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Economic Openness

Ghana Case Study

2019

CREATING THE PATHWAYS FROM POVERTY TO PROSPERITY

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The Legatum Institute is a London-based think tank with a global vision: to see all people lifted out of poverty. Our mission is to create the pathways from poverty to prosperity, by fostering Open Economies, Inclusive Societies and Empowered People.

We do this in three ways:

Our **Centre for Metrics** which creates indexes and datasets to measure and explain how poverty and prosperity are changing.

Our **Research Programmes** which analyse the many complex drivers of poverty and prosperity at the local, national and global level.

Our **Practical Programmes** which identify the actions required to enable transformational change.

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CONTENTS

Foreword	2
Executive Summary	4
Introduction.....	10
Market Access and Infrastructure	14
Investment Environment.....	38
Enterprise Conditions	54
Governance	66
Conclusions	82
Appendix	84

FOREWORD



Stephen Brien
Director of Policy,
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Our mission at the Legatum Institute is to create the pathways from poverty to prosperity by fostering open economies, inclusive societies, and empowered people. Our work focusses on understanding how prosperity is created and perpetuated. Prosperity is much more than material wealth; it also encompasses welfare, security, wellbeing, freedom, and opportunity. Without an open, competitive economy, however, it is very challenging to create lasting social and economic wellbeing, where individuals, communities, and businesses are empowered to reach their full potential. That is why we view Economic Openness as so important.

With the generous support of the Templeton World Charitable Foundation, we have created a Global Index of Economic Openness to rank more than 150 countries' openness to commerce, assessing the environment that enables or hinders their ability to trade both domestically and internationally. Our ambition is that it becomes a valued tool for leaders and policymakers around the world, to help set their agendas for economic growth and development. As part of this programme of work, we are undertaking a series of in-depth country case studies based on the Index, including this report on Ghana, in which we analyse its performance in the key characteristics of openness to trade, investment, ideas, competition, and talent.

Trade between countries, regions, and communities is fundamental to the advance of innovation, knowledge-transfer, and productivity that creates economic growth and prosperity. The spread of free trade has enabled more and more people to participate in commerce, allowing them to move from subsistence farming towards a more stable and prosperous existence. More recently, the technological revolution has enabled millions of people to take part in commercial, political, and social discourse thanks to the accessibility and affordability of new technology.

Our research shows that economically open countries are more productive, with a clear correlation between increased openness over time and productivity growth. In contrast, in an uncompetitive market, or one that is not designed to enhance the engagement and wellbeing of all, growth stagnates, protected industries become entrenched, and crony capitalism thrives.

While most policymakers focus on the big fiscal and macroeconomic policy tools at their disposal, the microeconomic factors are sometimes overlooked, and their potential to drive openness and growth is underestimated. A notable feature of this Index is a focus on these microeconomic drivers of productivity. By bringing the full range of disparate policy choices that influence and drive openness and competition together in one report, we hope to shift the focus of policymakers, in Ghana and around the world, towards the broader implications of microeconomic policy by emphasising the relationship between productivity and Economic Openness.

Ghana has a promising future. Since transitioning to its new democratic Constitution in 1992, it has become one of the most stable and well-regarded countries in sub-Saharan Africa, having developed a robust set of democratic institutions. Since that time, its per capita income has tripled. The discovery of oil, as well as exports of gold and cocoa, will make Ghana one of the world's fastest growing economies in 2019.

However, the challenge for Ghana is not just growing its economy, but continuing to grow at its full potential. Despite Economic Openness improving, it has not improved at the rate of its peers, meaning it has actually fallen down the rankings to 91st since 2009. There are a number of constraints on further economic growth in Ghana and opportunities for reform that this report has identified.

Ghana is very well placed to play a leading role in the development of regional and continental trade policy. However, trading goods within Ghana and outside of it is constrained by poor infrastructure, high tariffs, and long delays and high costs at the border. Further investment in the country's transport infrastructure and reducing the friction at borders is critical to facilitate trade.

There is also a range of barriers to accessing capital for businesses, particularly for small and medium enterprises. International investors are also hampered by capital controls and regulations on financial transactions. Removing restrictions on international investments would bring a significant inflow of capital. It would also, where needed, allow foreign-based expertise to enter Ghana.

Furthermore, while Ghana is a stable democracy, the government is not as effective at delivering services as it could be, and it is hamstrung by corruption. Government effectiveness would be greatly improved through building a results-based culture, to focus on the delivery of government services and fiscal sustainability. Efforts have been made to fight corruption, but are often hindered by bureaucratic inertia and vested interests. Confronting corruption will need continued support throughout all levels of government, from the president through to regional officials.

Reforms to address these challenges are neither straightforward nor politically easy. For nearly all dimensions of reform, including those that would benefit the majority of the population, there are powerful interest groups that have much to gain from the status quo through, for example, unfair and non-transparent access to government contracts. Enacting these reforms calls for courage when addressing those vested interests. Furthermore, it requires building agreement around the policies that lead to an open and prosperous economy.

Nonetheless, there is cause for optimism. The government in recent years has implemented various reforms in areas such as insolvency and banking, while also showing some commitment to growing regional trade. Its hosting of the future African Continental Free Trade Area Secretariat could allow it to influence the opening up of markets across Africa.

The President has recently announced his vision of 'Ghana beyond aid'. This is promising, and shows an intent to move towards a more open economy. We believe that with the right reforms and requisite political will, Ghana can reach its target of moving beyond aid to compete successfully on its own terms in the world economy. We are hopeful that Ghana will continue to take bold steps to build a more prosperous future for all Ghanaians.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

EXECUTIVE SUMMARY

This report is part of a series of case studies examining the links between a nation's Economic Openness and prosperity, informed by the insights generated by our Global Index of Economic Openness. We hope to provide a holistic and systematic assessment of the policy environment underpinning the Ghanaian economy and, in doing so, help to identify what specific action needs to be taken to improve Economic Openness in Ghana.

Since its democratic transition in 1992, Ghana has become a success story in Africa by combining political stability and growing prosperity. It ranks 91st in the Global Index of Economic Openness, and 10th in Africa. Ghana's GDP per capita growth was 4% in 2018, and has varied between 0% and 11% over the last 10 years.¹ Over the last decade, this has been driven largely by the growth of the oil sector. Inflation is forecast to stay within the Central Bank's target range of 6-10% over the medium term.

Yet Ghana's economic challenge is not just to continue growing, but to grow at its full potential. While its Economic Openness has improved, other countries are improving at a faster rate. So despite Ghana improving, it has fallen 13 places globally, and is down three places in Africa, as other countries overtake it.

That shows the extent of the challenge as well as opportunity: even where Ghana is doing well, others are striving to improve too. Ghana is right to vie for position in the African and global economy, including to attract investment, but will need to keep working to maintain and improve that position.

The President's vision is one of 'Ghana beyond aid', launched in April 2019 to make:

“a prosperous and self-confident Ghana that is in charge of her economic destiny; a transformed Ghana that is prosperous enough to be beyond needing aid, and that engages competitively with the rest of the world through trade and investment.”²

To move on to those next levels, Ghana faces a combined challenge and opportunity: to build on the foundations laid to deepen and strengthen economic progress, which will in turn burnish the country's credentials as an exemplar for combining governance with growth. That will require political commitment to formulate and implement changes in some complex areas. But in doing so, Ghana could demonstrate on the African and world stage how good governance and growth can build a country's development.

In this case study, we assess the extent to which Ghana has the four fundamental characteristics of open economies, and how these could be developed:

Market Access and Infrastructure, such that products and services can be easily produced and delivered to customers;

Investment Environment, such that domestic and foreign sources of finance are widely available;

Enterprise Conditions that ensure markets are contestable and free from burdensome regulation;

Governance that is underpinned by the rule of law, in addition to government integrity and effectiveness.

1. "GDP per capita growth (annual %)," *World Bank*, last accessed November 25 2019, <https://data.worldbank.org/indicator/NY.GDP.PCAP.KD.ZG>.

2. "Ghana Beyond Aid: Charter and Strategy Document," April 2019.

Our analysis indicates a clear link between the extent to which a country's economy exhibits these characteristics and its productive capacity.³ This link is supported by a long history of academic literature, and can also be seen in the economic histories of those countries that have achieved a high level of economic wellbeing.

Ghana ranks 91st in terms of Economic Openness. Its Market Access and Infrastructure has improved more than any other pillar, driven by improving communications, border administration, and access to global markets. However, it is also its lowest-ranking pillar, at 115th globally. Ghana's Investment Environment is its next weakest pillar, and has seen a decline in the last 10 years, due primarily to worsening investor protections and greater restrictions on international investment. Enterprise Conditions have improved through a lighter regulatory burden on businesses and a more flexible labour market. Ghana's best performing pillar is Governance, ranking 55th, scoring well because of the strength of its formal institutions. However, this pillar has also declined due to corruption and government effectiveness.

MARKET ACCESS AND INFRASTRUCTURE (GHANA RANK:115TH)

Ghana's Market Access and Infrastructure is improving, but at a slower rate than its peers, falling seven places over the last 10 years. It is Ghana's weakest performing pillar.

In Communications, Ghana ranks 117th in the world, and has improved substantially over the last 10 years—but nonetheless has failed to improve as fast as other countries, dropping six places over the last decade. While benefitting from liberalisation, increased competition and relatively good coverage across the country, Ghana's communications market still suffers from high costs and low capacity. Ghana would benefit from further investment in fixed broadband and improving infrastructure sharing among providers.

Ghana ranks 124th for the Resources element. It has improved over the last 10 years, but is still one of Ghana's weakest elements. The primary challenge in the electricity sector has been the reliability of supply, although it has improved since 2015, when there were widespread cuts. Ghana can improve reliability through improving and diversifying the fuel supply to thermal power plants and better collection of electricity tariffs. In the distribution of water, where Ghana performs poorly, the government can enable an increase in investment by either permitting the raising of prices or providing greater funding directly to water suppliers.

Currently ranking 115th globally, Transport has deteriorated slightly over the last 10 years. Roads are over-utilised and need greater maintenance, while rail is under-utilised. As well as increasing road investment, Ghana could invest in rail improvements to increase its use, particularly for movement of bulk commodities. It could also invest in port infrastructure and improving trade routes linking the South with the North and Ghana's land-locked neighbours. Given fiscal constraints, public-private partnerships could be used to increase the available transport funding.

In the related element of Border Administration, Ghana has improved significantly, and consequently moved up the rankings by 45 places over the past decade to 115th. Good progress has been made reducing the time and cost it takes to move goods across borders. While joining the African Continental Free Trade Area (AfCFTA) is a positive step, improving border administration will also require confronting the vested interests that gain from inefficient and non-transparent border processes.

3. See "Global Index of Economic Openness", *Legatum Institute*, May 2019.

Ghana's improving access to foreign markets is reflected in the country's rise in Open Market Scale, which is up 56 places since 2009 to 95th, following the trade deal with the EU. It also has access to U.S. markets through the U.S. African Growth and Opportunity Act. Given its membership of the Economic Community of West African States (ECOWAS), it will need to promote the case for more open markets within that organisation if it wants to gain further access to other countries.

Ghana ranks 139th for Import Tariff Barriers, which is its weakest element in the entire Index and is down 12 places since 2009. Tariffs are widely applied and high. To improve, Ghana could encourage ECOWAS to harmonise standards across countries. It could also remove or lower its own tariffs, particularly on agricultural or textile goods.

Market Distortions have worsened since 2009, and Ghana has declined 20 places to 65th. The perceived prevalence of non-tariff barriers has worsened, and there are a number of licensing requirements, standards and local content requirements that inhibit new entrants to the market. The government could review the set of barriers to trade that remain in place—including non-tariff measures, standards and licenses, subsidies, and local content requirements—and consider options for reducing or eliminating them.

INVESTMENT ENVIRONMENT (GHANA RANK: 106TH)

Ghana's Investment Environment has deteriorated, and has declined 12 places in the last 10 years to 106th in the world.

Ghana ranks 87th for Property Rights, with some improvement due to intellectual property rights, where Ghana has ratified international treaties and implemented policy for greater enforcement. However, there has been little improvement in real property rights, where the challenge of an already complex system of land ownership is compounded by poor land administration and difficulties around clarity of title and ease of transfer. Furthermore, much of the land is held by traditional structures under chieftains or clans, and around 20% of the land is owned publicly. The primary opportunity is to improve land administration, so that there is greater certainty of ownership and transferring land is easier.

Similarly, Investor Protections are also a weak point for Ghana, ranking below comparable countries at 130th globally and steadily deteriorating since 2009. New laws covering financial sector regulation and corporate governance have been passed since 2017, but their effect is yet to be seen. Enforcement will be key to making these laws effective.

Contract Enforcement has also declined, and is down 19 places to 85th, compared to 10 years ago. There is the opportunity to improve court processes and speed up the resolution of judgements, which take longer than in many comparable countries. As a result, alternative dispute resolution mechanisms are preferred by many commercial parties. Better processes, enabled by better use of technology, will help to reduce the time it takes to get cases through the court system.

Financing Ecosystems have improved, and Ghana now ranks 118th. Venture capital, bank branch penetration, and capital markets have all been improving. However, the quality of credit has been worsening, with the number of non-performing loans increasing. In recent years, the Bank of Ghana has taken a more active role in enforcing regulations, and revoking licences of a number of banks. The primary challenge for the government is supporting organisations that provide capital to SMEs.

Lastly, Restrictions on International Investment have also deteriorated in Ghana over the last 10 years—down 30 places to 106th, despite increases in FDI relating to the oil and gas and infrastructure sectors. The main factors driving the decline have been an increase in capital controls and financial transactions. The opportunities for improvement lie in removing these restrictions on foreign exchange, lowering capital requirements for new investors into Ghana, and implementing the e-visa system to allow for easier access for foreigners.

ENTERPRISE CONDITIONS (GHANA RANK: 69TH)

Ghana ranks 69th in this pillar, showing improvement but not changing its rank since 2009.

In Domestic Market Contestability, Ghana has deteriorated over the last 10 years, down 21 places to 86th. That, in part, reflects the continuing domination of some sectors by state-owned enterprises. Businesses also face difficulties bidding for public contracts and subsidies play a role in distorting markets. Reducing the role SOEs play and implementing robust competition regulation would help to improve contestability.

Ghana's Environment for Business Creation is relatively strong, ranking 53rd in the world. It has improved its ranking within Africa, but has fallen seven places in the global ranks. It has improved in the state of cluster development and also improved the ease of starting a business. However, the major challenge is the lack of skilled employees. Going forward, Ghana can continue to improve the ease with which businesses can become formalised, and continue to invest in skills.

Ghana has made significant progress in ameliorating the Burden of Regulation since 2009, rising 35 places to 76th. Ghana has seen significant progress in making it easier to comply with construction procedures and has reduced slightly the number of tax payments. The overall regulatory burden has improved. To improve further, Ghana can continue to reduce the burden of business regulation, especially the time spent on filing taxes and the number of taxes.

Labour Market Flexibility has risen 49 places to 57th globally, although it is unclear whether these regulatory changes have made it easier for businesses to enter the formal economy. Ghana stands to reap a demographic dividend if it takes advantage of its young and expanding workforce, but it will need to continue to focus on job creation. It can also focus on reducing the high redundancy costs facing businesses.

GOVERNANCE (GHANA RANK: 55TH)

Governance is Ghana's highest-ranking pillar (55th), putting it amongst the leaders in Africa and reflecting the strong democratic traditions built up under the 1992 constitution. However, while Ghana performs strongly on formal measures of government, the day-to-day operations of government are limited by corruption and poor government effectiveness.

In Executive Constraints, it ranks 36th, with largely respected separation of powers. As in any similar country with protected freedoms, a healthy ongoing debate continues about the effectiveness of checks and balances between different arms of the state. Parliament, the judiciary and independent bodies all play some role in checking the executive.

Political Accountability is also strong in Ghana, where it ranks 46th. There is general acceptance of the benefits of democratic freedoms supported by active civil society organisations. Elections are hard-fought at the ballot box, yet are largely peaceful.

For the Rule of Law, Ghana ranks 55th. Key legal judgments concerning the conduct and outcome of presidential elections have carried public confidence when needed. Although the judiciary is independent, there have been cases of corruption in recent years. Ghana could consider how judges are appointed and implement more efficient court processes to improve the speed of judgements.

Corruption in government is widespread, reflected in the country's weak performance for Government Integrity, which declined 21 places over a 10-year period to 107th. The current government came to power on an anti-corruption platform, and have taken steps to address corruption, including setting up an Independent Prosecutor. Sustained action will be necessary to root out both the perception and reality of corruption within the system, including full resourcing of the Office of the Special Prosecutor.

Government Effectiveness examines the delivery of public services, where Ghana has fallen 13 places since 2009, to 66th. Ghana's government is generally poor at implementing projects and there is a lack of political consensus around long-term plans. Furthermore, fiscal management has generally been poor. The major opportunities for Ghana are improving the delivery of services, more consensus on planning, and better public financial management.

Regulatory Quality has seen an improvement, and is up 10 places to 72nd. Further improvements could be made to regulatory quality through reforms such as widespread and systematic use of regulatory impact analysis and greater engagement from the business community.

LOOKING FORWARD

Analysing Economic Openness and assessing its positive effects on prosperity is now a time-sensitive task, with the benefits of globalisation and Economic Openness being questioned in the wake of the Global Financial Crisis. We see the impact of the crisis in public debate 10 years on, with the rise of nationalism and populist politics across the world.

One of the choices for policymakers around the world seeking to ensure sustainable prosperity is to resist protectionism, and instead reinvigorate the trade liberalisation agenda and improve the contestability of domestic markets. Ghana was the first country to ratify the AfCFTA earlier this year, and has won the right to host the new Secretariat in Accra. That could give Ghana an influential role in creating greater Economic Openness across this emerging market of 1-2 billion people.

The challenge for Ghana's government is to continue to work to open up the national and regional economies in the face of such pressures, while building political support for further reform. This will bolster Ghana's positioning as an outward-looking trading nation, as well as helping to grow new export industries. These choices to generate greater Economic Openness will increase competition and innovation, which will ultimately benefit citizens through enhanced growth and development – fulfilling the vision of "Ghana Beyond Aid".



Children in Teshie, Accra (Shutterstock.com)

INTRODUCTION

This case study on Ghana is part of a series we have published on Economic Openness. We have produced a Global Index of Economic Openness, providing rankings and analysis of the performance of the different nations of the world. We are also publishing 10 in-depth case studies of countries at a range of stages of economic development.

We have chosen Ghana as it is both an example of a regional leader, and one where there remains significant room for improvement. Since the democratic transition in 1992, Ghana's GDP per capita has tripled in real terms, and is now \$2,200 per capita. More recently, the discovery of oil in the 2000s has led to large inflows of international capital. Some are forecasting that Ghana will be one of the world's fastest growing economies this year.

The government has also enacted a number of reforms, particularly around the ease of improving business. However, despite this good progress, growth has been below what it could be, and the challenge for Ghana's leaders is to ensure that the country seizes the opportunities available to it.

Ghana's established stability and growing economic strength compare favourably with regional and continental peers. This offers a strong platform on which to build further and faster, with Ghana typically seen as a good entry point for businesses into the region.¹

We examine past performance, present conditions, and identify how the government might strengthen opportunities and neutralise potential threats moving forward. The analysis of Ghana's performance in this report focusses on what we consider to be the key drivers of economic wellbeing across the world. These are organised around four pillars.

Market Access and Infrastructure measures the quality of the infrastructure that enables trade (communications, transport, and resources), and the inhibitors on the flow of goods and services to and from a country's trading partners. Where markets have sufficient infrastructure, few barriers to trade, and smooth border clearance, commerce can flourish. Such trade leads to more competitive and efficient markets, enabling new products and ideas to be tested, funded, commercialised and ultimately benefitting consumers, through a greater variety of goods at more competitive prices.

Investment Environment measures the extent to which investments are protected adequately through the existence of property rights, investor protections and contract enforcement, and also the extent to which domestic and international capital (both debt and equity) is available for investment. The more a legal system protects investments, for example through Property Rights, the more that investment can drive economic growth.

Enterprise Conditions measures how easy it is for businesses to start, compete, and expand. Contestable markets with low barriers to entry are important for businesses to innovate and develop new ideas. This is essential for a dynamic and enterprising economy, where regulation enables business and responds to the changing needs of society.

Governance measures the extent to which there are checks and restraints on power and whether governments operate effectively and without corruption. The nature of a country's Governance has a material impact on its prosperity. The rule of law, strong institutions, and regulatory quality

1. Deloitte, "Invest in Ghana: A stable springboard into West Africa" (September 2017) 16.

contribute significantly to economic growth, as do competent governments that enact policy efficiently and design regulations that deliver policy objectives without being overly burdensome.

Defining Economic Openness and measuring its positive effects on prosperity is now a time-sensitive task.

The benefits of globalization and Economic Openness have been questioned in the wake of the global financial crisis. We continue to see the impact of the crisis on the public debate 10 years on, in the rapid rise of nationalism and populist politics across the western world.

Yet globalisation continues apace. The degree of connectivity, the exchange of ideas, and the levels of cross-border trade and commerce have recovered in the decade since the crisis. Trade between communities, countries, and regions continues to spread innovation and transfer knowledge to boost productivity and ultimately foster economic growth. It remains to be seen whether the growth in international trade will be higher than economic growth, which will lead to increased innovation across the globe, or merely increase at the same rate.

One of the choices for policymakers who are seeking to ensure sustainable prosperity is to resist protectionism and instead reinvigorate the trade liberalisation agenda. In the aftermath of the crisis, when global trade flows slowed dramatically, many governments in both developed and developing countries contemplated, or actually used, a number of trade policy instruments to protect their domestic industries and producers, especially in the form of non-tariff measures.

The danger of 'beggar-thy-neighbour' protectionist policies became a realistic possibility again. Happily, initial fears of a mutually damaging protectionist war in response to the economic crisis have not yet materialised, largely thanks to the strength of the rules-based multilateral trading system.

