropolitan and municipal authorities to secure adequate financing for infrastructure and services.

Figure 1. **Real GDP growth**



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

Table 1. **Macroeconomic development**

	2014	2015(e)	2016(p)	2017(p)
Real GDP growth	4.0	3.7	5.8	8.7
Real GDP per capita growth	1.6	1.4	3.5	6.4
CPI inflation	17.0	17.2	10.2	7.9
Budget balance % GDP	-6.4	-5.7	-5.0	-3.9
Current account % GDP	-9.5	-8.2	-7.7	-6.0

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

Recent development and prospects

Ghana's economy is estimated to have slowed from 4.0% in 2014 to 3.7% in 2015, slightly higher than the 3.5% projected in the 2015 budget. The slowdown was indicative of the stress on the economy from a number of factors, including: i) macroeconomic challenges witnessed since 2013; ii) the 3-year power crisis and associated power rationing that has increased the cost of doing business; iii) the depreciation of the Ghanaian cedi (GHS) (although at a slower rate than in 2014); iv) lower world prices for gold and crude oil exports; and v) low export volumes of gold and cocoa. However, economic growth is expected to recover to 5.8% in 2016 and to 8.7% in 2017 as macroeconomic stability is restored, the power crisis is resolved and new gas and oil wells become operational in 2016 and 2017.

Ghana's services sector was the largest contributor to GDP growth, rising from 49.9% in 2014 to 51.6% in 2015; finance, real estate and business services as well as the public administration and defence subsectors drove growth. The contribution of the industrial sector is estimated to have risen from 27.6% in 2014 to 28.4% in 2015. Growth in the sector was driven by construction. However the on-going energy crisis negatively impacted the subsectors of mining and quarrying, and manufacturing. Mining and quarrying's contribution to GDP fell from 8.3% to 6.8% in 2014-15, while manufacturing's contribution slumped from 5.1% to 4.9% for the same period. The resolution of the energy crisis, some oil price recovery and two new oil wells should help the sector post stronger growth in 2016 and 2017.

Agriculture's contribution to GDP fell slightly from 22.4% in 2014 to 20.1% in 2015. The slowdown – mainly in crops – poses a challenge for development policy as the sector provides the largest share of employment, estimated at 41.5% of the working population. Key risks to the crops sub-sector are inadequate rainfall during planting season, post-harvest loses and volatile, low world market prices for commodities.

To contain expenditure and raise revenue, government implemented a number of fiscal consolidation measures, some of which were introduced in 2013 and 2014 under Ghana's Home Grown programme and the IMF's ECF programme. In 2015, five new taxes were either introduced or extended: the petroleum tax of 17.5%; extension until 2017 of the national fiscal stabilisation levy of 5%; a special import levy of 1-2%; VAT on fee-based financial services; 5% VAT flat rate on real estate; and an increase of withholding tax on director's remunerations from 10% to 20%.

Government expenditure was tightly controlled at 28.6% of GDP in 2015, with wages falling to 6.9% of GDP as government implemented measures to clean and control the wage bill. Interest payments are expected to rise slightly to 6.7% of GDP. The government also established price adjustment mechanisms for utility tariffs and fully deregulated fuel prices with the aim of eliminating subsidies in these sectors. The fiscal deficit (including grants) is estimated to have fallen from 6.4% of GDP in 2014 to 5.7%. It is projected to fall further to 5.2% in 2016 and to 3.8% in 2017 as Ghana consolidates its fiscal programme amid decreases in the projected levels of wages expenditure and interest payments over the next two years.

The Petroleum Review Management Act 815 was amended in 2015: i) to allocate funds for the Ghana Infrastructure and Investment Funds (GIIF) in line with the new debt management strategy; ii) for transfers to the Ghana Stabilization Fund; iii) to change the calculation of the benchmark revenue projection; and iv) to enable the Ghana National Petroleum Company to become a commercial entity. Prospects for oil and gas production are promising and should be boosted by the Tweneboa, Enyenra and Ntomme project in August 2016 and the Sankofa Gye Nyame gas field project in 2017. The latter has an estimated recoverable reserve of 162 million barrels of oil and 1.07 trillion cubic feet of gas.

To address the energy crisis, government has taken a number of short- and medium-term measures and made investments. These include projects to enhance power generation such as the importation of a 450-Megawatt capacity barge from Karpower, which was connected to the grid in December 2015, and the Ameri Energy and Sankofa gas projects. These initiatives are being complemented by reforms such as prepaid metering and tariff adjustments, and levies aimed at strengthening the balance sheet of the Volta River Authority and the Electricity Company of Ghana (ECG).