MARKET ACCESS AND INFRASTRUCTURE	INVESTMENT ENVIRONMENT	ENTERPRISE CONDITIONS	GOVERNANCE
<ul style="list-style-type: none"> • Communications • Resources • Transport • Border Administration • Open Market Scale • Import Tariff Barriers • Market Distortions 	<ul style="list-style-type: none"> • Property Rights • Investor Protection • Contract Enforcement • Financing Ecosystem • Restrictions on International Investment 	<ul style="list-style-type: none"> • Domestic Market Contestability • Environment for Business Creation • Burden of Regulation • Labour Market Flexibility 	<ul style="list-style-type: none"> • Executive Constraints • Political Accountability • Rule of Law • Government Integrity • Government Effectiveness • Regulatory Quality

ANALYSING GHANA'S PERFORMANCE

We have structured this case study in terms of the four pillars outlined above: Market Access and Infrastructure, the Investment Environment, Enterprise Conditions, and Governance. We will examine past performance, present conditions, and identify how the government might strengthen opportunities and neutralise potential threats moving forward.

The following chapters examine in detail Ghana's performance across the four areas and the discrete elements that constitute our measure of Economic Openness. Our assessment of Ghana is based on its rankings in global datasets from sources such as the World Bank, World Economic Forum and International Monetary Fund. (For a complete list of data sources see the appendix.)

As part of our analysis, we have chosen a set of regional and global comparator countries that are at a similar level of development. From within Africa we have chosen Cote d'Ivoire, Nigeria, Botswana, Kenya, Uganda, Rwanda, and Morocco. For our global comparators we have chosen Vietnam (96th), Guatemala (92nd), and Colombia (71st), because they have similar ranking as Ghana (91st).

We hope that this broad-brush SWOT analysis will be of use to policymakers elsewhere who might seek to draw lessons from Ghana's economic prosperity.





MARKET ACCESS AND INFRASTRUCTURE (GHANA RANK: 115TH)

An environment supportive of trade and commerce will allow new products and ideas to be tested, funded, commercialized, and delivered easily to customers. Our Market Access and Infrastructure pillar comprises both the critical enablers of trade (Communications, Transport, and Resources) as well as the inhibitors (Border Administration, Open Market Scale, Import Tariff Barriers, and Market Distortions).

The benefits of free trade are often explained in terms of Ricardian comparative advantage and enhancing consumer choice. Trade empowers individuals and encourages competition. Offering choices to consumers and businesses about which products, services, and ideas they can buy domestically and internationally is at the core of free trade.

Ghana. SWOT Analysis of Market Access and Infrastructure

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Increasing mobile phone usage • Electricity generation capacity has improved and it is easier to connect to electricity • Road density is high and the road network is well utilised • Favourable geographic and political positioning to facilitate regional trade and transport • Ghana has good access to foreign markets through its trade deal with EU and access to the U.S. market through the African Growth and Opportunity Act • Ghana has relatively few non-tariff measures 	<ul style="list-style-type: none"> • Low broadband bandwidth and slow speeds • Historically unreliable supply of electricity (although it is improving) • Increasing vulnerability to water scarcity, including for hydro generation • High import tariffs compared to some peers and competitors, and wide coverage of goods • High cost to comply with border regulations
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Promoting telecommunications infrastructure sharing, and reducing the communications services tax • Reviewing the electricity tariff regime • Investing in transport infrastructure, particularly ports and roads • Smoothing border administration, to boost East/West and North/South trade corridors • Reducing non-ECOWAS tariffs to allow consumers to access cheaper goods • Removing market distortions such as local content requirements, to encourage more competition 	<ul style="list-style-type: none"> • Poor market structure and debts in the supply chain threaten secure electricity provision • An infrastructure funding gap threatens the development of major infrastructure projects

Evaluating Market Infrastructure and Access

The infrastructure that enables operations in trade and commerce can be measured by both the critical enablers of trade, predominantly infrastructure, and also inhibitors of access to markets.

The first enabler of trade is **Communications**, including fixed line and mobile telecoms and internet penetration, which facilitate mass participation in the formation, ownership, and monetisation of ideas.

The second enabler of trade is **Resources**, which includes water and energy. We measure both the availability and reliability of these critical elements.

The third enabler of trade is **Transport**, which makes possible both physical trade in goods and trade in services, which often requires the movement of people.

In addition to the enablers of trade, we also assess the policies and procedures that inhibit trade.

The first inhibitor to trade is **Border Administration**, which measures the financial and time cost of the documentation process necessary to move goods across a border.

The second inhibitor to trade is **Open Market Scale**, which measures the size of the market to which providers of goods and services have privileged access. Countries with greater access to other markets trade more than those that do not.

The third inhibitor to trade is **Import Tariff Barriers**, which we measure in terms of the trade weighted average tariff goods face when coming into a given country.

The fourth inhibitor to trade is **Market Distortions**, including subsidies, taxes, and regulatory barriers.

Equally important is the role that trade provides in communicating new ideas and raising productivity.¹ Competition from international trade ensures that even when a business does export, it is forced to respond to new ideas from the increased competition in domestic markets.

Ghana ranks 115th for Market Access and Infrastructure. While it is improving, it is doing so at a slower rate than many of its global and regional peers, resulting in a drop of seven places. Trade in Ghana has been liberalised since the early 1980s, when structural adjustments programmes induced lower tariffs, liberalisation of foreign exchange, and deregulation. Throughout this time, trade in Ghana has risen from 6% of GDP (in 1982) to 74% (in 2017).²

In the following sections, we review the performance of Ghana in each of the distinct elements of Market Access and Infrastructure, from Communications through to Market Distortions.

1. Sebastian Edwards, "Openness, productivity and growth: What do we really know?" *The Economic Journal* 108, no. 447 (1998): 383-398.

2. "Trade (% of GDP)," *World Bank*, last accessed November 15, 2019, <https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS>.

COMMUNICATIONS (GHANA RANK: 117TH)

Mobile subscriptions reached 138 per 100 people in 2018, compared to 49 per 100 people in 2008.

The free exchange of information, underpinned by good communications infrastructure, is a vital component of Economic Openness. Moreover, the advent of communications technology as an end-product has created economic opportunity for innovative companies and countries. Whole societies have been transformed by this evolution in communications technology. Our measure looks at a wide range of forms and measures of communication, from fixed line and mobile telecoms to broadband speeds and penetration rates.

Ghana ranks 117th in the world for Communications, having improved its communication infrastructure substantially over the last 10 years. However, it has failed to improve at the rate of its peers, dropping six places over the last decade. While mobile coverage is relatively good, the service has high costs and low capacity. Broadband coverage remains low.

Penetration

In many respects, Ghana is well connected and tech savvy—with highly visible mobile usage in the main urban and population centres. Many users have more than one mobile subscription. Mobile subscriptions reached 138 per 100 people in 2018, compared to 49 per 100 people in 2008.³ Users switch between providers to take advantage of on-network tariffs and special offers.⁴

In 2017, Ghana had almost 19 million unique mobile subscribers (two thirds of the population), and 40% the population was connected to the internet.⁵ As in many other countries, the old, very young, and poor have considerably lower levels of mobile phone ownership and usage.

Fixed broadband penetration is among the lowest in the world, with just 0.2 subscriptions per 100 people (ranking 140th). Ghana has made plans in the past to increase connectivity and affordability. For example, the 2012 National Broadband and Implementation Strategy had set a broadband connectivity target of 40% of households by 2015, and universal penetration of 90% by 2020.⁶ Plans for a new digital strategy were announced in 2018, but no further steps have been taken.

Network coverage is not comprehensive

At least part of the reason for lower usage is incomplete mobile network coverage. Nonetheless, it has increased, now ranking 99th in the world. Coverage is far more widespread in the south, while large parts of the north remain without coverage.⁷ There are 4.4 million people without 3G coverage, and far more without access to 4G coverage.

The government is seeking to address shortcomings in coverage, both through its own investment and incentivising private providers to increase coverage and quality, while lowering costs. A national fibre communications network is being developed. A southern loop has been completed, and the second phase of development in Northern Ghana has had 800 kilometres deployed thus far, serving 126 communities (from Ho to Bawku with a link from Yendi to Tamale).⁸ There has also been investment to encourage the extension of fibre optic networks to connect all districts and communities.⁹

3. "Mobile cellular subscriptions (per 100 people)," *World Bank*, last accessed November 15, 2019, <https://data.worldbank.org/indicator/IT.CEL.SETS.P2>.

4. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.157.

5. "Country overview: Ghana," *GSMA Intelligence*, 2017.

6. "Ghana Affordability Report Highlights 2018," *Alliance for Affordable Internet*, last accessed November 15, 2019.

7. "Rural connectivity innovation case study: Using light sites to drive rural coverage – Huawei RuralStar and MTN Ghana," *Groupe Spéciale Mobile Association*, November 2018.

8. "Doing business and investing in Ghana," *PwC*, 2018, p.30.

9. *Ibid.*, *PwC*, 2018, p.31.

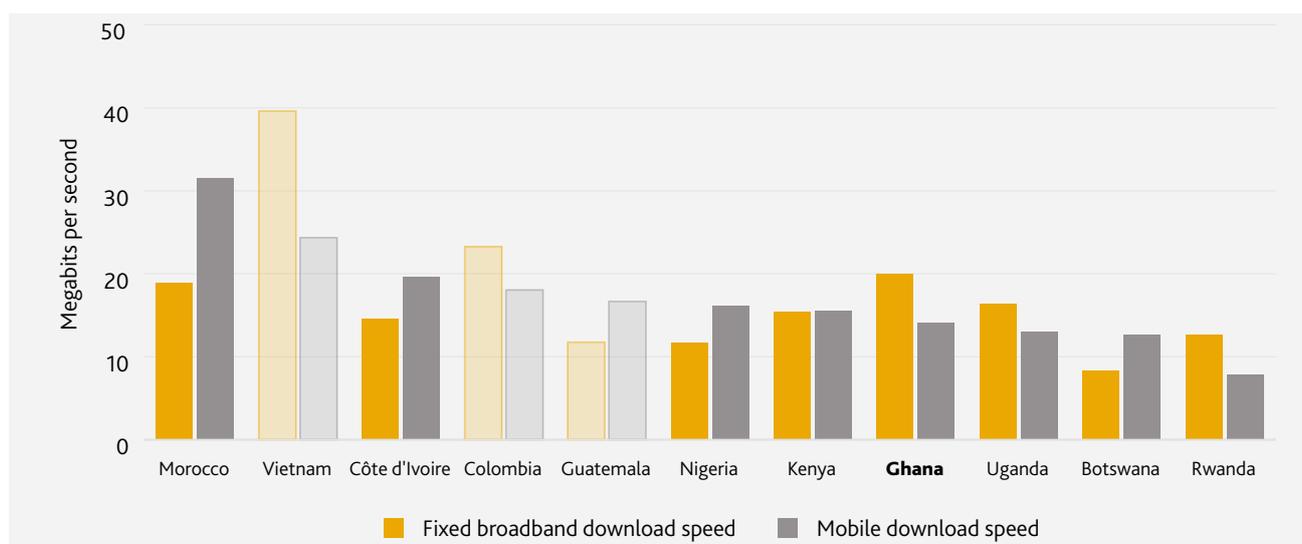
Particular focus has also been given to the Universal Access Fund regime, operated by the Ghana Investment Fund for Electronic Communications. This fund was set up to address the gap between commercially viable areas of the country and unserved, rural parts. Incentivising the private sector to go into new markets, it funds tax rebates or holidays, coupled with new models for universal service funds.¹⁰ The fund has, among other things, financed the construction of towers, and extended services to rural communities.¹¹

Capacity and bandwidth

According to Speedtest, Ghana has some of the slowest download speeds compared to regional peers, for both mobile broadband and fixed broadband (See Figure 1).

Internet bandwidth has increased to 3.7 kilobits per person (121st globally). There is significant potential international capacity, with Ghana being the landing point for five major international submarine cables.¹² By 2018, that came cumulatively to approximately 7 Terabytes of bandwidth capacity available. The challenge is to build the broadband infrastructure within the country to take advantage of this.

Figure 1: Download speeds in selected countries



Source: Speedtest Global Index, July 2019

Cost

While smartphones have become accessible to many Ghanaians, the cost of data remains prohibitive.¹³ Ghana ranks 126th in the world for data affordability, according to technology company Viotech. The Alliance for Affordable Internet states that the cost of mobile internet remains above their affordability threshold of 1GB of data for 2% or less of the average monthly income.¹⁴

10. "Country overview: Ghana," *Groupe Spéciale Mobile Association*, 2017, p.4.

11. "Sub-Saharan Africa – Universal Service Fund study," *Groupe Spéciale Mobile Association*, September 2014, p.25.

12. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.157.

13. *Ibid.*, p.162.

14. "Ghana Affordability Report Highlights 2018," *Alliance for Affordable Internet*, last accessed November 15, 2019, https://1e8q3q16vyc81g8l3h3md6q5f5e-wpengine.netdna-ssl.com/wp-content/uploads/2019/04/A4AI_AR18_Ghana_Screen_AW2.pdf.

There are two possible reasons for these high costs and slow speeds. Firstly, while the telecommunications sector is competitive, it is a smaller market than other African countries and is dominated by two major players (MTN and Vodafone). There is also the need for major infrastructure investment, whose costs may often be passed onto consumers. One of the features exacerbating these costs has been the lack of infrastructure sharing and costs associated with sharing of communication towers.¹⁵

Secondly, the government also charges a communications services tax on the purchase of services, which was increased from 6% to 9% this year.

Communications market structure

The structure of the telecommunications sector has become more diversified. Ghana liberalised its telecommunications sector in 1994, and has since built one of West Africa's most competitive and dynamic communications markets, with over 50 authorised internet service providers.¹⁶

While the sector remains regulated by the state-run NCA, sector development is guided by the National Telecommunications Policy, which aims to make telephone and internet connectivity "available and affordable for all citizens".¹⁷ There have also been attempts to increase competitiveness, for example the regulator's intention to replace 2G licences expiring in 2019 with universal access licences, enabling licensees to offer both fixed and mobile offers.

Market transformation really got under way following the government's sale of a 70% stake in Ghana Telecom for \$900m in 2008.¹⁸ Today the sector is characterised by a range of competitive players displaying an extensive mix of domestic and international ownership.

Opportunity

Ghana's major challenge is to ensure that its communications infrastructure is sufficient to support its future economic needs. There are three main opportunities.

1. The regulator could do more to encourage infrastructure sharing and interconnection agreements among providers. The regulator would need to invest in the capacity to help negotiate the complex financial, technical, and operational details of interconnection, and pricing arrangements.¹⁹ This would help to increase competition by lowering costs for new entrants to the market. Reducing prices by removing the Communications Services tax is another option to reduce costs for consumers.
2. The government should continue its work to develop a coordinated digital strategy. Such a strategy would set aspirational, realistic targets for connectivity and pricing, and ensure that future projects create the greatest impact.²⁰
3. As part of that plan, the government could set out proposed investment in fixed broadband infrastructure to increase the capacity of broadband networks across Ghana. In particular, that plan could set out how both coverage and capacity will increase, primarily through attracting private investment—for example with incentives, such as removing customs duties on network equipment used in building infrastructure.²¹

15. Ibid.

16. "Infrastructure – ICT," *Ghana Investment Promotion Centre*, last accessed November 15, 2019, <https://www.gipcghana.com/invest-in-ghana/why-ghana/infrastructure/ict-infrastructure.html>.

17. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.156.

18. Ibid., p.157.

19. Chris Addy-Nayo, "3G Mobile Policy: The Case of Ghana," *International Telecommunications Union*, last accessed November 15, 2019, p.17.

20. "Ghana Affordability Report Highlights 2018," *Alliance for Affordable Internet*, last accessed November 15, 2019.

21. "Digital inclusion and mobile sector taxation in Ghana," *Groupe Spéciale Mobile Association*, February 2015, p.11.

RESOURCES (GHANA RANK: 124TH)

Access to reliable and affordable Resources, including water and energy, is crucial for a well-functioning economy. An unreliable energy supply can limit the growth of a potential business and act as an obstacle to effective trade. Our measure of Resources aims to capture the quality, reliability and affordability of a country's energy network, as well as the access to and use of water resources. This element does not account for the presence of other resource endowments (such as oil or gold).

Ghana currently ranks 124th worldwide for the Resources element, up two places over a 10 year period.

Electricity capacity

Ghana's electricity capacity is modest and growing. The installed generation capacity of 4,400 megawatts (with a reliable capacity of 4000 megawatts) has more than doubled since 2006.²² However, on a per capita basis, this still leaves Ghana ranked 116th in the world.

Annual per capita electricity consumption is 535 kWh per year. Although it is higher than its neighbours, including Senegal and Côte d'Ivoire, it means Ghana's electricity capacity exceeds peak demand of 2,500 megawatts.²³ This excess capacity has proved costly to maintain. Hence, Ghana is planning to sell excess power generation to neighbouring countries, as part of regional and trans-continental arrangements, provided that cross border energy transmissions lines are improved.²⁴ In the longer term, future demand may absorb much of this excess capacity.

The mix of sources for Ghana's power generation is already shifting away from the traditional dominance of hydroelectric power from the Akosombo Dam at Lake Volta. Electricity generation now consists of 38% hydro (down as a proportion by nearly half over recent years), 61% thermal (from power plants variously operating on gas, diesel, and light crude oil), and solar (less than 1 percent). Gas is an increasingly important part in power generation, with the 2017 flow of gas to the nation's consuming facilities increasing by 65% from the previous year.²⁵

Access to electricity

Access to electricity is widespread. Ghana has one of the highest electrification rates in sub-Saharan Africa: 84% of the population has access to electricity, including around 95% of the urban population and 70% of the rural population.²⁶ The government of Ghana is committed to providing universal access to electricity by 2020, following commitments as far back as 1989 to increase access.²⁷ Government initiatives including the National Electrification Scheme (NES) and the Ghana Energy Development and Access Project (GEDAP) have helped increase electricity access enormously.

Ghana has also made it much easier to connect to electricity, moving up 49 places since 2009 to 56th.

Installed generation capacity of 4,400 megawatts exceeds peak demand of 2,500 megawatts.

22. Ebenezer Kumi, *The electricity situation in Ghana: Challenges and opportunities*. Washington, DC: Center for Global Development, 2017, p.2.

23. African Development Bank, "Republic of Ghana: Country Strategy Paper: 2019-2023" (June 2019) xxiii.

24. "Republic of Ghana: Country Strategy Paper: 2019-2023," *African Development Bank*, June 2019.

25. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.98.

26. *Ibid.*, p.107.

27. Ebenezer Kumi, *The electricity situation in Ghana: Challenges and opportunities*. Washington, DC: Center for Global Development, 2017, p.12.

Reliability

Ghana's main resource weakness has been the reliability of electricity supply, for which it ranks 108th in the world. According to the World Bank, Ghana has some of the highest frequency and duration of outages, both globally and regionally (see Figures 2 and 3).

Historically, the regularity of power cuts was estimated to cost the country \$2.2 million in output per day in 2014, amounting to \$680 million in 2014.²⁸ This was a major issue for Ghanaian businesses, with unreliable power identified as one of three binding constraints on growth in Ghana.²⁹ Widespread power shortages experienced in 2015, which led to public demonstrations, were a turning point in improving the provision of electricity in Ghana.³⁰

Reliability has been improving, but there are two major challenges in the sector. The first is that there have been issues with the supply of fuel for thermal plants, which exacerbates problems when water in the dams is low. In 2017, approximately 26% of thermal fuel reached Ghana from Nigeria through the West African Gas Pipeline. That supply can be unreliable, due to poor provision or non-payment by Ghanaian generators. As a result, in 2018, Ghana spent up to \$285 million importing liquid fuels to augment irregular gas supplies from Nigeria.³¹

The second major problem is the impact of debts throughout the power sector, caused largely by inadequate tariff collection. Producers have taken on loans to fund projects, but distribution companies are unable to collect enough revenue to pay suppliers. Both the Volta River Authority and the Electricity Company of Ghana have large debts.³² This is still an ongoing challenge, and in October 2019 the Chamber of Independent Power Producers stated that they were owed \$1.5 billion by the state-owned distribution companies, and themselves owe \$400 million for gas deliveries.³³

These debts threaten long-term investment into the power sector by private providers and government SOEs. In 2019, a new private consortium, Power Distribution Service (PDS), took over the public Electricity Company of Ghana. PDS was expected to "inject additional capital and contribute to improve service quality and reduce technical, commercial and collection losses".³⁴ However, the government of Ghana has cancelled the contract, saying there were issues with the demand guarantees (a form of security) given by PDS, which were prerequisites to the lease of assets to PDS.³⁵

28. Ebenezer Kumi, *The electricity situation in Ghana: Challenges and opportunities*. Washington, DC: Center for Global Development, 2017, p.12.

29. "Ghana Constraints Analysis (Partnership for Growth)," *Joint U.S. Government and Government of Ghana Technical Team*, August 2011.

30. Ebenezer Kumi, *The electricity situation in Ghana: Challenges and opportunities*. Washington, DC: Center for Global Development, 2017, p.12.

31. "Republic of Ghana: Country Strategy Paper: 2019-2023," *African Development Bank*, June 2019.

32. "Ghana," *International Monetary Fund*, Article IV, September 2017, p.19.

33. Moses Dzawu, "Ghana Power Producers; Debts Mount Over Arrears of \$1.5 Billion," *Bloomberg*, October 29, 2019.

34. "Republic of Ghana: Country Strategy Paper: 2019-2023," *African Development Bank*, June 2019.

35. Abubakar Ibrahim, "ECG is back as government suspends PDS agreement," *My Joy Online*, July 30, 2019.

Figure 2: System average interruption duration index

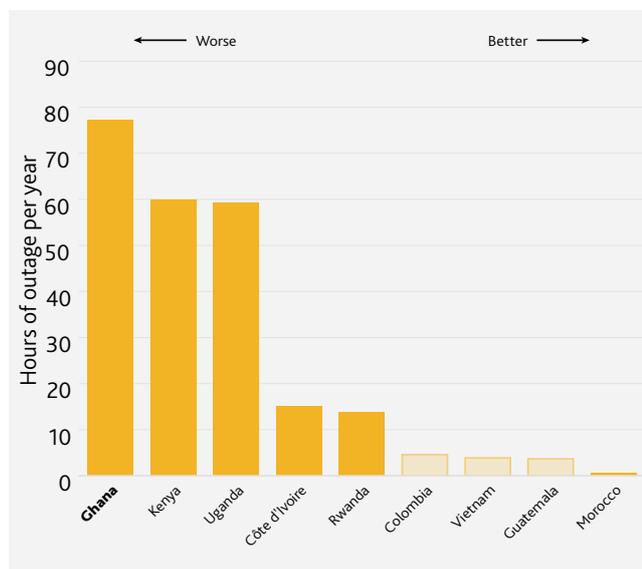
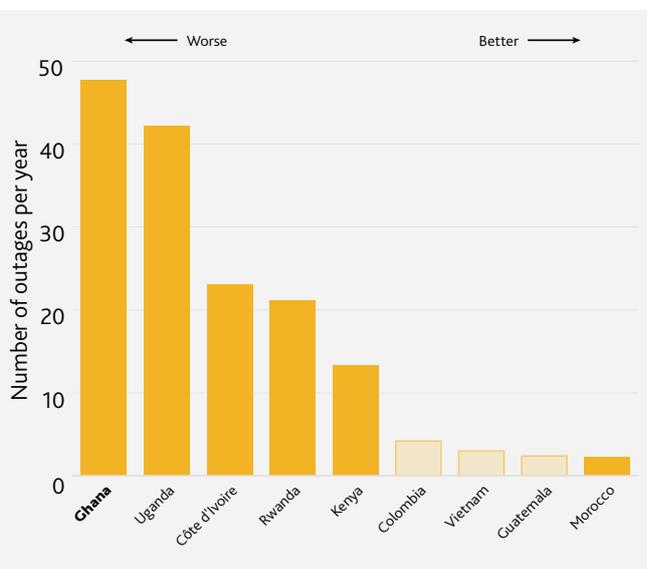


Figure 3: System average interruption frequency index



Source: World Bank Doing Business, 2019

Note: No data is given for Nigeria or Botswana

Cost of electricity

Ghana has the third highest retail electricity prices in Africa, at \$306 per megawatt.

Ghana has the third-highest retail electricity prices in Africa, at \$306 per megawatt hour, compared to \$183 in Rwanda, \$151 in Côte d'Ivoire, and \$74 in Botswana.³⁶ Electricity prices have doubled from 2007-17, following increased demand for electricity and increased investment in generation and distribution.³⁷

One of the challenges for providers of electricity is the inadequate collection of tariffs. Residential consumers receive a form of subsidy for the first 50 kilowatt-hours, making it difficult for companies to recover the cost of producing that electricity.³⁸ Furthermore, the government does not always pay the cost of the subsidies to the provider, meaning that the cost of the subsidy falls on the provider. For example, at the end of 2015, the government apparently owed GHC 950 million to electricity companies. Exacerbating these problems are poor revenue collection on behalf of distribution companies.³⁹ A further problem is that government departments do not pay many of their own electricity bills.⁴⁰

Another driver of high tariffs is the high cost of fuels for thermal generation, especially the delivery of natural gas through the West African Gas Pipeline and imported liquid fuels. Increasing the use of natural gas from domestic fields would lower these costs.⁴¹

36. Average retail electricity prices in Africa in 2016, by select country," *Statista*, last accessed November 15, 2019, <https://www.statista.com/statistics/503727/retail-electricity-prices-in-africa-by-select-country/>.

37. Andrew Ward, "Ghana's goal of plentiful power faces high costs and unreliable supply," *Financial Times*, September 22, 2017.

38. Ebenezer Kumi, *The electricity situation in Ghana: Challenges and opportunities*. Washington, DC: Center for Global Development, 2017, p.20.

39. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.109.

40. Ebenezer Kumi, *The electricity situation in Ghana: Challenges and opportunities*. Washington, DC: Center for Global Development, 2017, p.18.

41. "Integrated Power System Master Plan for Ghana," *U.S. Aid*, December 6, 2018, p.29.

Market structure for electricity

Power generation is carried out by the Volta River Authority, the Bui Power Authority, and a number of independent power producers. Transmission of electricity is done through a state-owned enterprise.

Distribution of electricity is the responsibility of two state owned electricity companies and one private provider. The Electricity Company of Ghana distributes electricity in the southern part of Ghana. The Northern Electricity Development Company (NEDCo) operates in the northern part of Ghana. The only private distribution company to operate in Ghana is called Enclave Power Company Ltd, which was licensed by the Energy Commission in 2009 to distribute and sell electricity at Tema Industrial Area.

The sector is regulated by the Energy Commission, which looks at technical regulation such as licencing, and the Public Utilities Regulatory Commission, which is responsible for approving the rates at which electricity is sold and monitoring the quality of electricity services.⁴²

Water

Ghana has abundant natural water resources. The Volta River and lake—one of the world's largest reservoirs—constitutes the vast majority of Ghana's renewable water resources. However, Ghana ranks just 149th globally for water production. Water coverage stands at 63% for urban populations and 64% for rural populations.⁴³ Total water withdrawals account for only around 2% of all renewable resources, indicating that the "economic utilisation of water resources is very low".⁴⁴

The government aims to provide universal access to water by 2025. To reach this, it will have to rectify significant shortfalls in capacity at key water treatment plants. One of the ongoing challenges is ensuring that water tariffs meet the cost of production. Water prices are regulated centrally, and the Ghana Water Company Limited stated that the 8% rise announced in 2019 was "insignificant to cover the cost of producing water".⁴⁵

Opportunity

The Ghanaian economy and society would benefit from continued progress in providing universal electricity access. The primary challenge is electricity reliability and water provision, and Ghana could take four actions to address this.

1. Ensure there is reliable gas and oil supply to thermal power plants, in particular a sufficient diversity of sources for its thermal energy plants, so that there is some resilience. In part, this requires approval for new projects to gain natural gas, which has the added benefit of being cheaper than fuels such as diesel.⁴⁶
2. There could be improvements to the flow of revenues from distributors to generators of electricity. This requires ensuring that the tariffs are set at appropriate prices, and also ensuring there is better collection of tariffs through more efficient metering systems. In

42. Ebenezer Kumi, *The electricity situation in Ghana: Challenges and opportunities*. Washington, DC: Center for Global Development, 2017.

43. Lawrence Yaw Kusi, Senyo Agbeblewu, and Kwamena Minta Nyarku. "Challenges and Prospects Confronting Commercial Water Production and Distribution Industry: A Case Study of the Cape Coast Metropolis." *International Journal of Management* 5, no. 7 (2015): 544-555.

44. "Ghana's Infrastructure: A Continental Perspective," *Africa Infrastructure Country Diagnostic*, March 2010, p.27.

45. "8% hike in water tariff disappointing – Ghana Water Company," *Ghana Web*, June 25, 2019.

46. "Ghana Power Report – 2019/20," *African Energy*, June 2019.

particular, prepaid metering has been suggested as a potential solution.⁴⁷ The government could also ensure prompt payment of electricity subsidies to distribution companies, or reduce the level of subsidies.

3. The government should reopen options for private providers to take over distribution. This would help incentivise better collection of tariffs.
4. The main obstacle to increasing water provision is a lack of funding. To meet the goals of universal coverage, the government will have to either raise prices or subsidise investment into infrastructure, particularly into rural areas, to increase access to water.

TRANSPORT (GHANA RANK: 115TH)

Transport underpins the ability for products and people to move efficiently, easily, and reliably. An interconnected freight transportation network contributes to economic growth by supporting resource development and expanding interstate commerce. We evaluate both the quality of physical infrastructure, including road, rail, ports, and air, and also logistical performance, which measures the efficiency of shipping products in and out of a country.

Transport in Ghana has deteriorated slightly over the last 10 years, dropping 15 ranks to 115th globally. The transport and storage sector contributed \$5.3 billion to the economy in 2017, accounting for almost 13% of GDP.⁴⁸ This is relatively high compared to the African and U.S. average, where the figure is 9% for both.⁴⁹ Ghana has the potential to be a true regional hub for trade, with goods coming through its ports into surrounding countries (particularly landlocked countries to the north). However, limited infrastructure acts as a constraint on further growth in trade for Ghana.⁵⁰ Overall logistics performance, while improving (rising 54 places), is relatively poor, with Ghana ranking 90th globally and 16th in Africa.

Roads

Ghana's transport sector is dominated by roads, which carry 96% of all passenger and freight traffic.⁵¹ While Ghana ranks 56th for road density, which is higher than its comparators, a challenge has been maintaining the quality of roads, particularly in rural areas (Ghana ranks 102nd for road quality).⁵² For example, a recent shift to transport bulk goods from mines away from rail and onto road has resulted in a quickly deteriorating road network, due to excessive axle loads.⁵³ Furthermore, many roads are at capacity, particularly in cities like Accra, where gridlock can extend journeys by hours because of poor public transport.⁵⁴

47. Ebenezer Kumi, *The electricity situation in Ghana: Challenges and opportunities*. Washington, DC: Center for Global Development, 2017, p.18.

48. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.172.

49. "Economic Development in Africa Report 2015: Unlocking the potential of Africa's services trade for growth and development," *United Nations Conference on Trade and Development*, 2015; "Transportation's Contribution to the Economy," *Bureau of Transportation Statistics*, Transportation Economic Trends, 2018.

50. "Republic of Ghana: Country Strategy Paper: 2019-2023," *African Development Bank*, June 2019.

51. "Freight transportation in Ghana: rail, road, ship and air," *Alliance Experts*, last accessed November 18, 2019, <https://www.allianceexperts.com/en/knowledge/countries/africa/logistic-overview-of-ghana/>.

52. E. K. Anin, J. Annan, and O. F. Alexander. "Assessing the causes of urban transportation challenges in the Kumasi Metropolis of Ghana." *American Based research Journal* 2, no. 6 (2013): 1-12.

53. "Republic of Ghana: Country Strategy Paper: 2019-2023," *African Development Bank*, June 2019.

54. Brennan Weiss, "Gridlock in West Africa: Accra's troubled attempts to tackle its traffic crisis," *The Guardian*, November 11, 2016.

Ports

Two ports handle most of Ghana's cargo. Tema Port handles the majority of Ghana's growing container traffic, and has seen substantial investment in capacity and technology by Meridian Port Services (MPS). Takoradi Port focuses on bulk cargo, especially commodity exports, though it has received significant investment in container capacity and developed as a regional gateway for Ghana's oil and gas trade.⁵⁵

Ghana's geography and stability offer natural advantages for the development of its port industry, with benefits for the national and regional economies. However, both main ports have suffered criticism in recent years for cumbersome procedures and congestion. Ghana now ranks 119th for the efficiency of its seaport services, down 23 places over the last decade.

Ghana's ports can also serve as a traffic junction for exports and imports with landlocked countries in West Africa including Mali, Niger, and Burkina Faso.⁵⁶ The government has acquired new land near Kumasi for a dry port, which will form part of a new industrial city and manufacturing centre targeting goods in transit to and from northern Ghana and the landlocked countries beyond.

Other modes

Other modes of transport are generally underdeveloped. With just a few airports, Ghana's air transport network is small. Kotoka International Airport (KIA) was expanded in September 2018, with a capacity of five million passengers a year. It handled 1.81m passengers in 2017, up from 1.67m in 2015. Meanwhile, the airport's freight traffic rose from 47,700 tonnes in 2016 to 50,400 tonnes in 2017. Recently, KIA has been ranked the best airport in West Africa by the Airports Council International.⁵⁷

In early 2018, the Ghana Civil Aviation Authority (GCAA) announced a plan to upgrade the airstrips in the country in an effort to improve infrastructure for air travel, including the provision of alternative access routes to some of the most notable tourist attractions.⁵⁸

The rail network exists in only the southern part of the country, and is in "a deplorable state characterized by old tracks and inadequate railway terminals and platforms".⁵⁹ Minerals are the main goods transported via rail, though there has been a recent shift to transport bulk goods away from rail and onto road.⁶⁰

In order to facilitate trade, the rail network in the Accra-Tema region has been improved considerably in recent years. The government has also revived rail links between Western mines and ports, the second city of Kumasi, across Lake Volta and to northern Ghana. One of the largest projects, due to begin in 2020, is a rail link between the port of Tema and Burkino Faso's capital Ouagadougou.⁶¹

Mass transit solutions have been mooted to help ease congestion in both Accra and Kumasi. Implementing mass transit solutions could ease pressure on both cities' roads and improve their liveability and competitiveness.⁶² On 11 November 2019, the Ghanaian Government signed the Concession Agreement with a South African consortium for the construction of the Accra SkyTrain Project, a monorail with an eventual length across all routes of 194 kilometres.⁶³

55. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.173.

56. "Invest in Ghana: A stable springboard into West Africa," *Deloitte*, September 2017, p.16.

57. "Kotoka best in West Africa," *GhanaWeb*, 16 October 2019.

58. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.201.

59. "Republic of Ghana: Country Strategy Paper: 2019-2023," *African Development Bank*, June 2019, p.xxix.

60. "Republic of Ghana: Country Strategy Paper: 2019-2023," *African Development Bank*, June 2019.

61. Keith Barrow, "Four shortlisted to build Ghana-Burkina Faso rail link," *International Railway Journal*, May 10, 2019.

62. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.176.

63. "Unveiling the boardroom: \$67.6 billion dollars of deals tabled, \$40.1 billion investor interest secured," *Africa Investment*

The poor state of river equipment has lengthened transport times along the North-South corridor. The average journey now is nine days instead of seven, hindering cement and petroleum deliveries, leading to a shift towards road.⁶⁴

Infrastructure investment

Investment in transport is limited and dominated by government spending. The road fund, established in 1997, is financed with a fuel levy. The fuel levy was doubled in 2016, which resulted in an increase in road maintenance coverage to 62%.⁶⁵ The government also has major expenditure plans to boost the transport sector further, with the 2019 budget increasing spending across the transport sector.⁶⁶

Nevertheless, there is still a major shortfall in infrastructure funding, which for roads alone has been estimated at \$26 billion for the next 20 years.⁶⁷ The transport sector continues to be dominated by state-run ministries and state owned enterprises. However, there have been some positive examples of private investment.⁶⁸ These include the \$2 billion agreement with China's Sinohydro, who will build infrastructure in exchange for revenue from a bauxite-refining project; PPPs to develop motorways that connect Accra with Tena and Takoradi; and the container terminal at Tema, which is regarded as an example of a successful PPP.

The government is aiming to develop PPPs for rail projects and to establish a national airline.⁶⁹ Further private participation is likely and will be crucial to meeting the funding gap.

Opportunity

The economic return on investment in infrastructure is high, and Ghana needs to strengthen physical infrastructure to drive economic development. To do so, the following should be considered:

1. Attracting private investment into Ghana, particularly by creating a more mature and certain PPP structure for investors. Global Infrastructure Hub Chief Executive Chris Heathcote recently said that foreign investors, particularly pension funds, are increasingly open to infrastructure investments in Africa, under the right conditions.⁷⁰ Attracting this is a major opportunity, but it requires investing in capability building within government departments to build the skills needed to manage complex PPP and procurement agreements.
2. Public-private partnerships in infrastructure projects may hold the key to an improved transportation system in Ghana. However, the right regulatory framework must be in place in order to encourage greater private sector participation in Government projects. An Act similar to Kenya's PPP Act (see "Making better use of public private partnerships: the case of Kenya") might just be the catalyst for Ghana to encourage private sector participation in government projects and to improve its transport system.
3. The level of congestion seen on roads and at ports is a sign of over-capacity, and Ghana should prioritise increasing the capacity of roads and ports. Roads in particular are the critical medium for the internal movement of goods, and Ghana should invest in maintaining and upgrading its road network. The government should also expedite rail projects, which would help to reduce the congestion on roads.

Forum, November 13, 2019.

64. "Republic of Ghana: Country Strategy Paper: 2019-2023," *African Development Bank*, June 2019.

65. Ibid.

66. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.172.

67. "Ghana," *Global Infrastructure Hub*, last accessed November 18, 2019, <https://outlook.gihub.org/countries/Ghana>.

68. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.173.

69. "Transport infrastructure upgrades take shape in Ghana," *Oxford Business Group*, last accessed November 18, 2019, <https://oxfordbusinessgroup.com/overview/gaining-momentum-transport-infrastructure-upgrades-take-shape-cooperation-private-sector>.

70. "Ten African nations face \$1 trillion infrastructure funding gap," *Reuters*, July 3, 2018.

- Continuing to develop the port infrastructure, at both Tema and Takoradi ports, has the potential to turn Ghana into a regional trade hub.⁷¹ For this to be realised, Ghana will need to ensure that the rail, road and river links to the north of the country allow for the efficient movement of goods, particularly from ports into the rest of West Africa. This can also help solidify Ghana's role as a major trading partner in West Africa, boosting both inter-regional trade (such as with Ghana's northern neighbours) and greater global cooperation.

Making better use of public private partnerships: the case of Kenya

In contrast to Ghana's deterioration, Kenya has improved its global transport ranking from 94th in 2009 to 72nd in 2019. The main contributors to this improvement are as a result of better logistics performance (89th to 40th), improved efficiency of seaport services (94th to 63rd), and greater road density (118th to 75th).

Kenya's improvement has been largely due to a change in regulation, which has increased private sector investment in transport projects. The Public Private Partnership Act came into effect in 2013, with the aim to provide for the participation of the private sector in the financing, construction, development, operation, or maintenance of government infrastructure projects through concessions or other contractual arrangements.⁷² The Act established three institutions (PPP node, PPP unit, and PPP committee) to regulate, monitor, and supervise the implementation of project agreements on infrastructure projects.

On the back of the PPP Act, Kenya's Ministry of Transport and Infrastructure has undertaken numerous infrastructure projects through PPP arrangements.⁷³ Most notably, the expansion of the Mombasa-Nairobi Highway and the construction of a second container terminal have enhanced efficiency at the port of Mombasa.⁷⁴

Under the country's "Vision 2030", the Kenyan Government recognises the need for further development of the transport sector and understands that this lies with the partnership of private and public bodies.⁷⁵ The PPP Act has significantly improved the transport sector and has made it easier to attract private investment in the future.

BORDER ADMINISTRATION (GHANA RANK: 115TH)

Inefficient and slow bureaucratic trade barriers limit the effectiveness, efficiency, and dynamism of economies, with greater barriers often connected to corruption and cronyism. The more predictable and transparent processes are, including fee structures, the more economic benefit will flow. Our measure of Border Administration considers the time and cost of a country's customs procedures.

Ghana's Border Administration has improved significantly over the last decade, up 45 places to 115th in 2019. Customs procedures have seen noticeable improvements. As a result of a programme of reform (see "Recent improvements to border procedures"), the efficiency of Ghana's customs clearance process has improved in many aspects since 2009, rising from 144th to 96th worldwide.

71. "Africa gearing up: Ghana," PwC, 2015, p.46.

72. Rono Kipkorir, "Private Public Partnerships in Kenya," *Academia*, last accessed November 18, 2019, https://www.academia.edu/25052766/PRIVATE_PUBLIC_PARTNERSHIPS_IN_KENYA.

73. *Ibid.*

74. Shi Yinglun, "Kenya says SGR boosting efficiency at Mombasa port," *Xinhua*, September 20, 2019.

75. "Kenya – Construction and Infrastructure," *Export.Gov*, August 13, 2019.

The time spent complying with regulations and procedures for importers and exporters has been reduced from 208 hours to 78 hours (see Figures 4 and 5), with its rank moving up 43 places to 117th.⁷⁶ Furthermore, 70% of containers are now being cleared before the seven-day grace period, and total demurrage payments were down more than 25% in 2018 compared to 2017.⁷⁷ The streamlining of some procedures has led to a reduction in traffic time on the North-South corridor between ports and Ougadougou from 7 days to 5.5 days.⁷⁸

Recent improvements to border procedures

Progress has been made to simplify border procedures, both to facilitate the flow of traffic and goods, and reduce the scope for non-official activity by individual officials or others.

- Officials have introduced risk-management approaches, such as the Pre-Arrival Assessment Reporting System, which reduced the time taken for import classification and valuation of compliant transactions from 2 weeks to 48 hours.⁷⁹
- Customs officials are now available for 24 hours per day.
- The Paperless Port initiative, launched in September 2017, enables automated clearance of goods and risk-based inspection of cargo.⁸⁰
- The Ghana Revenue Authority has consolidated the inspection and valuation procedures of five licensed inspection companies into one customs division.
- The implementation of the National Single Window has simplified and harmonised the regulatory documents required, and reduced the number of agencies involved in the trade facilitation process.
- Following an upgrade to the main road, truck dwell time at Tema port was halved from 48 hours to 24 hours.
- Tema port has also been decongested by construction of a Satellite Transit Truck Village near the port.

Nonetheless, Ghanaian customs practices and port infrastructure continue to present major obstacles to trade. For example, complying with border regulations and procedures incurs a cost of \$418 on a typical shipment to Ghana, ranking 134th globally and much higher than Côte d'Ivoire (\$321), Kenya (\$321), Uganda (\$264), and Rwanda (\$174).⁸¹ Furthermore, the majority of imports are still subject to inspection on arrival, causing delays and increased costs. Importers report "erratic application of customs and other import regulations, lengthy clearance procedures, and corruption".⁸² The resulting delays can contribute to product deterioration and result in significant losses for importers of perishable goods.⁸³

There are continuing difficulties converting the corridor to the North into a reliable trade route. For example, both customs and security checkpoints along the Tema-Ouagadougou corridor are reported to be a major obstacle for transit traffic. Furthermore, illegal payments per trip collected

76. World Bank Doing Business.

77. Rhodaly Djanitey, "Assessing the impact of national single window on the competitiveness of Ghana's maritime sector," *World Maritime University Dissertations*, 2018.

78. Ibid.

79. "Ghana National Single Window Programme," *Trade Facilitation Implementation Guide*, July 15, 2016.