Ghana is preparing for national elections at the end of 2016. Given the current state of the economy, the country should avoid the surges in unplanned spending that have characterised previous election years. Fiscal consolidation is expected to remain on track under the IMF programme and Ghana's Home Grown programme. It is also anticipated that government's fiscal programme shall address demand-side pressures on public expenditure, which has been exacerbated by the wage bill and unsustainable public debt servicing. Monetary policy in 2016 is expected to focus on containing rising inflation and stabilising the depreciation of domestic currency; a key challenge will be ensuring that government's fiscal consolidation complements the tight monetary policy stance needed to attain the Central Bank's medium-term inflation target.

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

	2010	2014
Agriculture, forestry, fishing and hunting	30.8	20.1
of which fishing	…	…
Mining and quarrying	2.4	6.8
of which oil	0.0	0.0
Manufacturing	7.0	4.9
Electricity, gas and water	1.5	1.1
Construction	8.8	15.6
Wholesale and retail trade; Repair of vehicles household goods; Restaurants and hotels	12.6	11.7
of which hotels and restaurants	6.2	5.5
Transport, storage and communication	12.9	14.7
Finance, real estate and business services	6.4	9.3
Public administration and defence	7.2	6.2
Other services	10.2	9.7
Gross domestic product at basic prices / factor cost	**100.0**	**100.0**

Source: Data from domestic authorities.

Macroeconomic policy

Fiscal policy

Fiscal policy management drove overall policy orientation in Ghana as government implemented its Home Grown fiscal consolidation programme with support from the IMF (under the ECF), World Bank and African Development Bank, amongst others. The government announced several tax initiatives to boost revenue, such as on-going tax administration reforms; new tax measures, particularly the 2.5% increase in VAT; special petroleum tax; and improvements in tax collection. It also introduced measures to tighten and control the wage bill, which constituted an estimated 45% of revenue in 2015; established price adjustment mechanisms for utility tariffs; and fully deregulated fuel prices to eliminate government subsidies.

Implementing the debt management strategy was a key complement of fiscal policy, as government attempted to lengthen the maturity profile of its debt stock, fund its budget and limit the impact on debt levels, which reached 72.6% of GDP in November 2015.

Oil revenues in 2015 were estimated at GHS 1.2 million – a 50% a reduction from 2014 – given the fall in world prices. The benchmark price was revised from USD 99.38 per barrel to USD 57 per barrel in the 2015 mid-year budget. Petroleum receipts for 2016 are projected at GHS 1.44 million, based on a benchmark price of USD 53.05 per barrel and production of 38.73 million barrels (106 115 barrels per day). Any downward adjustment of the benchmark for 2016 would have implications for the management of the 2016 budget overruns.

Expenditure was expected to remain tightly controlled at 28.6% of GDP in 2015, with wages falling to 6.9% of GDP and interest payments rising slightly to 6.7% of GDP. The fiscal deficit (including grants) is estimated to have fallen from 6.4% of GDP in 2014 to 5.7% in 2015. It is projected to fall further to 5.2% in 2016 and to 3.8% 2017 as Ghana consolidates its fiscal programme.

The government signalled through the 2016 budget statement that it would further tighten its fiscal consolidation programme, despite 2016 being an election year. However the 2016 budget relies heavily on revenue measures rather than on expenditure reductions to meet its targets. It will be key to watch budget expenditures and overruns to ensure that Ghana does not experience election-related over expenditures seen in 1996, 2000, 2008 and 2012.

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

	2007	2012	2013	2014	2015(e)	2016(p)	2017(p)
Total revenue and grants	**20.1**	**22.1**	**20.8**	**21.8**	**23.1**	**23.4**	**22.7**
Tax revenue	15.1	16.8	15.5	17.2	17.7	18.3	17.6
Grants	3.6	1.5	0.8	0.7	1.4	1.0	0.9
Total expenditure and net lending (a)	**24.2**	**27.8**	**29.4**	**28.2**	**28.7**	**28.4**	**26.5**
Current expenditure	15.5	23.1	24.3	22.8	22.3	22.4	20.8
Excluding interest	13.6	19.8	19.6	16.6	15.5	15.7	15.1
Wages and salaries	6.1	8.9	8.8	8.3	6.9	6.7	6.1
Interest	1.9	3.2	4.7	6.2	6.9	6.8	5.6
Capital expenditure	7.0	4.8	5.1	5.4	6.4	6.0	5.8
Primary balance	**-2.2**	**-2.4**	**-3.8**	**-0.1**	**1.2**	**1.8**	**1.8**
Overall balance	**-4.1**	**-5.7**	**-8.6**	**-6.4**	**-5.7**	**-5.0**	**-3.9**