80. "Republic of Ghana: Country Strategy Paper: 2019-2023," *African Development Bank*, June 2019.

81. World Bank Doing Business

82. "2019 National Trade Estimate Report on Foreign Trade Barriers," *United States Trade Representative*, 2019, p.218.

83. Ibid., p.218.

at road blocks cost on average \$76, and the loss of time is estimated to be eight hours per 1000 kilometres.⁸⁴

Figure 4: Time to comply with border regulations and procedures

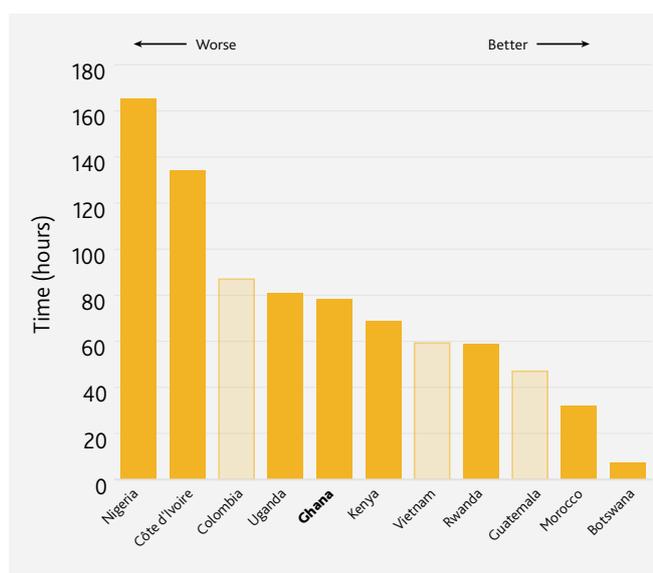
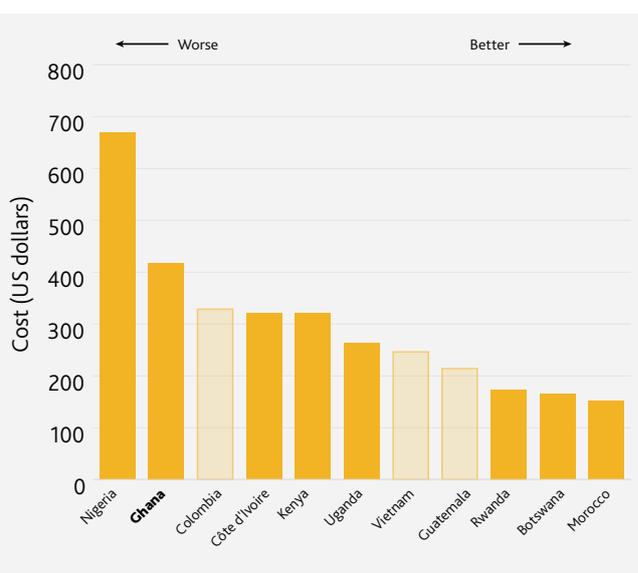


Figure 5: Cost to comply with border regulations and procedures



Source: World Bank Doing Business, 2019

Opportunity

There are two main changes the government can make to improve border administration.

1. It could lower fees, to make the cost of moving goods across the border cheaper.
2. It could make processes more efficient, particularly through computerising customs procedures and removing manual processes. Continued investment into port infrastructure will also help to improve the speed at which goods can be moved through customs.

It is important to note that, as Ghana and other African countries seek to integrate more closely through AfCFTA, change requires political will. Making border administration more efficient removes the opportunity for corruption. For policy solutions to be effective in improving border administration they will need to be accompanied by the desire to confront vested interests that gain from the status quo.

OPEN MARKET SCALE (GHANA RANK: 95TH)

The size of the economic opportunity for producers is constrained by the scale of the domestic and international markets that are open to them. Tariffs on goods faced by exporters in many countries can prevent those firms from selling goods, inhibiting their ability to compete in the global market. We measure the extent to which producers have access to domestic and international markets unhindered by tariffs, and the tariffs faced in destination markets.

Ghana's Open Market Scale has increased 56 places in the global rankings since 2009, and is now placed 95th for this measure. Ghana's geography, history, natural and human resources make Ghana a natural trading nation. Total trade as a percentage of GDP rose from 51% in 2006 to 75.5% in 2012, and subsequently declined to 56.5% in 2016.⁸⁵ Ghana is the third largest total exporter in sub-Saharan Africa, after South Africa and Nigeria.⁸⁶

Export markets

Ghana's main exports (gold, cocoa, oil) are demanded in most developed economies. Hence, its export markets are primarily global (e.g. China, India, and Europe), rather than regional. Trade between ECOWAS members has been below 10% of the region's total trade volumes, despite having a total population of over 300 million.⁸⁷

Ghana today has trade worth GHC 25.6 billion (\$5.5 billion) with the EU, which is Ghana's main market for its agri-business products, including processed cocoa and canned tuna.⁸⁸ There has been a significant increase in trade volumes between Ghana and the U.S. (through the African Growth and Opportunity Act (AGOA)), with the main exports consisting of agricultural products, minerals and metals, textiles, chemicals, footwear, manufactured goods, and electrical products.⁸⁹

Trade policy

The Ministry of Trade's objectives include improving access to key markets through bilateral trade and investment arrangements, as well as preferential economic, technical, social, cultural, and political agreements.⁹⁰ Following its trade agreement with the EU, Ghana now has deals accessing 23% of global markets, which ranks it 86th in the world, up 44 places over the decade. Ghana faces an average tariff of 3.8% in destination markets for its goods. While this has improved slightly, it still ranks 112th.

In addition, as part of its overall export promotion agenda, the Ministry is committed to "actively identifying, developing and promoting products for which Ghana has significant potential under preferential schemes".⁹¹ President Akufo-Addo has sought to increase the volumes exported to the U.S. under AGOA.⁹²

Ghana is also focussed on maximising the benefits of regional and continental trade. As a mark of endorsement, the AU has recently agreed that Accra should host the AfCFTA Secretariat. However, the opportunities to trade within West Africa, and Africa more generally, are limited.

Following its trade agreement with the EU, Ghana now has deals accessing 23% of global markets.

85. Philip Abradu-Otoo and Bernard Jagre Walley, "The Effect of External Conditions on the Economy of Ghana," *Bank of Ghana Working Paper*, January 2019.

86. "Invest in Ghana: A stable springboard into West Africa," *Deloitte*, September 2017, p.21.

87. *Ibid.*, p.19.

88. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.143.

89. "Doing Business in Ghana," *KPMG*, March 2018, p.13.

90. "Ghana's National Trade Policy," *Ministry of Trade and Industry*, last accessed November 18, 2019, <http://www.moti.gov.gh/docs/Ghana%20Trade%20Policy.pdf>.

91. *Ibid.*

92. "Ghana: Government targets \$500m exports under AGOA by 2020," *AGOA.info*, August 15, 2017.

Alongside security issues, there is the fact that the goods produced for export are demanded by developed economies, rather than developing ones.

Trade deals

Ghana has a number of trade deals or arrangements around the world. These are:

Global System of Trade Preferences among Developing Countries (GSTP): Ghana is one of the original nine signatories to the GSTP, which is a trade agreement designed to promote intra-developing country trade. It now covers 43 countries, including one of Ghana's top trading partners, India, where Ghana exported 11.3% of total exports in 2017. As a member of GSTP, it has access preferential access to the Indian market as well as many other developing countries.

EU Economic Partnership Agreement (EPA): Ghana has a goods trade agreement with the EU. Under the EU-Ghana Economic Partnership Agreement, Ghana has 100% access to the EU market for all goods except rice and sugar, while EU countries have around 75% access to the Ghanaian market duty-free and quota-free. This agreement is a "stepping stone agreement", which is in place until the EU EPA with ECOWAS (under negotiation) is signed.⁹³

US African Growth and Opportunity Act (AGOA): Under AGOA, Ghana has duty-free access for many goods into the U.S. market. Under the Act, 48% of general exports are duty-free, 12% of textiles are duty-free, 37% are duty-free under U.S. MFN tariff regime, while 3% are subject to standard import duties. Duty-free access amounts to 6,500 products.⁹⁴

ECOWAS: Ghana has traditionally been a key supporter of ECOWAS's economic as well as political/security tracks, which seeks to foster regional cooperation in several areas, including the removal of barriers to the movement of people and goods, harmonisation of agricultural policies, improvements in infrastructure, and renewed commitment to democratic political processes and non-aggression against member states.⁹⁵

AfCFTA: Ghana was the first country to ratify AfCFTA, marking the country as one of Africa's keenest proponents of liberalised trade.

Opportunity

Ghana can focus on two areas to increase its exports around the world:

1. It can exploit its current trade agreements to ensure that it is maximising the access it already has to major global economies such as the U.S. and EU. One of the challenges for Ghana will be increasing the value of its exports. For example, despite producing 60% of the world's cocoa, they receive (along with Côte d'Ivoire) only \$6 billion from an \$100 billion global chocolate industry.⁹⁶
2. Ghana can play a major leadership role in promoting free trade within Africa. Within Western Africa, Ghana can campaign for ECOWAS to increase the number of trade deals it is negotiating with the rest of the world. In particular, it can encourage ECOWAS to expedite the EPA with the EU. Given that Ghana has an agreement in place, it can act to demonstrate the benefits of the EPA to other ECOCWAS members. In the continental context, Ghana can use its opportunity as host of the secretariat of AfCFTA to further open up markets within Africa.

93. "West Africa," *European Commission*, last accessed 25 November 2019, https://ec.europa.eu/trade/policy/countries-and-regions/regions/west-africa/index_en.htm.

94. "About AGOA," *AGOA.info*, last accessed November 18, 2019, <https://agoa.info/about-agoa.html>

95. "Invest in Ghana: A stable springboard into West Africa," *Deloitte*, September 2017, p.19.

96. Stacey Knott, "Ghana Adds Charge to Keep Farmers Sweet on Cocoa," *VOA News*, August 7, 2019.

IMPORT TARIFF BARRIERS (GHANA RANK: 139TH)

Typically, tariffs to trade raise the price of products and reduce the volume of trade, creating barriers between people and the true market value of goods. We evaluate the average applied tariff rate, the complexity of tariffs, and the share of imports free of tariff duties.

Ghana performs poorly in Import Tariff Barriers, ranking 139th globally, down 12 places over a decade. In 2011, 16% of Ghana's government receipts came from taxes on international goods, which is high but lower than Côte d'Ivoire (28% in 2017) and Botswana (32% in 2017).⁹⁷

Main imports

Ghana's high dependence on imports for domestic consumption has led to an expanding trade deficit, with manufactured goods from developed countries constituting the vast majority of Ghana's imports. Ghana's import demand, which has increased in spite of a declining effective exchange rate in recent decades, has corresponded with economic growth and trade openness.⁹⁸

Capital equipment, machinery, and intermediate goods have represented about 70% of total imports. The sharp rise in the machinery and metal products imports is due to the growth of heavy industries and the local manufacturing sector, as the country looks towards producing its own vehicles and ramping up industrial output.⁹⁹

Ghana is also a large importer of agricultural goods, including bulk commodities (rice and wheat) and consumer-ready food products. Notwithstanding the high demand for these products in Ghana, this also reflects the underdeveloped agricultural and food processing sector in the country.¹⁰⁰

Ghana's main import partners include China (18.4% of total imports – iron and steel and electronics), the United States (8.9% - vehicles), Belgium (5.6% - machinery and vehicles), Canada (4.7% - agricultural products), and India (4.7% - pharmaceuticals).¹⁰¹

Import tariffs

Ghana imposes tariffs on a wide variety of products, and all at a relatively high level. In Ghana, 85% of goods entering face some sort of tariff (150th worldwide), up from 73% a decade ago.¹⁰² This represents a much higher proportion than some other African countries such as Rwanda (64%), Uganda (61%), and Kenya (46%).

As a member of ECOWAS, Ghana has adopted the Common External Tariff (CET). The average rate of 10.2% is slightly above the West African average (9.5%), ranking 127th globally for the applied tariff rate.¹⁰³

The highest tariffs, typically around 20%, apply to products in the agricultural and textile industries, as well as mobile phones.¹⁰⁴ Specifically, the highest tariffs (MFN applied rates average) apply to animal products (24.5%), clothing (20%), and coffee and tea (18.5%).¹⁰⁵

97. "Taxes on international trade (% of revenue)," *World Bank*, last accessed November 15, 2019, <https://data.worldbank.org/indicator/GC.TAX.INTT.RV.ZS>.

98. Portia Vacu Nomfundo and Nicholas Mbaya Odhiambo, "A Review of Imports Structure and Reforms in Ghana." *EuroEconomica* 36, no. 1 (2017).

99. "Invest in Ghana: A stable springboard into West Africa," *Deloitte*, September 2017, p.22.

100. "Ghana – Agricultural Sectors," *Export.Gov*, March 19, 2019.

101. "Ghana – Market Overview," *Export.Gov*, December 3, 2018.

102. World Economic Forum.

103. World Economic Forum.

104. "Invest in Ghana: A stable springboard into West Africa," *Deloitte*, September 2017, p.20.

105. "World Tariff Profiles," *World Trade Organisation*, 2019.

In some sectors, the government has acted strategically and intentionally to build an industry at home—for example through a series of initiatives to spur growth in the domestic pharmaceutical market. In 2017, the legislature approved a 30% reduction in tariffs on pharmaceutical inputs, such as active ingredients, bottles, caps, and drug information leaflets.¹⁰⁶

Additional fees and charges

In addition to tariffs, importers face a variety of fees and charges, including VAT and a National Health Insurance levy.¹⁰⁷ Ghana's Harmonized System (HS) Customs Code applies taxes on the basis of weight, value, or volume, and are subject to change annually.

Goods arriving in the country may be subject to import duty, value added tax (VAT), special tax, and import excise duty. Other levies include a 2.5% national health insurance levy, a 0.5% ECOWAS levy (for non-ECOWAS countries), and a 0.2% African Union levy. Some other industries have specific additional fees for importers. For example, there is a separate examination fee for imported vehicles.¹⁰⁸

ECOWAS tariffs

ECOWAS members agree to impose the following tariffs on various goods:¹⁰⁹

- 0% duty on essential social goods (e.g., medicine);
- 5% duty on essential commodities, raw materials, and capital goods;
- 10% duty on intermediate goods;
- 20% duty on consumer goods;
- 35% duty on certain goods for which the Ghanaian government elected to afford greater protection, such as poultry and rice.

Government Policy

Government policy objectives for import duties, according to the Ministry of Trade and Industry, are to: ensure fair prices to consumers, encourage competitive production, level the playing field and counteract unfair trade practices of foreign countries, and to ensure a predictable tariff regime that reduces business risk and emphasises investment in domestic production.¹¹⁰

The government therefore explicitly uses tariffs to provide a level of "reasonable" protection to domestic producers and to "encourage the domestic production of strategic commodities".¹¹¹

Nevertheless, at the margins, the government has made some changes. The first is that it has discontinued upfront payments of import duties on imported goods that are exempt from tax, which should lower costs for importers.¹¹² The second is that the Government is proposing to enhance inventory control through a computerised bonded warehouse system. Thirdly, the government has announced its intention to further harmonise import regulations with ECOWAS.¹¹³

106. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.212.

107. "Invest in Ghana: A stable springboard into West Africa," *Deloitte*, September 2017, p.20.

108. *Ibid.*

109. United States Trade Representative, "2019 National Trade Estimate Report on Foreign Trade Barriers" (2019) 217.

110. "Ghana's National Trade Policy," *Ministry of Trade and Industry*, last accessed November 18, 2019, <http://www.moti.gov.gh/docs/Ghana%20Trade%20Policy.pdf>.

111. *Ibid.*

112. "Ghana discontinues upfront payment of import duties and taxes on exempt imports," *Ernst & Young*, September 22, 2017.

113. "Ghana's National Trade Policy," *Ministry of Trade and Industry*, last accessed November 18, 2019, <http://www.moti.gov.gh/docs/Ghana%20Trade%20Policy.pdf>.

Opportunity

The high level and breadth of import tariffs not only raise prices for consumers, but also increase the cost of intermediate goods for manufacturers. In the long run, the Ghana Trade Ministry and government could benefit from shifting its objectives away from protection and towards open markets and competition with the world. This would involve engaging with ECOWAS partners to change the organisation's overall stance, and to also find alternative sources of government revenue. In the short term, there are two actions Ghana can take:

1. It can remove any additional fees and charges that it imposes unilaterally, particularly on goods where there is no domestic interest in protecting that industry.
2. Ghana can build on steps to harmonise standards with ECOWAS, to also encourage the lowering of the common tariffs that have been agreed across the ECOWAS countries.

MARKET DISTORTIONS (GHANA RANK: 65TH)

Market Distortions hinder one of the most compelling and powerful forces of the market: fair competition. The price of goods changes from their true market value through the interference of the state, resulting in a society that supports inefficient and ineffective industries. These distortions can arise from both regulatory restrictions and also subsidies, which damage the prosperity of a nation as the finite resources of the state are being inefficiently managed and diverted from projects that can deliver much greater benefits to society. Our measure of Market Distortions captures how competitive markets are disrupted by subsidies, taxes, and non-tariff measures.

By their very nature, Market Distortions can be difficult to measure, and broader conclusions often have to be drawn from proxy measures. While Ghana's Market Distortions have traditionally been relatively limited, the country's performance is deteriorating in this measure, down 20 places to 65th since 2009. Several distortions remain in place in Ghana, including non-tariff measures, standards and licenses, subsidies, and local content requirements.

Non-tariff measures

The absolute number of non-tariff measures in place in Ghana, according to UNCTAD, is comparatively small at 120—ranking the country 23rd worldwide. This is significantly lower than the 887 and 383 measures in place in Botswana and Kenya, respectively. Nonetheless, a large volume of trade is affected by at least one measure—Ghana's coverage ratio is 54%.

Agriculture is the sector most affected by non-tariff measures, with approximately 98% of trade lines affected by at least one measure. Despite progress since the 1980s to liberalise the agriculture industry (still the nation's largest employer), import restrictions remain in place, which there is little political appetite to remove.¹¹⁴ For example, seasonal bans on the importation of fish are in place to protect local fisherman.¹¹⁵

The prevalence of non-tariff barriers in Ghana has increased, resulting in Ghana declining 38 places to 73rd globally. These non-tariff barriers include import licensing, standards, and local content requirements.

Licensing requirements

Ghana maintains a list of products requiring licenses to import (typically including a quantity limit) and applies fees to trade certain goods, including a relatively high inspection fee for

114. Jonathan Brooks, Andre Croppenstedt, and Emmanuel Aggrey-Fynn, "Distortions to agricultural incentives in Ghana," *Agricultural Distortions Working Paper 47*, December 2007.

115. "Invest in Ghana: A stable springboard into West Africa," *Deloitte*, September 2017, p.20.

all imports.¹¹⁶ Import licences can also be used as a tool to restrict trade. For example, the government has restricted the quantity of import licenses for poultry products, and in 2018 stopped the renewal of import permits for local traders, stating (without presenting supporting evidence) that importers bring in three to four times the amount of Ghana's consumption demand.¹¹⁷

Standards

The Ghanaian Standards Authority (GSA) maintains over 2,400 standards on building materials, food, household products, electrical goods, and pharmaceuticals.¹¹⁸ Some imports are categorised as 'high risk goods' that require additional inspections at the port of arrival. Importers of high-risk goods must obtain approval from the GSA prior to importing, including submitting a sample of the good, a certificate of analysis from an accredited laboratory, as well as a GHC 100 (about \$20) fee renewable each year. The categories dictating high-risk goods are "vague and confusing", where any good deemed as a "potential hazard", which is a phrase undefined in regulation, may be subject to classification as high risk.¹¹⁹

Local content requirements

Local content requirements are prominent in the energy sector and mining services. New 2017 regulations require minimum levels of local participation in procurement, construction, management, and operations in the power sector, which must be registered with the Electricity Supply Local Content and Local Participation Committee.¹²⁰ For the mining sector, the government now restricts support services, including catering, camp management, and security, to Ghanaians only. Penalties for non-compliance can include imprisonment for up to five years.

The impetus behind local content requirements has come largely from domestic constituencies keen to secure their share of resource rents, as well as civil society organisations that advocated a 'resource-nationalist' approach to oil governance.¹²¹ Furthermore, many of these requirements are found in neighbouring countries. For example, in Nigeria, 50% of all equipment deployed by foreign countries must be owned by local subsidiaries and give priority to services provided within Nigeria.¹²²

Legislation has become embedded, such that the government is now strongly incentivised not to shake up the existing settlement, no matter how ineffective it might be. While local content requirements have stimulated usage of Ghanaian goods and services, many indigenous companies lack the financial and human capital required by the oil industry for more advanced services.¹²³

116. Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018.

117. "2019 National Trade Estimate Report on Foreign Trade Barriers," *United States Trade Representative*, 2019, p.218.

118. *Ibid.*

119. *Ibid.*

120. *Ibid.*, p.222.

121. Ishmael Ayanoore, "The politics of local content legislation in Ghana," *ESID Working Paper 104*, September 2018.

122. "General Nigerian Content Requirements – Nigeria LNG," *NLNG*, last accessed November 18, 2019, <http://www.nlng.com/Business-with-NLNG/Shared%20Documents/General%20Nigerian%20Content%20Requirements.pdf>.

123. Charles Godfred Ackah and Asaah Mohammed, "Local content law and practice: The case of the oil and gas industry in Ghana," *WIDER Working Paper 152*, December 2018.

Ghana ranks 56th for the distortive effect of taxes and subsidies.

Subsidies

Ghana ranks 56th for the distortive effect of taxes and subsidies. Energy subsidies are now worth 2.1% of GDP, triple the percentage of a decade previously.¹²⁴ While this remains small in comparison to Botswana (4.0%) and Côte d'Ivoire (3.9%), the country loses approximately \$1.1 billion annually due to inefficiencies related to under-pricing in the energy sector.¹²⁵

Fertiliser subsidy programmes have been used intermittently since 2008. There has been conflicting evidence on the impact of these subsidies. Some argue that they have led to widespread productivity increases, as well as greater economic activity along the fertiliser supply chain, including transport, retail, and porters.¹²⁶ On the other hand, others have argued the subsidies are ineffective at improving output.¹²⁷ Whatever the case, politically-speaking, removing agricultural subsidies remains a very difficult task.¹²⁸

Price controls on cocoa

In the past, the state-owned Ghana Cocoa Board (COCOBOD) has fixed the buying price of cocoa. As global demand for cocoa fell steeply, COCOBOD, incurred a \$367 million debt in 2017 for subsidising minimum prices for cocoa farmers.¹²⁹ In 2018, COCOBOD announced that it would maintain the producer price of cocoa at GHC 7,600 (\$1,640), despite a supply glut, thereby opening a price gap between Ghana and Côte d'Ivoire and increasing the risk of smuggling between the two nations.¹³⁰

Prior to the 2019 season, the government stepped back from imposing a price floor and instead introduced subsidy-like policy, through a \$400 "living income differential" to help support farmers, added to the market price per ton of cocoa beans.¹³¹ For the 2020-21 crop, a price floor has been agreed with Cote d'Ivoire at \$2,600 per tonne.¹³²

Shielding farmers from global market prices threatens the sustainability of the industry in Ghana.¹³³ Adding value to support a domestic chocolate industry, as well as loosening regulations to open the market for greater domestic sourcing, have also been suggested as potential benefits for the industry as a whole.¹³⁴

124. International Monetary Fund.

125. "Ghana's Infrastructure: A Continental Perspective," *Africa Infrastructure Country Diagnostic*, March 2010.

126. Kwaw Andam, "Too good to be true? A model for reaching poor farmers and reducing subsidy costs in Ghana," *International Food Policy Research Institute*, December 31, 2018; Shaibu Baanni Azumah and Abraham Zakaria, "Fertilizer Subsidy and Rice Productivity in Ghana: A Microeconomic Study," *Journal of Agricultural Studies* 7, no. 1 (2019): 82-102.

127. James Fearon, Kwami Paul Adraki and Vivian Boateng. "Fertilizer subsidy programme in Ghana: Evidence of performance after six years of implementation," *Journal of Biology, Agriculture and Healthcare* 5, no. 21 (2015).

128. Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018.

129. Ekwon Donto and Moses Mozart Dzawu, "Ghana Finance Minister Stands Firm on End to Cocoa Subsidies," *Bloomberg*, August 20, 2018; Michael E Odijie, "Ghana's cocoa farmers are trapped by the chocolate industry," *The Conversation*, October 10, 2019.

130. "Republic of Ghana: Country Strategy Paper: 2019-2023," *African Development Bank*, June 2019; "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.125.

131. Stacey Knott, "Ghana Adds Charge to Keep Farmers Sweet on Cocoa," *VOA News*, August 7, 2019.

132. "Chocolate gold: Ivory Coast and Ghana set a fixed price for cocoa," *Al Jazeera*, August 7, 2019.

133. "Republic of Ghana: Country Strategy Paper: 2019-2023," *African Development Bank*, June 2019; "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.125.

134. "Ghana farmers sweet on cocoa minimum price drive," *France 24*, June 30, 2019.

Opportunity

There are four main opportunities for Ghana to reduce market distortions.

1. Import restrictions and permits could be eased, unless there are 'clear and transparent criteria' for their use, which could include environmental protection, health, public safety, unfair practices, and dumping.¹³⁵
2. Restrictive standards could be gradually moderated, or bypassed, by promoting the harmonisation of African standards and by entering into mutual recognition arrangements with other countries, as has been suggested.¹³⁶
3. Ghana could look at unwinding subsidies, and review the support it gives cocoa farmers through offering a minimum price for cocoa. In particular, support for cocoa farmers should be focussed on raising productivity. In this regard, the recent agreement between COCOBOD and the African Development Bank, Credit Suisse AG, and the Industrial and Commercial Bank of China Limited to provide a \$600 million loan to raise overall production is a positive step.¹³⁷
4. The imposition of local content requirements should coincide with specific metrics and targets to track improvements in local content levels, as well as increased monitoring of entrepreneurs and foreign investors to ensure compliance.¹³⁸ With this in mind, increased funding and capacity-building for the local industry commissions that manage the relationship between the private sector and the government is vital.¹³⁹ Where local content rules are not improving employment or skills, they could be reconsidered.

135. "Ghana's National Trade Policy," *Ministry of Trade and Industry*, last accessed November 18, 2019, <http://www.moti.gov.gh/docs/Ghana%20Trade%20Policy.pdf>.

136. "Technical barriers to trade must be stepping-stones – Prof. Dodoo," *Ghana Standards Authority*, August 20, 2019.

137. "AfDB and partners sign agreement to boost Ghana's cocoa production," *African Farming and Food Processing*, November 13, 2019.

138. Barbara Andoh, "Is Ghana Ready for More Local Content?" *Imani Center for Policy & Education*, September 2018.

139. Joe Amoako-Tuffour, Tony Aubynn and Alhassan Atta-Quayson, "Local Content and Value Addition in Ghana's Mineral, Oil, and Gas Sectors: Is Ghana Getting It Right." *African Center for Economic Transformation*, February 2015.





INVESTMENT ENVIRONMENT (GHANA RANK: 106TH)

Ideas and businesses need investment to develop and grow effectively. Long-established businesses and new entrepreneurs alike need investment, and investors need the protection and confidence to back them. If investors do not have secure property rights, investment becomes scarce.

The growth in international financial market sophistication over the last four decades has been considerable. Economists' understanding of the role of capital in economic growth and prosperity has also grown over this period.¹ A good Investment Environment will ensure that domestic and foreign financing is available for commercial ventures, allowing micro-enterprises to grow into Fortune 500 companies.

Ghana SWOT Analysis of Investment Environment

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> Established intellectual property legal framework Established court system and legal profession Improving banking system after the Bank of Ghana has cleaned up the sector Recent corporate and financial sector legislation provides a strengthened platform for relevant professional services 	<ul style="list-style-type: none"> Administration of property is poor, with it being difficult to secure title and transfer land Complex rules for land ownership and acquisition disincentivise investment Insolvency procedures have historically been poor Administrative constraints on foreign investment (including local content) seen as more burdensome than in some peer countries Lack of access to capital means many SMEs cannot grow
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> Improving the quality of land administration to give more certainty over land ownership, and expedite transfer of land Completing legislative updates and implement provisions to improve investor protections and related elements Improving efficient operation of commercial and other courts to bolster investor and business confidence Increasing access to finance especially for SMEs Removing restrictions and impediments on international investment 	<ul style="list-style-type: none"> Vested interests holding up reform of land law Investor experience fails to improve, leading to loss of FDI to peers Continued slippage of court performance against peer countries undermines investor and business confidence Still a high number of non-performing loans in banking system

1. Anne O. Krueger, "Financial markets and economic growth," *International Monetary Fund*, September 28, 2006; Stanley Fisher, "The importance of financial markets in economic growth," *Citigroup*, Speech by Campos de Jordao, August 21, 2003

Evaluating Investment Environment

The structural aspects of how to measure an Investment Environment reveal two overriding concerns: how effectively investments are protected, and whether the infrastructure to facilitate the flow of investment to opportunities is present.

We measure the extent to which **Property Rights** are protected. The more Property Rights are genuinely protected and enforced in an economy, the more that investment can drive economic growth. Where ideas are welcome and legally protected, they can be backed by investment.

Investor Protection is one of the key responsibilities of any government that wishes to attract any sustained investment, either foreign or domestic. Investor Protection ranges from legal safeguards to the availability and disclosure of a company's financial performance.

An investor also needs to be confident that commercial agreements can be upheld. Hence, the quality of **Contract Enforcement** is also a key concern.

We measure the quality of a given Investment Environment through analysis of a number of indicators of the health of the **Financing Ecosystem**, including the availability of equity and debt financing, and the availability and cost of bank lending.

Finally, we assess the **Restrictions on International Investment**. The benefit of international investment goes beyond supporting the accumulation of capital—it also facilitates the transfer of technology, know-how, and skills, while helping local firms access foreign markets.

Ghana's Investment Environment has deteriorated, falling 12 ranks to 106th. In the following sections, we review the performance of Ghana in each of the distinct elements of Investment Environment, from Property Rights through to the Restrictions on International Investment.

PROPERTY RIGHTS (GHANA RANK: 87TH)

Property Rights are the key institution that make it possible to accumulate wealth and effectively participate in commerce. Where Property Rights are weak, people avoid taking risks, and this has a substantial impact on investment and the levels of effective entrepreneurial activity and wealth accumulation. The risks to Property Rights range from expropriation to limits on repatriations of profits and restrictions on the sale or transfer of assets. Our measure of Property Rights captures how well rights over land, assets, and intellectual property are protected.

Property Rights in Ghana have improved slowly over the last 10 years, now ranking 87th globally.

Security of title and transfer of land

There are historic, social, and cultural complexities relating to the system of land ownership in Ghana. There are multiple types of land ownership, including government-owned land, vested land, customary or stool land, and family or private land (see "Land ownership in Ghana").

While property rights are generally well respected, the poor administration of land is a major issue that can lead to uncertainty of ownership, as well as difficulties in transferring land. A 2008 survey noted that 62% of respondents said that access to land was a significant issue, and 38% said that registering property was also a major challenge.²

A 2008 survey noted that 62% of respondents said that access to land was a significant issue.

2. Fabian Barthel, Matthias Busse and Robert Osei, "The Characteristics and Determinants of FDI in Ghana," *European Journal of Development Research*, 23(3): 389-408, November 2008.

Land ownership in Ghana

There are many different types of land ownership in Ghana: government land, vested land, customary or stool land, and family or private land, and each requires different acquisition procedures.

Most land in Ghana is not owned privately. Under current Constitutional provisions—affirmed by Supreme Court judgments—private land ownership is restricted to leases of 50 years for foreigners and 99 years for Ghanaians.

Under the 1992 Constitution (Article 267), much of the land is held by traditional structures under chieftains or clans, and around 20% of the land is owned publicly. While property rights are defined and protected in theory across the country, in practice there can be inconsistencies in the enforcement of such rights between customary and statutory law, with few transactional records in some cases. As a result, a lack of access to dispute-resolution through the courts can mean many violations often go unpunished. Rural disputes are often subject to customary law and can descend into violence.³

This situation has been recognised for some years in Ghana, and with support from the World Bank, the current government committed in November 2018 to improving land management, via a specific land administration project, now extended to the end of 2021.⁴ The project is designed to improve Ghanaians' access to services from the Lands Commission and the Customary Land Secretariats. That will also need to take account of the legal provisions for land being vested publicly in the President on behalf of the people, as set out originally in the State Land Act 1962.

Ghana ranks 128th for the reliability of land infrastructure administration. This poor administration leads to two problems. The first challenge is that it is not always clear who owns the land, as accurate records are often not easy to access. Land records are kept on paper, although efforts are underway to digitise these.⁵

The second is that there are also difficulties in registering and transferring property. Acquisition is particularly complex, as each form of land ownership involves differing modes of acquisition. The average time taken to register a property in Ghana is 47 days, ranking 109th in the world, and the cost is relatively high (see Figures 6 and 7). Moreover, in extreme cases it can sometimes take over a year, due to issues around titling and the cadastre recording interests in the properties.⁶ More concerning is that there has been little improvement over the last decade in either measure.

In addition to the quality of land administration, there are significant complexities and impediments for using land, which can include land encroachment, unapproved development schemes, inadequate security, lack of consultation with landowners, and delays in court rulings.⁷ This complexity limits the ability to use it for economically efficient purposes, particularly in the agricultural sector where the Government is trying to attract private investment. A number of foreign agricultural firms have had difficulties in acquiring secure title over land.⁸ Furthermore, in some cases land rights may be contested, and this can affect the agricultural use to which that land is put.⁹ For example, crops requiring longer timeframes will not be planted.

3. Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018.

4. "Ghana to scale up land administration services with World Bank support," *World Bank*, November 21, 2018.

5. "Lands Commission sensitises Shai-Osudoku residents on land matters," *Ghana News Agency*, November 1, 2019.

6. "Doing business and investing in Ghana," *PwC*, 2018, p.29; Ebenezer Gyamera, "Land Acquisition in Ghana; Dealing with the Challenges and the Way Forward," *Journal of Agricultural Economics, Extension and Rural Development* 6, No. 1, January 2018, p.670.

7. Ebenezer Gyamera, "Land Acquisition in Ghana; Dealing with the Challenges and the Way Forward," *Journal of Agricultural Economics, Extension and Rural Development* 6, No. 1, January 2018, p.671.

8. Kojo Amanor and Sergio Chichava, "South-South Cooperation, Agribusiness, and African Agricultural Development: Brazil and China in Ghana and Mozambique," *World Development* 81, (2016): 13-23.

9. Markus Goldstein and Christopher Udry, "The profits of power: Land rights and agricultural investment in Ghana." *Journal of*

Figure 6: Time to register a property

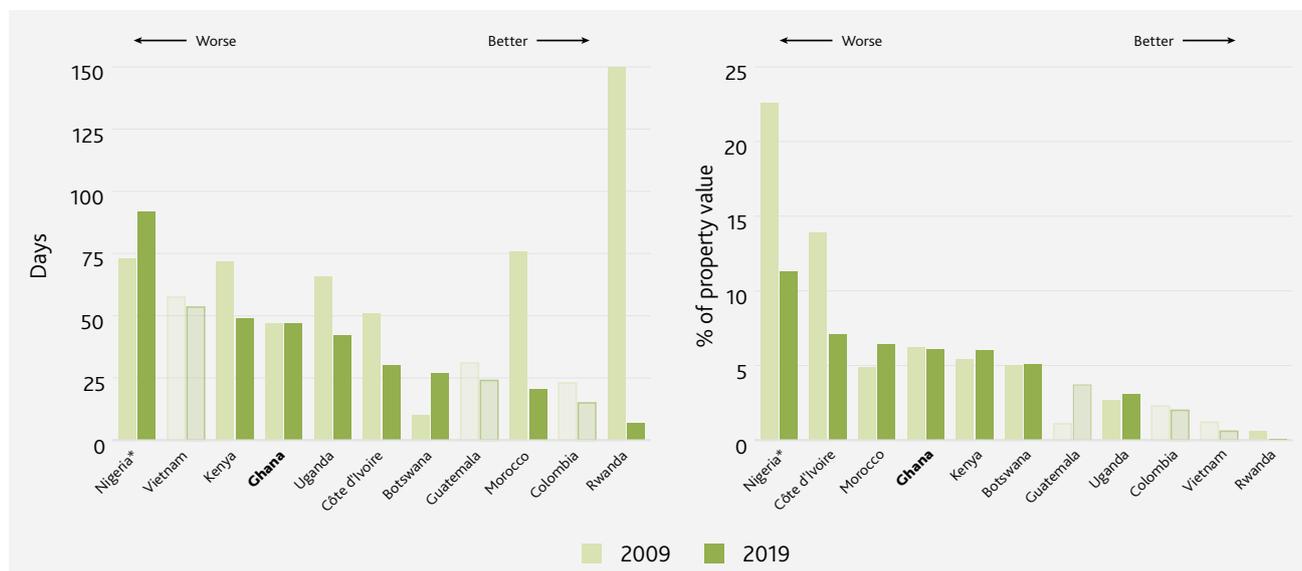
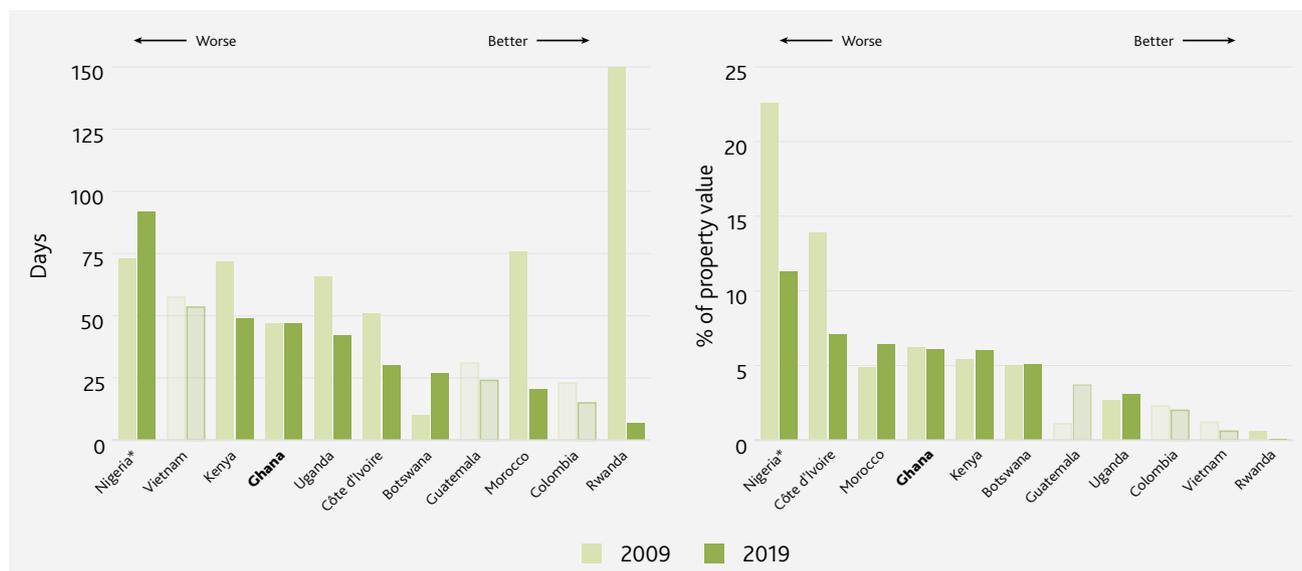


Figure 7: Cost to register a property



Source: World Bank Doing Business, 2019

* 2009 score is Lagos only

Without progress at the national level, it is possible that the current situation will compound existing imbalances, with more investment targeted on the Greater Accra and Ashanti Regions, which currently are the only ones to practice land title registration, rather than in other regions.

One of the proposed reforms is the Land Bill, which aimed to consolidate Ghana's land laws and make the land administration process more straight forward. Its main focus was to increase collaboration between those who have a stake in land issues, particularly customary chiefs. This Bill was withdrawn in 2018, but may be reintroduced in 2020.

State Expropriation

State expropriation of land has not been controversial in Ghana, unlike in some other African countries. Ghana ranks 38th for its expropriation process. The constitution guarantees the right to property, and also grants that the government may compulsorily acquire land for the public interest.¹⁰

Successive governments have been sensitive to the politics of engaging with the traditional authorities on such a core issue. The primary issue for government has been to ensure there is prompt payment of fair and adequate compensation.¹¹

Intellectual property rights

Intellectual property protection is an area where Ghana has made strong gains, moving up 29 places in the global rankings to 70th in 2019.

Ghana has ratified international treaties relating to copyright, and in 2016 designed its own national intellectual property policy to strengthen and enforce this area of law.¹² The policy is

Ghana has risen 29 place in intellectual property rights, now ranking 70th globally.

Political Economy 116, No. 6 (2008): 981-1022.

10. Michael Nyarko, "The right to property and compulsory land acquisition in Ghana: A human rights perspective," *African Journal of International and Comparative Law* 27, no. 1 (2019): 100-125.

11. Wilfred Anim-Odame, "Compulsory Acquisition and Compensation in Ghana: Principles & Practice," *American Real Estate Society*, Seattle, WA, 2011.

12. "Ghana – Protecting Intellectual Property," *Export.Gov*, December 3, 2018.

intended to “create favourable conditions for entrepreneurship, innovation, technology transfer, and product modernisation”.¹³ Patents and trademarks are granted on a first-to-file basis.

However, despite periodic spot-checking of markets and import shipments by government inspectors, enforcement and legal redress can still be slow and weak. Specific concerns have also been raised about the need to go further in providing protection for some of Ghana’s iconic products including Kente and Adinkra designs and traditional music, as well as the origin of some goods such as Ghanaian cocoa. Some have argued that insufficient protection for such industries discourages artistic creativity and innovation within Ghana, as well as allowing unfair advantage to non-domestic products.¹⁴

Opportunity

The primary challenge for strengthening property rights in Ghana is ensuring that records of land ownership are accurate and easily accessible, so that it can be transferred easily. There are a number of administrative changes that could be made to improve the quality and efficiency of land administration.

1. Ghana could introduce more computerised systems in the registration of land, such as storing land records electronically, creating a database to check encumbrances, and integrating records into a single database.¹⁵
2. Ghana could also build on the strong progress it has made in improving intellectual property rights, particularly focussing on the enforcement of laws where there have been breaches.

INVESTOR PROTECTION (GHANA RANK: 130TH)

Investor Protection is key for any country wishing to enjoy sustained economic growth, as they are a necessary enabler of the flow of capital to ventures. Our measure of Investor Protection covers a range of indicators that gauge Investor Protection, from expropriation risk to minority shareholder rights.

Investor Protections represent one of the weakest aspects of Economic Openness for Ghana, ranking at 130th globally and steadily deteriorating since 2009. However, a number of important new measures have been passed recently, or are in the process of going through Parliament, showing the government’s intent to update the relevant legal and regulatory frameworks.

Corporate governance

Corporate governance is relatively weak in Ghana, ranking just 117th for the extent of shareholder governance. Auditing and reporting standards in Ghana have deteriorated from 75th a decade ago to 98th. The Corporate Governance Code is voluntary, and “compliance with other important governance practices in accordance with widely recognised international standards has been slow”.¹⁶ One consequence is poorly performing companies, where a lack of good corporate governance practices has led to rent-seeking behaviour by some at the top of organisations, rather than promoting the organisation’s success.¹⁷

A recent study indicates that there is a limited role for Ghanaian public firm minority shareholders in both decision-making processes and in the selection of top officials, with majority stakeholders

13. “Ghana – Protecting Intellectual Property,” *Export.Gov*, December 3, 2018.

14. Adoma Dennis, “The Role Of Intellectual Property Rights Protection In Stimulating Creativity And Innovation: The Case Of Ghana,” *Masters Dissertation*, University of Ghana, August 2016.