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

Monetary policy

A tight monetary policy stance was pursued in 2015 to contain rising inflationary pressures: inflation rose from 16.4% in January to 17.7% in December, above the Bank of Ghana's medium-term target of 8±2%. The government's policy pursuit of the automatic price adjustment for water and electricity tariffs, full deregulation of petroleum prices and tax increases, such as VAT, pushed non-food inflation to 23.3% by December. The Bank of Ghana consequently raised the policy rate four times, from 21% to 26%, up from 18% in February 2014. Upside risks to the 2016 inflation outlook include worsening external financial conditions, planned passage of a new levy on petroleum and utility tariff adjustments of 59.5% for water and 67.2% for electricity, which became operative in December 2015.

Domestic currency weakened against major currencies during the first half of the year, appreciated in July and September and finally stabilised until the end of the year. The annual depreciation in the interbank market was 19% with respect to the USD, 11% to the GBP and 15% to the EUR. The relative stability of the GHS from September can be partially attributed to foreign exchange inflows from the October Eurobond, Cocoa Board syndicate loans and inflows from the IMF, World Bank and African Development Bank.

From January to October 2015, the overall balance of payments position worsened to a deficit of USD 284.6 million as compared with a surplus of USD 181.6 million for the corresponding period in 2014. By December 2015, gross foreign assets stood at USD 5.88 billion (3.5 months of imports), which was within government's target of at least 3 months import cover.

A key challenge for monetary policy in 2016 will be ensuring that government's fiscal consolidation programme complements the tight monetary policy stance needed to attain the medium-term inflation target. Monetary policy actions expected in 2016 include the planned zero-financing limit for the Central Bank and passage of a revised Central Bank Act.

Economic co-operation, regional integration and trade

Ghana has been preparing to implement the ECOWAS Common External Tariff (CET), a major platform for a Customs Union that facilitates free trade and ensures greater regional economic integration. The government completed several activities to ensure the smooth implementation of the new regional tariff in early 2016 and, to this end, submitted a CET bill to parliament in August 2015.

In September 2015, the government introduced the National Single Window Project, which aims at reducing the time and cost of customs clearance by putting all customs operations under the Ghana Revenue Authority.

Ghana's external position was vulnerable to external shocks, mainly from the volatility of market prices for major exports and the slowdown in gold and cocoa production. Ghana's exports were dominated by primary commodities exports of gold (32%), cocoa (24%) and oil (19%). Over the first ten months of 2015 there was a 42.3% decline in total export earnings to USD 6.9 billion as compared with 2014. This emanated from low crude oil and gold prices. While the realised price of cocoa beans increased by 22.2% in 2015, the total volume exported decreased by 21%. As a result, the earnings from cocoa were not significantly different from 2014. Ghana is a net importer of oil, and the sustained decline in international oil prices continues to adversely impact public revenue. In line with the slowdown in the economy, merchandise imports recorded a year-on-year decline of 9.4% and were estimated to constitute 33.9% of GDP. As shown in Table 4, the trade balance worsened to an estimated -5.1% of GDP in 2015, and is expected to deteriorate to 7.2% of GDP in 2016, due to increased imports of equipment and infrastructure-related materials. Nonetheless, the current account deficit narrowed to 8.2% of GDP in 2015, down from 9.5% in 2014.

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

	2007	2012	2013	2014	2015(e)	2016(p)	2017(p)
Trade balance	-15.8	-10.0	-8.0	-4.3	-5.1	-7.2	-6.3
Exports of goods (f.o.b.)	16.9	32.3	28.8	29.7	28.8	28.2	32.9
Imports of goods (f.o.b.)	32.6	42.4	36.8	34.0	33.9	35.4	39.2
Services	-0.7	-2.3	-5.1	-5.9	-4.7	-3.4	-3.1
Factor income	-0.6	-5.1	-2.8	-3.9	-3.5	-3.4	-4.0
Current transfers	8.3	5.7	4.1	4.5	5.2	6.4	7.4
Current account balance	**-8.8**	**-11.7**	**-11.9**	**-9.5**	**-8.2**	**-7.7**	**-6.0**

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

Debt policy

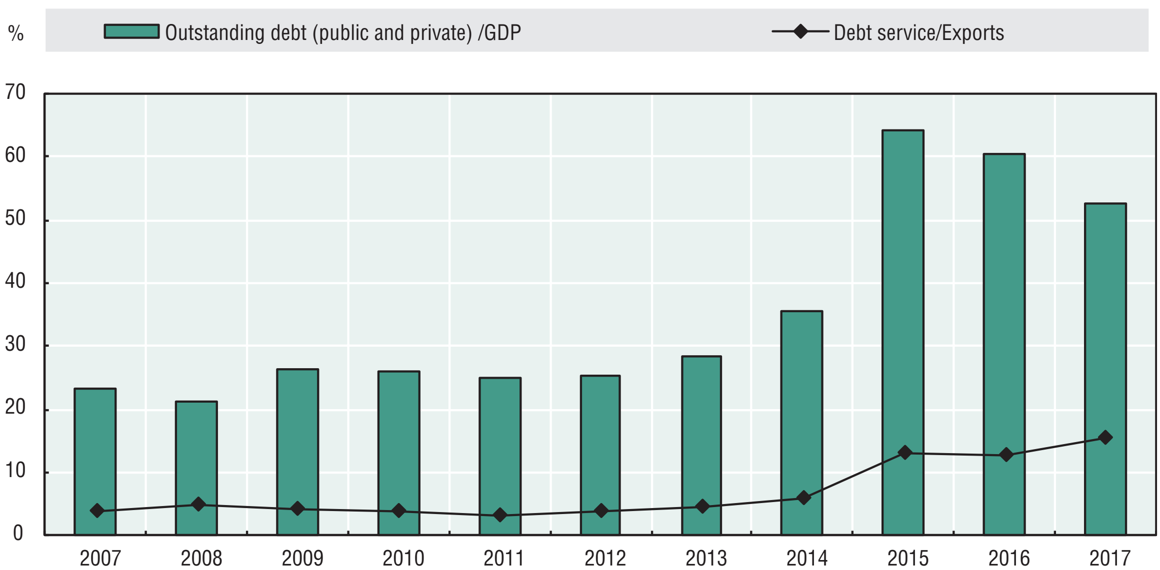
Debt management in Ghana has been a challenge for Fiscal policy, with public debt projected to rise to 71.6% of GDP by the end 2015. Domestic debt accounted for 37.5% of total public debt, while external debt accounted for 57.3%. Based on the Debt Sustainability Assessment conducted by the IMF in March 2015, Ghana was rated at high risk of debt distress. A key challenge has been the rising burden of servicing the debt. Interest payments (estimated at 24% of expenditure in 2015) have risen over the years in part due to the financing of government's fiscal deficit; the debt profile, which is weighted towards the short end; exchange rate depreciation; and the rising stock of existing debt.

Ghana adopted a new Medium Term Debt Management Strategy 2015-2017, which notes that debt management should be an integral part of the overall macroeconomic framework and not a residual policy as it has been in the past. The strategy aims at ensuring that commercially viable projects are financed by non-concessional loans and managed off the government's balance sheet, and that escrow accounts are setup for debt service. Concessional borrowing and grants will be devoted to socially oriented projects managed through the budget.

Key polices announced in the strategy include establishing a sinking fund to manage the redemption of euro bonds and other debt instruments. These debts would be financed through a 50% cap on the Ghana Stabilization Fund as well as through a policy of on-lending and escrow arrangements for financing state-owned enterprises and Metropolitan Municipal and District Assemblies. The government has also established the Ghana Infrastructure Investment Fund (GIIF). GIIF is to be financed from various instruments, including 2.5% of VAT tax collections; 25% of the Annual Budget Funding Amount; escrowed and on-lent funds from government investments; and private funds for financing commercially viable infrastructure projects.

In October 2015, Ghana issued a 15-year, EUR 1 billion bond at a coupon rate of 10.75%. This rate was higher than peer issuers despite a World Bank partial risk guarantee of USD 400 million. The performance showed the challenges the country would likely face in its quest for external financing given its current trials and the sentiments of global capital markets.