15. “Ease of Doing Business in Ghana,” World Bank Doing Business.

16. Nana Botchway, Akosua Debrah and Nana Busumtwi, “The Corporate Governance Review – Edition 9: Ghana,” *The Law Reviews*, April 2019.

17. “Economics of corporate governance in Ghana: Are boards useless?” *Business Ghana*, August 30, 2018.

being able to undermine the rights of the minority.¹⁸ Furthermore, minority shareholders must rely on annual general meetings in order to access corporate information—although that process too can be vulnerable to manipulation.

The finance sector is an example of specific governance directives being given to particular industries. In 2018, the Bank of Ghana (BoG) issued the new Corporate Governance Directive for banks, savings and loans companies, finance houses, and financial holding companies, designed to “restore confidence in the sector and support financial system stability and resilience in the country”.¹⁹ It also includes a ‘fit and proper’ directive for corporate governance of banks, and a mergers and acquisition directive aimed at “reducing risk associated with sector consolidation”.²⁰

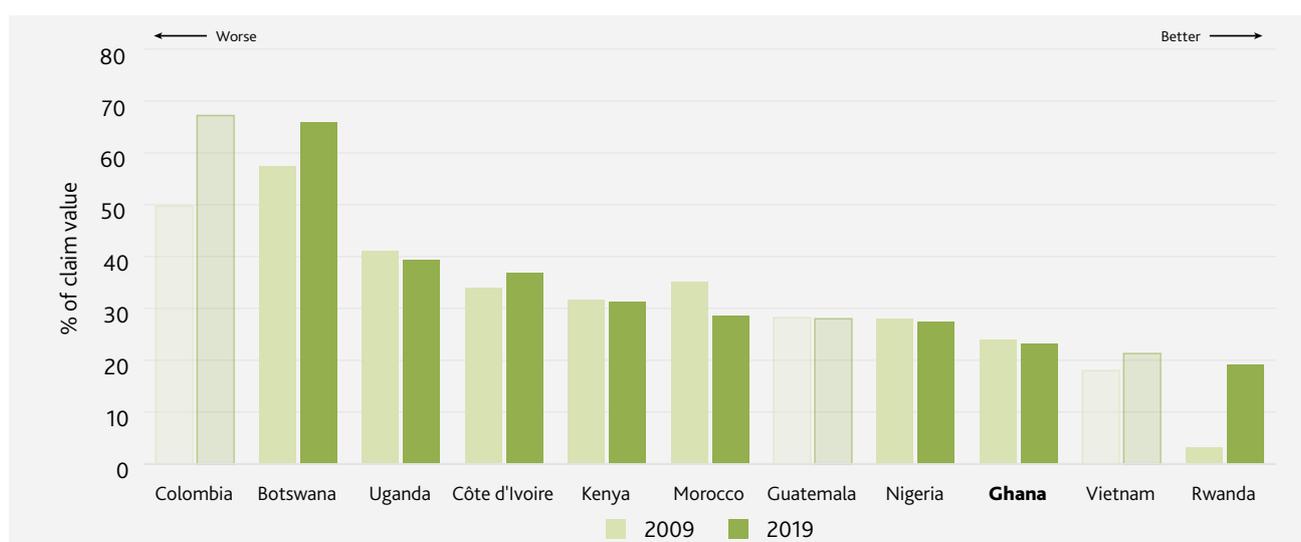
Insolvency procedures

Ghana ranks 144th for the strength of its insolvency framework. Liquidation is the only formal insolvency procedure available in Ghana. Until 2019, insolvency was regulated by a dated 1963 law, and the process has been replete with delays and transgressions, and a recovery rate of only 23 cents on the dollar (118th worldwide) (see Figure 8).

It remains to be seen whether these problems will be solved with the passage in August 2019 of the new Companies Act. According to the President, the intention of the Act is to “improve significantly the ease of doing business in Ghana, enhance the corporate regulatory and governance framework, and reduce the cost of ensuring compliance for businesses”.²¹ The Act seeks to introduce improved corporate governance standards for companies operating in Ghana, with the creation of the Office of Registrar of Companies, similar to the United Kingdom’s Companies House.

The Act also comes at the same time as the launching of a new trust fund for the Ghana Association of Restructuring and Insolvency Advisors, which will support the operations and resources of this independent agency. A new Corporate Restructuring and Insolvency Bill is also currently before Parliament, which will update Ghana’s legal framework regulating insolvency.²²

Figure 8: Insolvency recovery rate



Source: World Bank Doing Business, 2019

18. Otuio Serebour Agyemang, Emmanuel Aboagye and Joyce Frimpong. “Left to their fate: rights of minority equity holders in Ghanaian firms.” *Society and Business Review* 10, no. 1 (2015): 40-66.

19. “Republic of Ghana: Country Strategy Paper: 2019-2023,” *African Development Bank*, June 2019.

20. “The Report: Ghana 2019,” *Oxford Business Group*, 2019, p.53.

21. “Ghana: ‘New Companies Act Will Improve Ease of Doing Business’ – President Akufo-Addo,” *All Africa*, August 4, 2019.

22. “Prez urges Parliament to pass Corporate Insolvency Bill,” *B&FT Online*, August 8, 2019.

Opportunity

Ghana has the following opportunities to improve investor protections:

1. In order to improve corporate governance and insolvency, the government could ensure there is continued implementation of the new Companies Act.
2. The government can promote a culture of strong and accountable corporate governance, by looking to apply the lessons from the banking sector to matters of corporate governance more generally. Some have also suggested that the 2019 law should be strengthened further to provide rules against fraudulent transactions, including those who can be deemed associated or affiliated with the company.²³
3. The government should also ensure that bodies, such as the Office of the Registrar, are fully funded, so that regulations are adequately enforced.

CONTRACT ENFORCEMENT (GHANA RANK: 85TH)

Contract Enforcement is a critical proxy for trust, allowing economies of scale to grow beyond one's immediate circle of associates and family. Delays and costs in resolving contract disputes benefit neither party. Our measure captures both the efficacy and efficiency of a country's system to enforce the rights of a contract holder.

Contract Enforcement in Ghana has deteriorated compared to 10 years ago, by 19 ranks to 85th. Ghana's commercial courts do not routinely provide timely resolution of disputes. Common issues in commercial litigation, including prolonged trials, substantive compliance costs, and administrative burdens, ultimately add to the costs that entrepreneurs already bear when facing broken contracts.²⁴

Quality of legal system

Ghana ranks 114th for the quality of its judicial administration. Ghana does not have a small claims courts, and assignment of judges to cases is performed manually, not automatically, which hinders performance.

Ghanaian Courts are fully regulated in terms of personnel appointed to respective roles, fees and other relevant procedures. For example, lawyers must have been called to the Ghana Bar, have completed their pupillage, and renewed their annual licence to conduct cases in the Commercial Division of the High Court. Self-representation is also available to litigants, and regulations restricting foreign lawyers are in place.²⁵ Nevertheless, there have been concerns raised with the quality of the legal profession, with the Chief Justice noting recently that many complaints against lawyers were about a "lack of efficiency evidenced by disloyalty, indiscipline and the quest to get rich quick".²⁶ There is some evidence that legal standards are being enforced more strictly, with a 90% failure rate in recent bar exams.²⁷

Ghana has not joined the OHADA Treaty, which establishes a uniform set of corporate guidelines among 17 (predominantly West African) nations. This makes some sense, given the Treaty is

23. Samuel Adarkwah, "Preference Transaction Avoidance in Ghana: Has the Liquidator's burden changed?," *International Insolvency Review* 28, no. 1 (2019): 5-21.

24. "Business Environment Reform Facility: Final Report," *Department for International Development*, 2016.

25. Nene Amegatcher, Esine Okudzeto and Melisa Amarteifio, "Litigation and enforcement in Ghana: overview," *Thomson Reuters Practical Law*, October 2018.

26. "Indiscipline among lawyers on the rise – Chief Justice," *Ghana Web*, October 5, 2019.

27. "93% of students fail Ghana School of Law entrance exam," *Ghana Web*, September 25, 2019.

aimed primarily at Francophone countries with a civil law tradition. However, by not aligning itself with the bloc, Ghana has prevented the development of a regionally integrated body of business law across the region.²⁸

Litigation timescales

The time it takes to resolve commercial cases has increased from 487 days to 710 days since 2013.

Ghana has fallen from 57th to 118th in the global rankings for the time it takes to resolve commercial cases, which has increased from 487 days to 710 days since 2013. Furthermore, at 330 days, Ghana is one of the worst performing countries in terms of time to enforce judgements (once cases are resolved).²⁹

Ghana's judicial system has also been considered to have failed to provide efficient legal protections within a reasonable timeframe.³⁰ Some of the underlying reasons are administrative. Ghana performs poorly for case management and court automation—though this is not uncommon in developing nations due to low capacity.³¹ While an e-justice project has been in progress in Ghana since 2001, aiming to automate and digitise judicial procedures, these initiatives have not yet reached the commercial courts.³²

Litigation costs

Despite cases being time-consuming, legal costs in Ghana are substantially lower than in similar countries. These amount to 23% of the legal claim, ranking 53rd in the world.

While not considered unreasonable by professional and international standards, costs are still a challenge for many, and are generally seen as "likely to price out a significant proportion of the Ghanaian population."³³ The Ghana Bar Association has provided a scale of fees to guide lawyers in billing clients.

Alternative dispute resolution

Ghana ranks 35th in the world, and second in Africa, for alternative dispute resolution (ADR) mechanisms. ADR is the preferred method for investors to resolve disputes.³⁴ Arbitration in Ghana is generally considered to be faster, lower cost, and give parties access to specific commercial expertise.³⁵

The ADR Act (2010) regulates arbitration and mediation as the main methods of resolving large commercial disputes. The Act includes a number of innovative procedures, many of which do not feature in comparable jurisdictions, including the usage of electronic communications, ability to expedite proceedings, and the establishment of an alternative dispute resolution centre.³⁶ Foreign arbitral awards can also be enforced in Ghana.

28. Kwadwo Sarkodie, "Arbitration in Ghana—The Alternative Dispute Resolution Act 2010." *International Construction Law Review* (2011).

29. "Economy Profile: Ghana," *World Bank's Doing Business Report*, 2015–2019 reports.

30. *Ibid.*

31. Barry Walsh, "In Search of Success: Case studies in justice sector development in sub-Saharan Africa," *World Bank*, June 2010.

32. Kwame Ahiabenu, "How can e-justice make a difference in justice delivery?," *Graphic Online*, September 12, 2017; "IMANI Study: Enforcing Contracts: How to Attract More Entrepreneurs to Ghana – Part 3 of 3 (Quality)," *IMANI Center for Policy & Education*, January 31, 2019..

33. Nene Amegatcher, Esine Okudzeto and Melisa Amarteifio, "Litigation and enforcement in Ghana: overview," *Thomson Reuters Practical Law*, October 2018.

34. Clyde & Co., "Dispute Resolution in Ghana," *Invest in Africa*, November 2014.

35. Nene Amegatcher and Melisa Amarteifio, "Arbitration procedures and practice in Ghana: overview," *Thomson Reuters Practical Law*, September 2018.

36. Kwadwo Sarkodie, "Arbitration in Ghana—The Alternative Dispute Resolution Act 2010." *International Construction Law Review* (2011).

Opportunity

There are several reforms that can be made to improve the quality of contract enforcement in Ghana.

1. Better automation of filing and the ability to pay court fees electronically, by implementing an electronic case management system across all courts. This will increase the efficiency of dispute resolution and remove opportunities for corruption. This will require appropriate training. Rwanda, for example, introduced such a system after 22 months of staff training.³⁷
2. Better processes need to accompany digitalisation in order to speed up the enforcement of contracts. Some have recommended greater use of “front loading”, which means that all evidence is supplied to the court at the beginning of the process, so that cases can spend less time in court.³⁸ Namibia provides inspiration for other changes. It introduced new court rules in 2014, including time limits, earlier intervention by judges, and court-connected mediation. These reforms have allowed a case clearance rate of 110% (due to removing a backlog of cases).³⁹
3. Implementing a small claims court could shorten the amount of time it takes to resolve contractual disputes, by removing smaller claims from the court system and giving an alternative faster avenue for redress.
4. Ghana should also continue to exploit the use of ADR in a wide range of circumstances, which could help overcome some of the deficiencies in Ghana’s court system. A less formal means of settling contracts can be effective at promoting economic growth, even where the formal institutions are relatively weak.⁴⁰

FINANCING ECOSYSTEM (GHANA RANK: 118TH)

The Financing Ecosystem ensures the availability of money for investment from sources including banking services, bank debt, and more sophisticated financial markets. A wide range of financing options for businesses is also desirable, as each of the basic financing options are better suited for businesses at differing stages of maturity with different revenue and risk profiles. Our Financing Ecosystem measure captures the availability of money, from banking to corporate debt and more sophisticated financial markets.

Ghana’s Financing Ecosystem ranks 118th in the world, slightly improved compared to 10 years ago, but down one rank globally.

The government has taken measures to strengthen the financial sector, consistent with Ghana’s agenda to deepen the financial sector domestically and also position Ghana as a regional hub for financial services—given the shallower development of the sector in neighbouring countries.⁴¹ Ghana has taken steps to integrate its financial systems into regional markets. It is the host of the West African Monetary Institute, and has driven initiatives aimed at integrating more closely, with the monetary activities of West African countries, such as the West African Monetary Zone’s payment system.

37. “IMANI Study: Enforcing Contracts: How to Attract More Entrepreneurs to Ghana – Part 3 of 3 (Quality),” *IMANI Center for Policy & Education*, January 31, 2019.

38. *Ibid.*

39. *Ibid.*

40. Dani Rodrik, “Second-best institutions.” *American Economic Review* 98, no. 2 (2008): 100–104.

41. “*Republic of Ghana: Country Strategy Paper: 2019–2023*,” *African Development Bank*, June 2019.

The number of bank branches per 100,000 adults has almost doubled over 10 years, from 4.6 to 8.6 per 100,000

The banking sector

Access to the banking sector has expanded, with the number of bank branches per 100,000 adults almost doubling over 10 years, from 4.6 to 8.6 per 100,000, now ranking 101st in the world (see Figure 9).

Measures indicating the soundness of banks in Ghana paint a different picture, with the country's global rank deteriorating since 2009 from 58th to 112th in 2019.⁴² Non-performing loans (NPLs), as a percentage of total gross loans, doubled from 11% in 2014 to 22% in 2017.⁴³

Since 2017, Ghana has undertaken banking sector reforms, including the enforcement of Central Bank independence, increased capital requirement, and a resolution to take nine banks into receivership. Recent reports find that these reforms have resulted in "improved capital adequacy, declining NPLs and overall improvement in financial sector soundness".⁴⁴

Strengthening the banking sector

Good progress has been made reducing the number of banks and ensuring that banks are adequately capitalised and have better corporate governance. In 2017, the Bank of Ghana (BoG) increased the minimum capital requirement of universal banks from GHC120 million to GHC400 million, in order to strengthen and improve the resilience of the financial sector. The recapitalisation process ended in December 2018, with 23 banks meeting the minimum capital requirements, down from 34 previously.⁴⁵ The central bank has also reduced the number of savings and loans companies to 25 from 40, finance houses to 11 from 19, and micro-finance and micro-credit lenders to 168 from 554.⁴⁶

The Ghana Deposit Protection Act, passed in 2016, has also sought to shore up the deposits of the financial industry. The Act allows the BoG to charge banks and deposit-taking institutions a premium in order to guarantee the funds of small depositors up to a value of GHC 6250 (\$1350).

Furthermore, the regulatory framework concerning financial institutions has been overhauled to bring all deposit-taking entities under one law. It also established strict controls for licensing, mergers, and supervision of banking groups.⁴⁷

In addition, the BoG, the Ministry of Communications, and the Ghana Association of Bankers have worked together to develop a timely Cyber Security Directive for Financial Institutions. Launched in 2018, this directive establishes guidelines for cyber security and information security in the financial sector, to not only secure the financial intermediation process, but also "to strengthen bank and customer confidence in the security of banking technology".⁴⁸

42. World Economic Forum.

43. World Economic Forum.

44. "Republic of Ghana: Country Strategy Paper: 2019-2023," African Development Bank, June 2019.

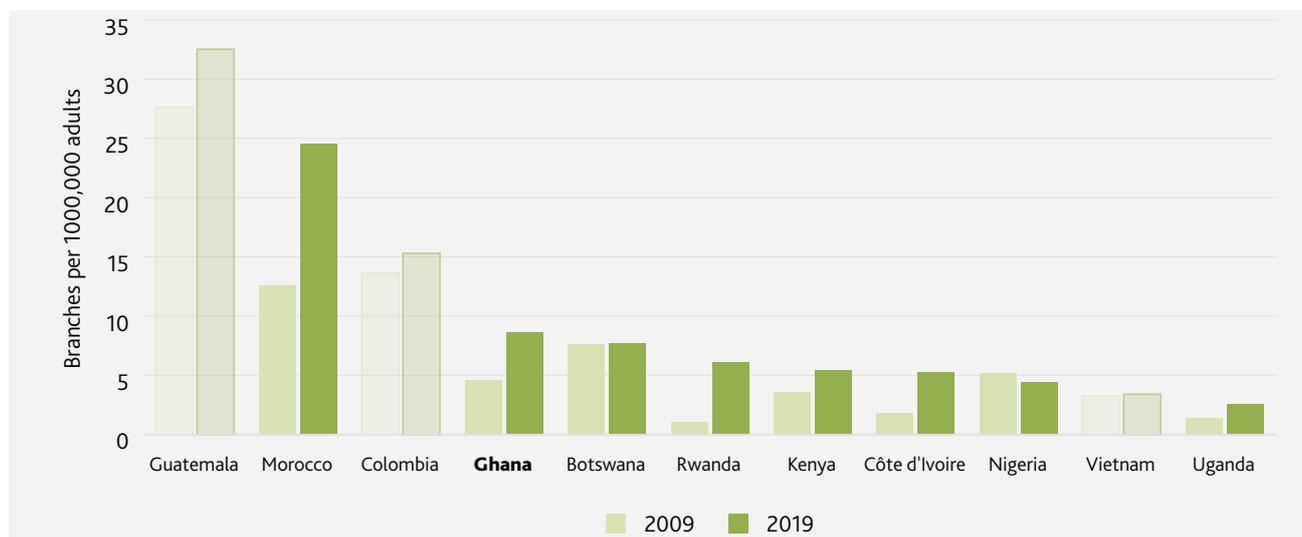
45. "Republic of Ghana: Country Strategy Paper: 2019-2023," African Development Bank, June 2019.

46. Moses Mozart Dzawu, "Ghana's Shutdown of Second-Tier Lenders Seen Risking 4,000 Jobs," *Bloomberg*, August 20, 2019.

47. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.53.

48. *Ibid.*, p.165.

Figure 9: Commercial bank branches



Source: World Bank Development Indicators

The Ghana Stock Exchange comprises 41 listed equities, with a total market capitalisation of GHC 61 billion.

Capital markets

Large companies in Ghana can access finance through a number of different sources, including bank loans and stock markets. Equity and debt markets are increasingly active. The Ghana Stock Exchange comprises 41 listed equities, with a total market capitalisation of GHC 61 billion. Natural resource companies, food and beverage firms, and financial institutions make up the vast share of market capitalisation.⁴⁹

The establishment of the stock market in 1990 has led to a number of important results. First, it has facilitated the privatisations of a number of SOEs, such as Ashanti Goldfields, Ghana Commercial Bank, and State Insurance Company.⁵⁰ Second, it has also helped to raise new equity for companies. Third, the development of capital markets has led to the emergence of many collective investment schemes. Fourth, it has helped the growth of a domestic investment banking industry.

Other capital markets in Ghana include real estate investment trusts and collective investment schemes, the Ghana Interbank Forex market, and the Ghana Alternative Market (for start-ups and SMEs).⁵¹ The Ministry of Finance has commenced preparatory work towards establishing an International Financial Service Centre in Accra in order to expand financial markets and integration in West Africa.⁵²

49. Ibid., p.65.

50. Ernest Aryeetey and SM Ravi Kanbur, eds. *The Economy of Ghana Sixty Years after Independence*. Oxford University Press, 2017, p.127.

51. "Doing business and investing in Ghana," PwC, 2018, p.27.

52. "Republic of Ghana: Country Strategy Paper: 2019-2023," African Development Bank, June 2019.

Private equity and venture capital in Ghana

There are three main categories of private equity and venture capital funds operating in Ghana. Predominantly, this funding is sourced from regional and pan-African funds, rather than local Ghanaian funds.

Local venture capital trust funds have an investment size less than \$1 million. They have local fund managers, are mainly capitalised by Ghanaian financial institutions, and invest in Ghanaian SMEs. Ghana is now ranked 85th in the world for availability of venture capital (up 50 places over the last decade).

West Africa regional funds usually fund investments between \$1 million and \$5 million. They operate across the region, but often with a specific focus on Ghana and Côte d'Ivoire. Investors for such funds include development finance institutions, international family offices, and regional pension funds.

Pan-African or Global funds fund investments over \$20 million, sometimes with an explicit allocation or strategy to invest in Ghana.⁵³ These funds are typically invested by development finance institutions and institutional investors, and sometimes have offices in Ghana.

In an effort to rekindle interest in private equity and deepen the domestic capital market, the government has also encouraged investment in real estate investment trusts and collective investment schemes by providing tax incentives exemptions. In doing so, it is hoped that this may also ease the housing deficit in the country.⁵⁴

Access to finance for SMEs

In Ghana, 62% of businesses identify access to finance as a problem, which places Ghana 161st in the world on this measure. While there is reasonable provision for large companies and microenterprises, there is a major gap in provision of capital for SMEs, which make up around 30% of market share.⁵⁵

There are two primary reasons for this. Firstly, SMEs face higher interest rates than larger corporations, which may prevent some businesses from accessing loans.⁵⁶ Secondly, and more fundamentally, many financial institutions see SMEs as inherently risky. This is due primarily to many SMEs lacking the features of standard business practice that make them trustworthy. In particular, there is a lack of credit information for SMEs, lack of business and financial skills, lack of willingness to relinquish control or information, and a lack of guarantees and collateral availability.⁵⁷ A study of 200 SMEs in the Ashanti region in 2014 noted that 65% were denied credit because of one or more of the following: poor management structure, low turnover, inability to provide business registration document, poor documentation, or inability to provide collateral.⁵⁸ Similar issues apply to SMEs accessing venture capital.⁵⁹

There are some attempts to improve this access. Since 2013, the Ghana Stock Exchange has operated the Ghana Alternative Market (GAX), a parallel market designed for start-ups and SMEs

53. Shanthi Divakaran, Sam Schneider and Patrick McGinnis, "Ghana Private Equity and Venture Capital Ecosystem Study," *World Bank, Policy Research Working Paper 8617*, June 2016.