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

In 2015, Ghana's private sector was confronted by an energy crisis and the associated power rationing, utilities price increases and continued depreciation of the domestic currency (by over 40% in 2014 and 20% in 2015). The Central Bank's composite Index of Economic Activity showed an annual growth of 16% in 2015 as compared to 19.5% in 2014. The Association of Ghana Industries (AGI) Business Barometer indicator notes that the major challenges impacting businesses in 2015 were exchange rate volatility, inadequate power supply, a multiplicity of taxes, access to credit and the cost of credit. Despite these, the index saw 20% growth. Economic activity is expected to pick up in 2016 as power generation is enhanced through initiatives such as the Karpower, Ameri Energy and Sankofa gas projects.

Foreign direct investment increased by 18% as of September 2015, with 120 projects registered at a value of USD 1.56 billion; there was focus on the services sector. The largest number of investments was recorded in services (38), which include mining, oil, gas, ICT and financial services, followed by manufacturing (31). Agriculture accounted for the fewest investments (2). In terms of value, services witnessed the largest investment of USD 1 308.45 million while agriculture received the smallest, USD 5.85 million.

In the World Bank report *Doing Business 2016*, Ghana's score declined from 112 in the previous edition to 114. However, the country's ranking of 57.69 puts it above the sub-Saharan average of 49.66. Specifically, Ghana performs above the regional average in documentary compliance for time to export, cost to export, cost to import and border compliance. Ghana however ranks below the sub-Saharan average of 136 in trading across borders, with a score of 171.

Financial sector

The Ghanaian financial sector exhibited stability and robustness in capitalisation and liquidity levels. The sector was rated as fairly developed by the *2014-2015 Global Competiveness* report, with Ghana ranking 62nd out of 144 countries. On average banks are well-capitalised with adequacy ratios of 17.6%, which is within the Bank of Ghana's statutory capital requirement and above the 10% benchmark. The sector was also robust in terms of annual growth in total assets (21.52%) and deposits (28%).

In August 2015, the Bank of Ghana raised the minimum capital requirement of deposit-taking microfinance institutions from GHS 500 000 to GHS 2 000 000, while the requirement for financial non-governmental organisations remained the same. For rural and community banks the requirement was raised from GHS 300 000 to GHS 1 000 000. The microfinance industry, with its 546 registered companies, came under scrutiny in December 2015 when the Bank of Ghana revoked the license and applications of 70 microfinance companies. To improve the regulatory environment and protect cliental, the Bank of Ghana presented a Special Deposit Institutions Bill to parliament. Challenges for the sector included a rising non-performing loans ratio of around 17.6% and limited access to financial services, with total deposits accounting for less than 30% of GDP. The major limitation to access to credit was high domestic lending interest rates that averaged 28.98% with an interest rate spread of 13%. Factors contributing to high rates include excessive government borrowing from the domestic sector (about 20% of total lending).

The Ghana Stock Exchange performed poorly mainly due to the tight liquidity, the level of float, on-going macroeconomic situation and the energy crisis impact on the companies listed on the exchange. The Exchange grew by 8.2% until June, after which it fell until year end, with a cumulative depreciation of 11.77%; market capitalisation also fell by 11.24%. The Ghana Alternative Market for small and medium-sized enterprises however saw significant activity with the listing of three companies and seven bonds.

Public sector management, institutions and reforms

Over the past few years Ghana has implemented a number of public financial management reforms, including the Ghana Integrated Financial Management Information System, payroll and wage reforms, fiscal decentralisation and modernisation of the Ghana Revenue Authority. Unfortunately, these reforms have suffered from fragmentation. In response, Ghana's Cabinet approved a comprehensive public financial management strategy in 2015; a public financial management bill is expected to pass in 2016.

Given the imperative to address the significant public sector wage bill, a number of measures are being implemented around payroll management and controls, including migrating subvented agencies to the mechanised payroll; using electronic payroll input forms (e-Forms), ensuring an interface between the payroll database and Social Security and National Insurance Trust's biometric data; a nation-wide pension payroll headcount; and concluding public sector salary negotiations prior to budget appropriation. As part of some measures the Controller and Accountant General's Department deleted 5 861 ghost names from the public payrolls between January and November 2015. Once established posts have been matched with the active payroll, a human resource management information system can be rolled out in 2016.

A National Decentralization Policy Framework (2015-2019) and related National Decentralization Action Plan were finalised in 2015. The framework encompasses measures clustered around political decentralisation and legal reforms, administrative decentralisation, decentralised planning, fiscal decentralisation and popular participation. Relatedly, a Local Government (Borrowing) Bill has been prepared for consideration by the cabinet in early 2016.

The government established measures to improve state-owned enterprise efficiency, including a platform that facilitates monitoring at the level of the President's Office to strengthen their operational and financial discipline. A focus of this process are state-owned energy enterprises Volta River Authority and the Electricity Company of Ghana.

Natural resource management and environment

Forest depletion has been taking place at an alarming pace in Ghana, with the annual deforestation rate estimated to have reached 2.09% in 2015. Ghana is finalising its Reduce Emissions from Deforestation and Forest Degradation (REDD+) project, which provides an institutional architecture for financial incentives to reduce deforestation and forest degradation.

Ghana adopted its National Climate Change Policy in 2013 and developed its National Climate Change Policy Strategies in 2014. In the lead up to the 2015 United Nations Climate Change Conference (COP21), Ghana summited its Intended Nationally Determined Contribution to the United Nations Framework Convention on Climate Change. The submission outlined carbon emissions reductions of 15% by 2030. Ghana needs USD 22.6 billion in investments from domestic and international public and private sources to finance the actions.

Two important legislations were approved that provide government with greater flexibility regarding natural resources revenue. In November 2015 parliament passed the Minerals and Mining (Amendment) Law, 2014, enabling the Minister of Lands and Natural Resources to prescribe a rate for royalty payments (thus annulling the previously fixed rate of 5%). In late December 2015, parliament also renegotiated its investment agreements with Newmont Mining Cooperation, which will increase benefits for Ghana and revenues for government. Secondly, Ghana's parliament signed off on the Petroleum Revenue Management Act 893, which, amongst others, addresses the GIIF allocation and allows the Finance Minister to propose an alternative benchmark revenue to parliament.

Political context

Ghana goes to the polls at the end of 2016. The country has a strong multi-party political democracy, media pluralism and a vibrant civil society. While there have been growing tensions ahead of the elections, there does not seem to be any serious cause for alarm. The New Patriotic Party, the main opposition party, and some civil society organisations raised concerns about the credibility of the 2012 voter register. However, an independent panel set up by Ghana's Electoral Commission issued a report indicating that the commission would ensure a clean and credible voter register through an inclusive and collaborative audit.

There have been a number of strikes and demonstrations, particularly by organised labour, over conditions of service for public sector workers as well as increases in utility tariffs (67% increases in electricity and 59% in water) and the imposition of the various levies. Corruption was also high on the public agenda, especially related to cases in the National Service Secretariat, National Health Insurance Scheme, Ghana Youth Employment and Entrepreneurial Agency, and the Judiciary.

Ghana performed fairly well on continent-wide rankings. Transparency International's 2015 corruption perception index ranked the country 56th out of 168 countries, with a score of 47. The organisation found Ghana to be the 7th least corrupt country in Africa. On the 2015 Mo Ibrahim Index Ghana ranked as one of the top 10 African countries in governance (67.3 out of 100). While it scored 70.6 in Safety and Rule of Law (6th in Africa), there was a deterioration in the sub-category Judicial Process (-12.5); Ghana was one of only five countries on the continent to have seen a decline. Performance improved on the Political Violence indicator (+13.4), while it has worsened for Police Services by -5.2 points since 2011.

Social context and human development

Building human resources

Ghana made substantial progress on universal primary education, Millennium Development Goal (MDG) 2. The country met the gross enrolment target (with an achievement of 107.3%), while it fell short on net enrolment despite moving up from 45.2% in the early 1990s to 89.3% by 2013-14. Government interventions – the school feeding programme, capitation grant free school uniforms etc. – helped improve enrolment levels and educational outcomes.

Inadequate levels of infrastructure, basic equipment and teaching materials along with significant teacher absenteeism and low retention rates worked against the provision of quality education. As of 2010, close to 57.2% of Ghana's working population had been educated up to the basic level (57.2), while 25.2% had no education at all, boding ill for Ghana's transformation agenda.

Despite implementing intensive programs to reduce child mortality (MDG 4) and maternal mortality (MDG 5), Ghana missed both targets. Infant mortality fell from 119 deaths per 1 000 live births in 1993 to 60 deaths per 1 000 live births by 2014, just short of the target of 40. Considerable progress was made in reducing maternal mortality: it fell from 760 to 380 maternal deaths per 100 000 live births between 1990 and 2014, although it remains far from the target of 190.