54. "Doing business and investing in Ghana," *PwC*, 2018, p.28.

55. It should also be noted that there are some there are vulnerabilities in the microfinance sector due to hitherto weak regulation. See "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.50.

56. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.160.

57. Ernest Aryeetey and SM Ravi Kanbur, eds. *The Economy of Ghana Sixty Years after Independence*. Oxford University Press, 2017, p.127.

58. Isaac Quaye, Eugene Abrokwah, Alfred Sarbah and Joseph Yaw Osei, "Bridging the SME Financing Gap in Ghana: The Role of Microfinance Institutions," *Open Journal of Business and Management 2014*, no. 2: 339-353.

59. Shanthi Divakaran, Sam Schneider and Patrick McGinnis, "Ghana Private Equity and Venture Capital Ecosystem Study," *World Bank, Policy Research Working Paper 8617*, June 2016.

seeking to raise capital. In order to attract smaller companies, the GAX has imposed less onerous listing requirements than the main market.

While authorities hope to increase activity on the GAX to 50 listed companies by 2020, there were only five listings in January 2019. However, it has recently been improving its performance in response to a more favourable investment environment in Ghana.⁶⁰

It is important to note that microfinance institutions (MFIs) have played an important role in helping to meet the financing need. In part, this has been through mobilising savings, which SME owners can contribute to and then draw from.⁶¹

Consumer finance: mobile money and digital payment

The number of Ghanaians accessing finance is increasing rapidly. From 2011 to 2017, the percentage of the population with a bank account doubled from 29% to 58%.⁶² More people are accessing finance through the internet, and digital payments are increasing in importance, with \$190 million worth of deposits and withdrawals made in 2017—a 78% increase versus the previous year.⁶³ Ghana is now the fastest growing mobile money market in Africa.⁶⁴

The market growth is driven primarily by telecoms companies, after the Central Bank permitted mobile network operators to own and operate mobile money networks under its supervision. The mobile money landscape in Ghana now includes international remittances, insurance, and dedicated payments for goods services across a wide variety of sectors. For example, in 2017 MTN Ghana launched QwikLoan, a credit service providing loans of up to GHC 1,000 (\$216) to qualifying customers.⁶⁵

Gradually, these products have begun to “encroach on traditional banking territory”.⁶⁶ The volume of money transacted outside the banking system via mobile money platforms reached a record-breaking GHC 2.3 billion (\$497 million) in 2017, an increase of nearly 85% over 2016.⁶⁷

Opportunity

Although the financing ecosystem is developing, there are several opportunities to improve it further.

1. The government should continue to strengthen the banking sector and ensure that regulations are adequately enforced. This will strengthen confidence in the financial sector, but long-term success depends on banks increasing their assets, and increasing sustainable lending to productive private enterprises.
2. Finding ways to increase access to capital for SMEs would help to increase the productivity and growth of many Ghanaian firms. The SME sector should be seen as an opportunity for the banking sector, rather than just a potential risk. The government should support companies that are providing access to finance for SMEs, such as Advans, who provide loans to SMEs. Further support could also be given to SMEs themselves, for example, through training programmes to improve credit management and record-keeping, as well as formalising business processes.⁶⁸

Digital payments are increasing in importance, with \$190 million worth of deposits and withdrawals made in 2017.

60. “The Report: Ghana 2019,” *Oxford Business Group*, 2019, p.69.

61. Isaac Quaye, Eugene Abrokwah, Alfred Sarbah and Joseph Yaw Osei, “Bridging the SME Financing Gap in Ghana: The Role of Microfinance Institutions,” *Open Journal of Business and Management* 2014, no. 2: 339-353.

62. “Account ownership at a financial institution or with a mobile-money-service provider (% of population ages 15+),” *World Bank*, last accessed November 18, 2019, <https://data.worldbank.org/indicator/FX.OWN.TOTL.ZS>.

63. “The Report: Ghana 2019,” *Oxford Business Group*, 2019, p.55.

64. Selin Ozyurt, “Ghana is now the fastest-growing mobile money market in Africa,” *Quartz Africa*, July 9, 2019.

65. “The Report: Ghana 2019,” *Oxford Business Group*, 2019, p.58.

66. *Ibid.*

67. *Ibid.*

68. Isaac Quaye, Eugene Abrokwah, Alfred Sarbah and Joseph Yaw Osei, “Bridging the SME Financing Gap in Ghana: The Role of Microfinance Institutions,” *Open Journal of Business and Management* 2014, no. 2: 339-353.

3. The government could ensure that wider regulations and government processes keep up with the rapid growth in both the volume and range of mobile services, so that consumers continue to benefit from financial services. One of the ways government could do this is by digitising government collections and utility payments, most of which are currently paid in cash.⁶⁹

RESTRICTIONS ON INTERNATIONAL INVESTMENT (GHANA RANK: 106TH)

International investment has been shown to have a positive overall effect on economic growth. Research suggests that international investment is typically more productive than domestic. The benefit of foreign direct investment (FDI) is not only the inflow of capital, but also the infusion of managerial competence that accompanies such investment. FDI brings healthy competition in the form of product and service innovation, new working practices, and new efficiencies in productivity.

Restrictions on International Investment have become more pervasive in Ghana over the last 10 years; the country is down 30 places to 106th. Investors contemplating an entry into Ghana, or those already engaged there, face a range of challenges. These include increased restrictions on financial transactions and more capital controls.

FDI in Ghana

In 2017, Ghana saw total investment of \$6.2 billion, with an FDI component of \$4.9 billion, nearly matching the FDI target of \$5 billion that the Ghana Investment Promotion Centre (GIPC) had set for the year. At \$29.8 billion (70% of GDP) in 2016, Ghana had the fifth highest FDI stock in sub-Saharan Africa, after South Africa, Nigeria, Angola, and Mozambique.⁷⁰

Furthermore, FDI per capita is much higher than the average for West Africa (and Africa more broadly). In 2018, FDI per capita reached \$125, compared to approximately \$50 for Africa and \$30 for West Africa. FDI has been increasing steadily over the last few years, with several initiatives from GIPC. The leading investor in Ghana is China, which is responsible for 13 projects and a combined investment of almost \$184 million.

Ghana has attracted FDI primarily due to a suitably educated workforce, cheap labour, and natural resources.⁷¹ In the services sector, the exchange rate and trade openness have also played a role in attracting investment.⁷²

Oil has also been a central driver of FDI inflows into Ghana in recent decades. From averaging roughly \$100 million per annum between 2000 and 2005, oil discovery has boosted FDI to over \$3 billion annually between 2011 and 2016.⁷³ This figure is expected to reach \$20 billion in the coming years.⁷⁴ As Ghana looks to diversify its FDI inflows, mining, manufacturing, and services are also hoping to grow in importance in the coming years.⁷⁵

While the GIPC is a leading recipient of FDI, the Ghana Free Zones Authority and both the Minerals and Petroleum Commissions are other principal facilitating agencies.⁷⁶

69. Selin Ozyurt, "Ghana is now the fastest-growing mobile money market in Africa," *Quartz Africa*, July 9, 2019.

70. "Invest in Ghana: A stable springboard into West Africa," *Deloitte*, September 2017, p.23.

71. Shirley Ayangbah and Liu Sun, "Comparative study of foreign investment laws: The case of China and Ghana," *Cogent Social Sciences*, 2017.

72. Ibrahim Nandom Yakubu and Abdul Azeez Mikhail, "Determinants of Foreign Direct Investment in Ghana: A Sectoral Analysis," *Munich Personal RePEc Archive*, January 2019.

73. "Invest in Ghana: A stable springboard into West Africa," *Deloitte*, September 2017, p.23.

74. *Ibid.*, p.24.

75. *Ibid.*

76. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.33.

Government encouraging foreign investment

To attract more investment into infrastructure, Ghana's government is placing emphasis on public-private partnerships (PPPs). In 2018, nine PPP projects were under preparation, valued at \$3.4 billion.⁷⁷ As of July 2017, Ghana had signed Bilateral Investment Treaties with 27 countries in total, 19 of which are not yet in force. Agreements are also currently being discussed with the U.S., Pakistan, South Korea, and Belgium.⁷⁸

Unlike other countries, Ghana does not have a negative investment list that completely prevents investment into certain industries, although there are some restrictions within sectors that make investment difficult.

Investment in oil and gas sectors

There are a number of restrictions on foreign investment in oil and gas. Firstly, foreign entrants into the mining or oil and gas sectors are required to obtain a licence or approval from the Petroleum Commission and the Minerals Commission.⁷⁹

Secondly, there is the requirement for local participation. In terms of capital requirements, some portions of the oil and gas sectors require 10% of equity to be held by Ghanaian firms, higher than peers Nigeria, Uganda, and Zambia.⁸⁰ Since 2013, local participation has been a legal requirement in the petroleum sector. The 2016 Petroleum (Exploration and Production) Act mandates local participation.

Furthermore, all entities seeking petroleum exploration and development licenses in Ghana must create a consortium in which the state-owned Ghana National Petroleum Corporation holds a minimum 15% participating carried interest.

Even where there is no strict requirement for joint participation, other rules may incentivise joint projects with Ghanaian businesses. Because of local content requirements, joint ventures have become a much more attractive option for foreigners looking to enter the Ghanaian market. Nonetheless, domestic companies often have very little expertise in providing technical services, while some local entrepreneurs expect foreign investors to bear all costs.⁸¹

Thirdly, the Petroleum Commission applies registration fees and annual renewal fees on foreign oil and gas service providers. Depending on a company's annual revenues, these range from \$70,000 to \$150,000, compared to fees of between \$5,000 and \$30,000 for local companies.⁸²

Administrative barriers to foreign investment

Ghana ranks 70th for the business impact of rules on FDI, having fallen 37 places over the last decade. Foreign investment is directed through the GIPC, which links investors and ministries, government departments and agencies, institutional lenders and other authorities concerned with investments. International investors must register with the GIPC, which is designed to be completed within five business days but often takes significantly longer.⁸³ There are also significant capital requirements under the GIPC Act, ranging from \$200,000 to \$1 million, depending on the balance of foreign versus Ghanaian inputs.⁸⁴

77. *Ibid.*, p.36.

78. "Invest in Ghana: A stable springboard into West Africa," *Deloitte*, September 2017, p.23.

79. "Ghana - Establishing an Office," *Export.Gov*, December 3, 2018.

80. "Ghana – Oil and Gas," *Export.Gov*, December 3, 2018; Ishmael Ayanoore, "The politics of local content legislation in Ghana," *ESID Working Paper 104*, September 2018.

81. "Ghana – Joint Ventures/Licensing," *Export.Gov*, December 3, 2018; "Ghana – Oil and Gas," *Export.Gov*, December 3, 2018.

82. "2019 National Trade Estimate Report on Foreign Trade Barriers," *United States Trade Representative*, 2019, p.221.

83. *Ibid.*, p.221.

84. "The Landscape For Impact Investing In West Africa Understanding the current status, trends, opportunities, and challenges," *Global Impact Investing Network*, December 2015, p.23.

In addition, those wanting to set up a foreign owned company must obtain a certificate of capital importation. Then, the local authorised dealer must confirm the import of capital with the Bank of Ghana. Amounting to 10 procedures, it takes an average of 72 days to complete the entire process.⁸⁵

For investment in property, international investors have to first consult the GIPC regarding procedures, and should ask to be directed to the appropriate agencies involved in legally acquiring property, since identifying legal ownership can be an issue.

Most Ghanaian business sectors outside of oil and gas have no laws requiring the retention of a local agent or distributor when exporting to Ghana. However, there has been a recent push for local content requirements in a number of industry sectors—for example, the National Insurance Commission (NIC) imposes nationality requirements with respect to the board and senior management of locally incorporated insurance and reinsurance companies.

Foreign exchange

Ghana restricts some financial transactions in foreign currency. This is an area that is often an impediment to investment across Africa and other developing economies. Ghana ranks 91st globally in terms of the freedoms to hold a foreign currency bank account.

While the 2006 Foreign Exchange Act removed a number of restrictions on foreign exchange transactions, there are still some constraints. Ghana ranks 64th in capital controls levied, and ranks 155th on the Chinn-Ito Index on capital account openness, down 49 places since 2009. The IMF notes that Ghana maintains an exchange restriction "on purchasing and transferring foreign exchange for import transactions by importers who have not submitted to the commercial bank customs entry forms for any past foreign exchange transactions related to imports, and which are unrelated to the underlying transaction".⁸⁶

Travel restrictions

Ghana is ranked 125th in terms of freedoms for foreigners to visit. Visas and work permits remain a requirement in place for the majority of foreigners. Visa-free travel is open to ECOWAS citizens and some other countries, and since 2016, visitors from African Union countries can get a visa on arrival.

Applications to gain a work permit are also not straightforward, with three types available through GIPC or the Ghana Immigration Service, depending on the level of investment and duration of tour. The visa application system is not considered user-friendly, including for business visitors and tourists, although the expected introduction of e-visas should address that.

Opportunity

There are a number of opportunities to attract international investment:

1. The government can streamline processes and clarify rules for companies registering with GIPC.
2. It can lower the capital requirements for foreign investors investing into Ghana.
3. It can reduce or remove local content requirements, particularly in the oil and gas sectors. The government could also prevent the extension of local content requirements into other sectors.
4. It could reduce or remove restrictions on foreign exchange transactions, focussing on restrictions faced by importers.
5. Finally, Ghana can improve the ease of travel for international visitors by implementing the e-visa system, which aligns it with peers such as Kenya.

85. "Invest in Ghana: A stable springboard into West Africa," *Deloitte*, September 2017, p.20.

86. "Annual Report on Exchange Arrangements and Exchange Restrictions 2018," *International Monetary Fund*, April 2019, p.24. | 53



ENTERPRISE CONDITIONS (GHANA RANK: 69TH)

A healthy economy is a dynamic and competitive one, where regulation supports business, allowing and encouraging it to respond to the changing priorities of society. In contrast, an economy focussed on protecting incumbents will enjoy lacklustre growth and job creation. Entrepreneurial activity is one of the key drivers of long-term prosperity, and its importance will only grow as the pace of technological change increases, and the number of people involved in that change rises. Given the pace of change inherent to the information age, a society's ability to react quickly to new firm- and market-level opportunities is critical to its overall Economic Openness.

Ghana SWOT Analysis of Enterprise Conditions

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Positive legal frameworks established in key sectors including energy and banking • Improving use of clusters to drive development • Visible progress on reducing the burden of regulation and improving labour market flexibility • Skills and experience of the diaspora returning to Ghana 	<ul style="list-style-type: none"> • High redundancy costs • Poor competition law • The skills gap holds back domestic employment and productivity • Jobs and tax revenue remain locked up in the informal economy, holding back growth
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Implementing robust competition regulation to increase the contestability of markets • Making it easier to start a business to bring more firms into the formal economy • Increasing training to help address the skills deficit • Reducing the burden of regulation for firms • Making hiring policies more flexible and reducing redundancy costs to encourage employment 	<ul style="list-style-type: none"> • Failure to develop proper competition system • Failure to carry out structural reforms, including sectors dominated by SOEs • As the economy develops, firms may struggle to find the right people with the skills needed

Evaluating Enterprise Conditions

These factors can, in part, be measured by considering the regulatory and bureaucratic impediments to starting and growing a business and the cultural attitudes of a nation's workforce. We examine the Domestic Market Contestability, the Environment for Business Creation, Burden of Regulation, and Labour Market Flexibility.

The most critical element for Enterprise Conditions is **Domestic Market Contestability**, which measures competitiveness and openness as the essential stimulators of innovation and efficiency. While there is no such thing as a perfectly contestable market, it has long been understood that there are some basics that are of considerable help, from anti-monopoly policy to limitations on market dominance.¹

The **Environment for Business Creation** captures the legislation and policies that encourage start-ups. A supportive business environment is critical. If the framework of enterprise is important, so too are the prevailing views and attitudes of a populace. This entails a number of key market freedoms: an entrepreneurial environment with active entrepreneurship.

We also measure the **Burden of Regulation**. In markets where there is sufficient trust and self-regulation to allow industries and services to focus on innovation and production, it is the role of a good government to ensure regulation does not generate unnecessary administration. Taxation is a necessary part of any society, but while the shape of the optimal tax system has long been debated, the manner in which the tax is raised can be critical, ideally being as simple and non-distortive as possible.²

Finally, we measure **Labour Market Flexibility**. While the debate over the degree to which labour markets might be liberalised is unlikely to ever be settled definitively, the evidence is that highly restrictive labour markets do entail costs in terms of facilitating enterprise.³

Ghana has improved its Enterprise Conditions at a similar rate to the rest of the world, where it ranks 69th, the same as 10 years ago. In the following sections, we review the performance of Ghana in each of the distinct elements of Enterprise Conditions, from Domestic Market Contestability through to Labour Market Flexibility.

1. William J. Baumol, John C. Panzar, and Robert D. Willig. "On the theory of perfectly-contestable markets." *New developments in the analysis of market structure*, Palgrave Macmillan, London, 1986, p.339-370.

2. N. Gregory Mankiw, Matthew Weinzierl, and Danny Yagan. "Optimal taxation in theory and practice." *Journal of Economic Perspectives* 23, no. 4 (2009): 147-74.

3. Roxana Radulescu, and Martin Robson. "Does labour market flexibility matter for investment? A study of manufacturing in the OECD." *Applied Economics* 45, no. 5 (2013): 581-592.

DOMESTIC MARKET CONTESTABILITY (GHANA RANK: 86TH)

Where open, fair and competitive markets exist, far more often than not, so too does progress and prosperity. One of the most useful things that governments can do is to ensure that there is competition, both domestic and international, as well as a strong and effective anti-monopoly policy. A fair and effectively enforced competitive market benefits all by helping to stimulate improvements in efficiency and innovation. Our measure of Domestic Market Contestability captures how open the market is to new participants, versus protection of the incumbents.

Domestic Market Contestability in Ghana has deteriorated over the last 10 years, down 21 places to 86th. While Ghana has a relatively high degree of market competition, until recently there had been no comprehensive competition policy, and certain sectors, such as electricity, are dominated by state-owned enterprises. The combination of state ownership and lack of contestability has allowed poor financial and operational performance to become the norm in some sectors.

State-owned enterprises

Ghana ranks 47th in the world for the extent to which corporate activity is dominated by a few firms. The impact of this concentration is all the greater owing to the degree of government involvement. The Government of Ghana currently holds varying equity interests in about 84 companies, comprising 44 wholly-owned state-owned enterprises (SOEs) and 40 joint venture companies (JVCs).

The expected returns from the SOEs and JVCs have not been commensurate with the level of investment by the government.⁴ Ghanaian SOEs continue to make significant losses, which could add to government's risk of debt distress and further constrain growth.⁵

Furthermore, beyond financial performance, many of these companies have also been underperforming, even by their own objectives. The practical impact of how such industries underperform can be widespread. As noted earlier, severe power shortages in 2015-16 were caused by "management inefficiencies, lack of timely utility tariff adjustment and the accumulation of arrears".⁶

Recognising the need to address underperformance by SOEs, the government has recently created the State Interest and Governance Authority (SIGA), which has taken over from the State Enterprises Commission.⁷ SIGA's mandate will be to lift the performance of SOEs through streamlining operations, developing corporate guidelines, and injecting private sector expertise in to SOEs.⁸

Public procurement

Private investors have found it difficult to access public procurement opportunities. Politics and business have traditionally been interrelated in Ghana, which has led to poor government contracting.⁹ While tendering by non-domestic firms is possible, many companies report that "locally funded contracts lack full transparency", and corruption in the tender process is common.¹⁰

The Government of Ghana currently holds varying equity interests in about 84 companies.

4. "SOE Annual Aggregate Report," *Ministry of Finance*, 2016.

5. "Ghana: Seventh and Eighth Reviews under the Extended Credit Facility Arrangement and Request for Waivers of Nonobservance of Performance Criteria—Press Release; Staff Report; and Statement by the Executive Director for Ghana." *International Monetary Fund*, April 2019; Jonathan D. Quartey, and Joyce A. Quartey. "Towards survival of state owned enterprises in sub-Saharan Africa: Do fiscal benefits matter?," *International Journal of Economics, Commerce and Management* 7, no. 5, May 2019.

6. World Bank, "Creating Markets in Ghana: Country Private Sector Diagnostic" (November 2017) 2.

7. Yaw Kyei, "Ghana: President Launches Siga to Replace State Enterprises Commission," *All Africa*, August 20, 2019.

8. "Akufo-Addo launches State Interest and Governance Authority," *Business Ghana*, August 21, 2019.

9. "Republic of Ghana: Country Strategy Paper: 2019-2023," *African Development Bank*, June 2019.

10. "2019 National Trade Estimate Report on Foreign Trade Barriers," *United States Trade Representative*, 2019, p.217.

There have been signs of improvement. The 2003 Public Procurement Act is strictly enforced by the government, with cases in court where former senior officials of SOEs are being prosecuted for breaches of the Act.

The oil and gas sector has witnessed efforts to improve procurement processes, which is an important signal of government willingness to raise performance and standards in this area. In December 2018, the government held the first open bid for exploration licenses, leading to 16 bids. This process replaced the earlier practice of “awarding exploration and extraction rights through closed negotiations”.¹¹ There have also been open bids for spectrum licenses.¹² The result of more open and rigorous processes should result in contracts that are more competitive.