Ghana is on track to reverse the spread of HIV/AIDS (related to MDG 6). Average HIV prevalence, estimated at 3.6% in 2007, had declined to 1.6% by 2014. High priority is given to reaching HIV-positive pregnant women; the proportion of them on ARVs for prevention of mother to-child transmission declined from 76% in 2013 to 66% in 2014. Overall, a large proportion of the population had access to primary health care (97.5%), with about 67% coverage under the national health insurance. The coverage gap and challenge in paying premiums is highest in poorer, rural areas.

Significant gains have been made in water and sanitation (MDG 7C), with access to improved water sources moving from 78.6% in 2013 to 88.7% in 2015. At the same time, most households are without basic sanitation (26%), particularly in rural areas (10.5%).

Poverty reduction, social protection and labour

Ghana met the MDG 1 target to halve the proportion of the population living in extreme poverty ahead of 2015 target date. Even less-urbanised, historically marginalised, poorer regions in the North were able to reduce poverty. This was in line with a nation-wide trend of poverty reduction that included nine out of ten Ghanaian regions. The pace of reduction was higher for urban areas: between 2005-06 and 2012-13, the reduction in poverty incidence for urban areas was 62.75% as opposed to 35.9% for rural.

The picture for economic opportunities is more complex. In 2012/13 the unemployment rate was higher in urban areas (6.3%) as compared to rural areas (3.9%). Likewise, the employment to population ratio was relatively lower for urban areas (69.9%) as compared to rural areas (81.6%). Young people were particularly at risk. The unemployment rate was highest for those aged 15-24 (6.4%). In both urban and rural areas, the unemployment rate was higher for persons with secondary education (11.7%) and those with post-secondary diploma education (9.1%) as compared to those who had no schooling (3.5%) or who were post-graduate (2.7%). This suggests difficulties in finding jobs even for those with education. A majority of employed persons (68.7% in 2012/13) were engaged in vulnerable employment, with only 22.5% of the employed able to find work in the public or private sectors.

Ghana launched its National Employment Policy (NEP) in April 2015. The country also has a number of social protection programs that seek to protect vulnerable groups, address vulnerabilities over the life cycle (e.g. through national health insurance and social security) and provide poor, rural households with access to income-earning opportunities in public works. Social protection was strengthened by the passage of five new policies put forward by the Ministry of Gender, Children and Social Protection – the National Social Protection Policy, School Feeding Policy, Justice for Children Policy, Child and Family Welfare Policy and National Gender Policy Programme. The implementation of social protection programmes is being improved through the use of the Ghana National Household Registry as well as through electronic payment mechanisms.

The IMF's ECF programme focused on safeguarding social protection expenditures. The expansion of government's flagship Livelihood Empowerment Against Poverty (LEAP) programme, which targets orphans, vulnerable children, the elderly and people with disabilities, was on track to expand coverage by 62% in 2015 to reach 144 980 households. An additional 100 000 are to be added in 2016. The LEAP Emergency programme, which supported those affected by floods, provided relief to 11 152 beneficiaries in five regions; and LEAP 1000 was launched to address nutritional, wasting and stunting amongst extremely poor households with pregnant women or children under 12-months. However the National Health Insurance Scheme, which has gone from covering 1 million in 2003 to 11 million in 2015, has faced financial sustainability issues.

Gender equality

Ghana ranked 63rd out of 145 countries in the 2015 World Economic Forum's Gender Gap Index. It performed well in health and survival, but results for education were mixed. The *MDG Report 2015* found that gender parity had been achieved at the primary school level, but not at the junior and senior high school levels. Progress on gender in the area of political empowerment was even more challenging. Women constituted just 22% of ministerial appointments, 10.7% of parliamentary representatives and 5.7% of representatives at district elections held in 2015.

Ghana's national gender policy, launched in late 2015, will better enable the country to meet the dictates of its 1992 Constitution as well as the international development frameworks and conventions that it has signed and endorsed. Specifically, the policy focuses on: i) women's empowerment and livelihoods; ii) women's rights and access to justice; iii) women's leadership and accountable governance; iv) economic opportunities for women; and v) gender roles and relations. The Affirmative Action Bill, which is to be submitted to parliament in the first quarter of 2016, is yet another policy to promote gender equality and women's empowerment.

Thematic analysis: Sustainable cites and structural transformation

In 2010 over half of Ghana's population (52%) lived in urban areas as compared to just 30% at independence in 1957. It is estimated that by 2035, 72% of the population will be urbanised. Ghana has 388 urban settlements of widely varying populations and population growth rates. While growth in recent years has been fastest in smaller cities, the country's urban population is concentrated in a few large cities. In the colonial period, the development of coastal cities (e.g. Accra, the capital city, and Secondi-Takoradi, an industrial and commercial centre) was emphasised given the focus on commerce and import-export trade. On the other hand, Kumasi, capital city of the Ashanti region, served as a major trade hub for raw material production in the forest belt. Significant infrastructure development and industrialisation following independence favoured this "golden triangle" (i.e. Accra-Tema, Kumasi and Sekondi-Takoradi). Export-oriented policies pursued under structural adjustment programs, a more recent jump to services, agglomeration economies, improved infrastructure and easier access to markets for skilled workers, products and services re-enforced this spatial pattern. Accra, Kumasi and Sekondi-Takoradi metropolitan areas, while covering only 0.15% of landmass, generate over 30% of national GDP (National Spatial Development Framework, Vol. 1) in 2010.

In recent years, Accra has expanded to absorb peripheral towns and municipalities such as the industrial hub and port city of Tema, Ashiaman, Adenta and even Kasoa in the central region. It is now known as the Greater Accra Region. The discovery and production of commercial quantities of offshore oil in 2010 led to significant migration to Sekondi-Takoradi, which is emerging as a potential regional hub for the oil and gas sectors. Kumasi, the fastest growing city, serves as a commercial hub, connecting the more urbanised and developed coastal areas of the country. Unlike Accra, no rapidly growing settlements have developed around Kumasi. Tamale, the fourth largest city in the country and regional capital for the Northern Region, experienced an initial growth spurt in the 1970s and 1980s due to the development of the rice industry and natural population growth. The city has the only commercial airport in the Northern Savannah Ecological Zone, and it is now being converted to an international airport.

High population density (e.g. 1 235.8 persons per square kilometre in Accra) and land use issues have led to uncontrolled urban sprawl, growth of slums and environmental deterioration. Ensuring that deep pockets of poverty do not emerge in the absence of good job opportunities is another key concern. In 2012/13 the unemployment rate was higher in urban areas (6.3%) as compared to rural areas (3.9%), and young people were particularly at risk.

Inadequate inner city and intra-city connectivity have resulted in high land prices in city centres as well as congestion, long travel times and significant fossil fuel use. Ghana needs a comprehensive approach to waste management and urban resilience, while ensuring social inclusion and planning to address the needs of the urban poor. This became evident when Accra and other cities experienced heavy flooding in 2015 following heavier than normal rainfall.

Even as the rural-urban gap in access to adequate toilet facilities is still pronounced, between 2005-06 and 2012-13 the proportion of households in urban areas using adequate facilities fell amongst the first three quintiles, according to the Sixth Round of the Ghana Living Standards Survey. Local governments were simply unable to keep up with the pace of development and provide urban infrastructure and services. Co-ordination and planning by the various government entities involved has also been challenging. Moreover, the current intergovernmental fiscal framework resulted in very limited financing per capita for cities and towns, and there are significant limits on borrowing.

Ghana has several legislation and policy documents that are pertinent to urban development. They date to the National Physical Development Plan 1963-1970. The most recent policies are the 2012 National Urban Policy and Action Plan, 20-year National Spatial Development 2015-35, National Decentralization Policy Framework and National Decentralization Action Plan II (2015-19). The National Urban Policy promotes sustainable urban centres as engines of growth, and one of its twelve objectives is to facilitate the re-distribution of the urban population. The National Spatial Development, amongst others, seeks to infuse a spatial dimension into national planning and to guide regional, sub-regional and district spatial development frameworks, structure plans and local plans. Financing the master plans and key infrastructure has been a challenge. However the fiscal decentralisation policy and the upcoming local government finance/borrowing bill should help metropolitan and municipal authorities raise resources needed for urban territory development.

Ghana launched a National Housing Policy (2015) to enable investment in rental housing and promote greater private sector participation in housing delivery. The policy also encourages housing schemes that maximise land use and accelerate improvement of the existing housing stock (upgrading and transformation). Ghana is also developing a 40-year, long-term development plan that includes a national infrastructure plan and a spatial development framework to transform where Ghanaians live and work. The plan is also expected to enhance the Accra and Kumasi city regions and other urban clusters with railways and freeways that link towns and cities.