Competition Law

Given that Ghana’s politicised business community privileges local interests, and often discourages new foreign entrants, effective competition law is crucial. However, while monopolies and oligopolies have dwindled in influence over the last few years, competition law is generally not well regulated, and there is no competition authority.¹³

Ghana currently ranks 95th for its anti-monopoly policy, but steps are being taken to strengthen regulation. A draft antitrust law in Ghana is before Parliament. Passing of that Bill should help remove entry barriers and protect SMEs.¹⁴ One of the other positive developments has been the introduction of a new ECOWAS Regional Competition Authority (ERCA), which will monitor the region for activity not aligning with its Regional Competition Rules.¹⁵ ERCA, based in the Gambia, will have adjudicatory and investigative powers, as well as monitoring commercial activities to prevent conduct that would adversely affect consumers’ interests.¹⁶

Market dominance in the banking sector

In the banking sector, there has been a modest improvement in reducing the market dominance of a few firms in corporate activity over the last decade. The Ghanaian banking system was heavily concentrated with the top four banks holding 88% of deposits and 83% of total assets in 1981.¹⁷ The industry was not only uncompetitive, but also highly inefficient and unstable.¹⁸

A series of financial reforms in the 1990s and early 2000s led to a wave of deregulation, a significant increase in the number of banks, as well as a huge growth in branches. State banks were gradually withdrawn following the entry of private domestic, regional, and global banks operating on a unified banking platform.¹⁹

This increase in market competition has coincided with an expansion of credit, providing further incentives for local investment.²⁰ As discussed in the Financing Ecosystems element, this expansion also led to a rise in non-performing loans, and the Bank of Ghana has strengthened the sector in recent years.

11. “The Report: Ghana 2019,” *Oxford Business Group*, 2019, p.40.

12. *Ibid.*, p.161.

13. “2016 National Trade Estimate Report on Foreign Trade Barriers,” *United States Trade Representative*, 2016; Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018.

14. Appiah Kusi Adomako, “Why the private sector must support the call for Competition Law?,” *My Joy Online*, February 8, 2019.

15. Andrew Mizner, “ECOWAS introduces competition regulator,” *African Law and Business*, July 1, 2019.

16. Ahmore Burger-Smidt, “ECOWAS Regional Competition Authority Launches in The Gambia,” *Werksmans*, May 31, 2019.

17. Antwi-Asare, T. O., and E. K. Y. Addison. Financial sector reforms and bank performance in Ghana. London: Overseas Development Institute, 2000.; Meghana Ayyagari, Asli Demirguc-Kunt and Vojislav Maksimovic, “Financing in developing countries,” *Handbook of the Economics of Finance: 2A*, Chapter 10, 2013, p.683-757.

18. John Dadzie and Alessandra Ferrari, “Deregulation, efficiency and competition in developing banking markets: Do reforms really work? A case study for Ghana,” *Journal of Banking Regulation*, (2019): 1-13.

19. *Ibid.*

20. Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018.

Opportunity

Further progress in increasing the contestability of domestic markets continues to depend on political will to root out vested interests and update relevant laws and procedures. Even the perception that such factors are at work can harm Ghana's image as a place to do business and attract investment. While Ghana is mostly free of issues such as cartels and licencing, there are opportunities for improvement:

1. The government could review the role of SOEs across different industries, and make strategic decisions to withdraw from those industries where there is not a strong government interest in being active in those sectors. Furthermore, SIGA could be supported in its role as overseer of SOEs.
2. Implementing effective and robust competition regulation should remain a priority, particularly implementing anti-trust law and ensuring effective enforcement. Effectively resourcing the competition authority will be critical, and it could be given the power to sanction businesses who breach competition law through restrictive practices. The government should also ensure that it supports ERCA in enforcing competition law across the region.
3. The government can make public procurement more open and transparent, continuing in the spirit it began with granting the oil exploration licences, by making bidding processes genuinely competitive.

ENVIRONMENT FOR BUSINESS CREATION (GHANA RANK: 53RD)

Entrepreneurial activity is the manifestation of a healthy and dynamic society, in which ideas are constantly being created, developed, and tested. It is important that the process of turning ideas into success is as easy and accessible as possible. Government, and hence society, can benefit by providing a supportive environment that appreciates and values the contribution entrepreneurs can make towards improvements in prosperity.

Ghana's Environment for Business Creation is relatively strong, ranking 53rd in the world, although it has not improved at the rate of its peers, slipping seven places over the decade.

Improving regulatory environment fosters business creation

The number of procedures required to start a business in Ghana is eight, one more than the sub-Saharan average of seven. However, it is less time-consuming and costly to start a business than in the rest of sub-Saharan Africa. It takes on average 14 days and 15.5% of income to start a business (compared to 23 days and 44.4% in sub-Saharan Africa) (see Figures 10 and 11).²¹

The government has made it easier to register businesses through one-stop shops and online registration processes. The introduction of electronic communication and registration with the Registrar of Companies, the abolishment of certificates to commence business and the requirement to publish such certificates are all expected to improve the speed of registration and by extension the ease of doing business in Ghana.²² This has facilitated the growth of SMEs in the country, which make up 92% of businesses and generate about 70% of Ghana's GDP.²³

21. World Bank Doing Business.

22. "Ghana's New Companies Act Passed!" *AudreyGrey*, August 2, 2019.

23. George Kwadwo Anane, Patrick Brandful Cobbinah and Job Kwame Manu, "Sustainability Of Small And Medium Scale Enterprises In Rural Ghana: The Role Of Microfinance Institutions," *Asian Economic and Financial Review* 3, no. 8 (2013): 1003.

However, many of these improvements have developed more slowly than those of peer countries. For example, although it has become easier to start a business, Ghana has fallen behind many other countries on this measure, declining from 46th to 92nd worldwide in the last 10 years.

Figure 10: Time to start a business

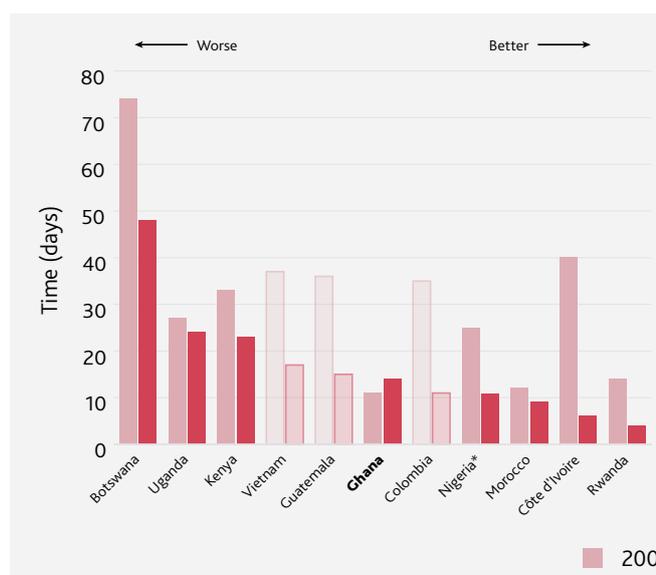
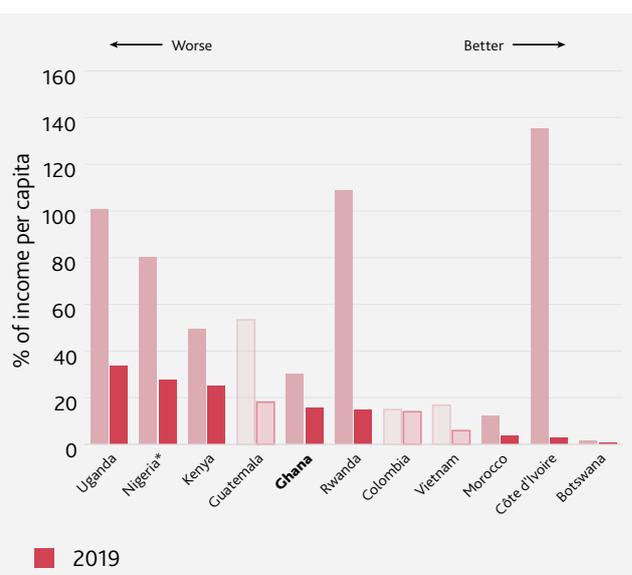


Figure 11: Cost to start a business



Source: World Bank Doing Business, 2019

*2009 score is Lagos only

Practical support for business

The government has sought to provide support for businesses across a range of sectors. The National Entrepreneurship and Innovation Plan, for example, was launched in July 2017, seeking to provide an integrated national support network for start-ups and small businesses, and comes alongside five year tax holidays for start-ups. It started with seed capital of \$10 million, and is expected to increase to \$100 million as the programme develops.²⁴ The first round provided training, business advisory services, and technical support to 7,000 participants. Further calls for applications have gone out since the launch of the programme.

Ghana has improved the state of its cluster development significantly, rising in the global rankings from 123rd to 45th over the last decade. Some studies have found that business owners are taking advantage of increasing cluster development in the country, which has had a positive impact on productivity and economic growth.²⁵ The largest of these, Suame-Magazine, has over 10,000 micro and small enterprises, and is focussed on light manufacturing.²⁶ Four of these clusters have been set up as export processing zones containing around 300 enterprises and are aimed at providing easy access to government services, less restrictive rules on foreign ownership, tax incentives, and access to ports and other infrastructure.²⁷

24. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.32.

25. Martin Amoah, Gbapenuo Enoch, Peter Kessels Dadzie, and Joseph Asomani. "Successes and Challenges in Industrial Clusters: Some Empirical Evidence from Wood Industrial Cluster in Kumasi, Ghana." *Journal of Investment and Management* 7, no. 1 (2018): 1-12.

26. Carol Newman, John Page, John Rand, Abebe Shimeles, Måns Söderbom, and Finn Tarp, eds. *Manufacturing transformation: comparative studies of industrial development in Africa and emerging Asia*. Oxford University Press, 2016, Chapter 3.

27. *Ibid.*

Tech start-ups in Ghana

One important growth sector is tech start-ups—showing how government, private capital, and universities can work effectively together. The presence of improved national ICT infrastructure has helped foster a supportive environment for technology start-ups. Recent research from the global industry body, the GSM Association, found that 24 of Africa's 442 tech hubs were based in Ghana.²⁸

Adding to that, the government has taken steps to facilitate and grow the industry—notably in August 2018 launching the ICT Innovation Project at the Accra Digital Centre under its broader eTransform Ghana programme. The project includes a Mobile Applications Laboratory and an Innovation Hub, which will serve as incubators for tech-based start-ups, as well as research and development in robotics and artificial intelligence.²⁹

The development of such a supportive ecosystem is bearing fruit. Tech companies have proliferated in Ghana in recent years. Barriers to entry have lowered for start-ups, fostering a culture of entrepreneurship.³⁰ Some of the best-known start-ups include MeQasa, an online real estate marketplace, which secured \$500,000 in funding from global venture capital firm Frontier Digital Ventures in 2015; and Expresspay, an online payment platform, which received \$200,000 from a remittance grant facility set up by the governments of Ghana and Switzerland.³¹

A range of other local start-ups have been acquired or financed by international investors. The Accra-based, Silicon Valley-backed Meltwater Entrepreneurial School of Technology training institution and incubator has been instrumental in developing the early-stage technology environment, and is launching a venture capital fund.³²

Tying in the tertiary sector in Ghana has been vital to the growth of the ICT industry, particularly for young entrepreneurs. Universities have started to play a key role in skills development, with the public Kwame Nkrumah University of Science and Technology and the private Ashesi University among the most supportive of ICT, management, and entrepreneurship.³³ Private sector partners under the banner of the ICT Innovation Project have also started to provide business development support for tech start-ups from the pre-incubation stage. These partnerships have led to a virtuous circle, in which “established companies support the development of university and college faculties focussing on tech-associated sectors, as well as helping mentoring in the country's tech incubators”.³⁴

Skills gap

The skills gap is a major concern for business. There are 15% of firms that report a lack of skilled labour as a major or severe obstacle, compared to just 5% a decade ago, which is 54th in the world.³⁵ This is not especially problematic, but as the economy develops there is a risk that the skills of workers will not be suitable for the jobs offered. The existence of a large informal economic sector is also a symptom of a low-skills economy. One study found that about 79% of the surveyed operators have no formal education or only had primary education.³⁶

15% of firms report a lack of skilled labour as a major or severe obstacle, compared to 5% a decade ago.

28. “The Report: Ghana 2019,” *Oxford Business Group*, 2019, p.159.

29. “Ghana: Profiled Industries – Agriculture,” *Enterprise Singapore*, updated May 16, 2019.

30. “The Report: Ghana 2019,” *Oxford Business Group*, 2019, p.158.

31. *Ibid.*

32. PwC, “Doing business and investing in Ghana,” (2018) 30.

33. “The Report: Ghana 2019,” *Oxford Business Group*, 2019, p.159.

34. *Ibid.*

35. World Bank Enterprise Survey.

36. Darma Mahadea and Luther-King Junior Zogli, “Constraints to growth in informal sector activities and formalisation: A case study of Ghanaian slums.” *The Southern African Journal of Entrepreneurship and Small Business Management* 10, no. 1 (2018): 1-9.

Ghana's government has not ignored the skills challenge, and has prioritised education investment in a bid to improve access at all levels of the system. For example, since 2018 its Free Senior High School policy has provided free tuition for attendees at all public secondary schools, albeit on a 'double-track' system.

In addition, the government has pledged to increase funding of STEM education to 1% of GDP per year. The most recent budget allocated funding for 10 new STEM education centres, and a national STEM curriculum for all pre-primary and primary schools. In addition, regulation of STEM education will be overseen by a new Science Education Unit within the Ghana Education Service.³⁷

The Ministry of Education launched a five-year, \$119 million strategic Technical and Vocational Education and Training (TVET) programme in September 2018 that aims to correct "the factors hampering the effectiveness of vocational training".³⁸ Under the plan, the Ministry of Education will bring under its mandate all TVET institutions, ensuring that there is adequate staff training, better alignment between curricula and workplace requirements, as well as overseeing the construction of 20 new TVET facilities.³⁹ There is still significant improvement needed. Existing TVET graduates lack key skills to enter the workforce due to poor equipment, financial constraints, and lack of collaboration between trainers, providers, and the private sector.

Opportunity

The size of the informal economy in Ghana demonstrates that there are impediments to the creation of formal businesses. Ghana will need to accelerate its regulatory reforms to improve at the same rate as its peers.

1. The government could continue to focus on making it easier to start a business by lowering costs and the administrative burden of registration.
2. The government can continue to provide direct support to lift business capability through business advisory services and technical support.
3. The skills gap is a future risk and could be a major lost opportunity. Continuing reforms in education will be needed. In the short-to-medium term the government should be ensuring the effectiveness of vocational programmes, as well as encouraging and incentivising Ghanaians abroad to return, bringing their skills and expertise.

BURDEN OF REGULATION (GHANA RANK: 76TH)

A large administrative burden results in companies focussing resources on complying with these regulations, rather than innovating and creating. Regulations play a crucial role in the decision to enter the informal economy.⁴⁰ In particular, the process of complying with tax regulations should be uncomplicated and quick. While the possibility of taxation having a detrimental effect on business is well understood, so too is the method of tax collection and the complexity of taxes being levied. Our measure captures how much effort and time are required to comply with such regulations.

Ghana has done well to improve its Burden of Regulation since 2009, up 35 places to 76th. These are very positive signals to send to potential investors as well as established businesses. Despite the improvement, the burden of regulation remains high.

37. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.220.

38. *Ibid.*, p.219.

39. *Ibid.*, p.219.

40. Medina, Leandro, and Friedrich Schneider. *Shadow economies around the world: What did we learn over the last 20 years?* (Washington, D.C.: International Monetary Fund, 2018).

Levels of regulation

The government has been pushing to cut down on regulations and red tape for businesses. The country has improved in the general burden of regulation on business, with the country improving by 44 ranks to 52nd since 2009. For example, recent proposals include removing 'nuisance' taxes and streamlining business regulations.⁴¹

There have also been significant strides towards digitisation in public services, including in the judicial system, the ports, automation of the application for Business Operating Permits, automation of construction permits, and taxpayer identification number applications.⁴² Obtaining a building permit has become much easier in Ghana since 2009, according to the World Bank's Doing Business Index. The country now ranks 104th worldwide for this measure, compared to 149th a decade ago.

There is recognition that a good regulatory environment is crucial for business. As part of its 10-point agenda for Industrial Transformation, the government has created the Business Regulatory Reform (BRR) initiative.⁴³ The overall aim is to make Ghana the most business-friendly country in Africa by the end of 2020. The reforms include introducing regulatory impact analysis for business regulations (as well as training and capacity building in the civil service), rolling reviews of regulations, and a one-stop registry for all business regulations.

Taxation administrative burden

In terms of the administrative burden of paying taxes, Ghana has improved little, with the number of tax payments reducing from 33 to 31, while the time spent filing taxes has remained constant. On both indicators, Ghana has been surpassed by a number of countries, slipping 16 places to 108th for the number of tax payments, and slipping 25 places to 93rd for the time spent filing taxes (see Figures 12 and 13).

However, progress has been made in some areas. Up to 2017, the Ghana Revenue Authority (GRA) had to comply with multiple sets of administrative rules for collection, depending on the tax and defined in different pieces of legislation.⁴⁴ Parliament passed the Revenue Administration Act, 2016 (Act 915) to prescribe a common and simplified approach to the GRA's administration of the numerous tax laws.

Opportunity

Ghana has been steadily reducing the burden of regulation, but it needs to improve faster to keep up with peers. This will help to increase trade: WEF has suggested that cutting down on red tape and increasing regulatory inefficiencies can massively help boost trade among African nations—particularly vital as AfCFTA develops in the coming years.⁴⁵ Ghana has the following opportunities to reduce regulations:

1. Ghana should focus in particular on regulations that improve the ease of business for SMEs.
2. Ghana can simplify and improve the ease of paying taxes by reducing the overall number of taxes. Part of this process includes using digital procedures to make collection more efficient.

The number of tax payments has reduced from 33 to 31, while the time spent filing taxes has remained constant.

41. "U.S. Relations with Ghana," *U.S. Department of State*, last accessed November 19, 2019, <https://www.state.gov/u-s-relations-with-ghana/>.

42. "Republic of Ghana: Country Strategy Paper: 2019-2023," *African Development Bank*, June 2019.

43. "Business Regulatory Reform Programme," *Ministry of Trade and Industry*, last accessed November 19, 2019, <http://moti.gov.gh/brr.php>.

44. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.228.

45. Ilmari Soininen, "How can Africa kill the red tape and improve trade?," *World Economic Forum*, December 1, 2016.

Figure 12: Tax payments

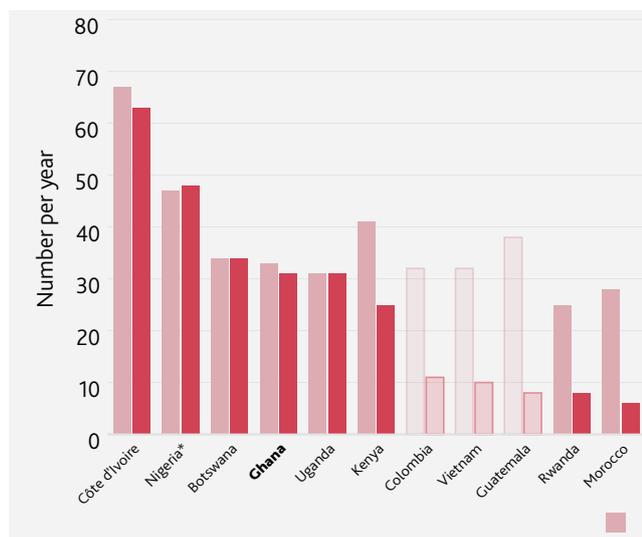
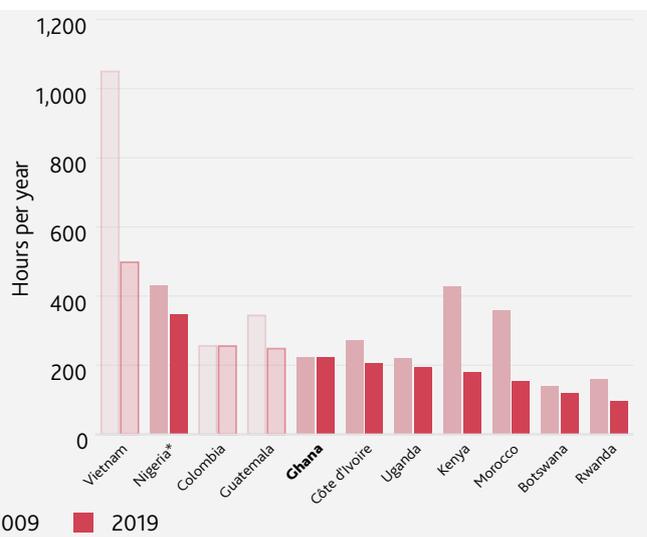


Figure 13: Time spent filing taxes



Source: World Bank Doing Business, 2019

*2009 score is Lagos only

LABOUR MARKET FLEXIBILITY (GHANA RANK: 57TH)

Labour Market Flexibility helps to simultaneously ensure the availability of jobs and the protection of workers. Without a well-functioning labour market, jobs are likely to be scarce, and available jobs may well be unappealing, with little redress available for those who find themselves in a bad employment situation. Our measure captures how dynamic and flexible the workplace is for both employer and employee.

Ghana's flexible labour markets are reflected in a global rank of 57th for this element, which is an improvement of 49 places since 2009.

Ghana's labour market

Ghana's labour force is growing at a rapid rate. Between 1992 and 2013, employment levels more than doubled from 5.8 million to 12.0 million—representing a growth rate faster than the average in sub-Saharan Africa.⁴⁶ Unemployment, however, has gone up from 4.7% to 6.7% since 2009.

The proportion of waged and salaried workers has increased over the last decade, though at 26% of the workforce, still ranks poorly in comparison to peers (136th worldwide).

The rise of nonstandard work in Ghana has been largely driven by low rates of growth in the private sector, with casualisation of working conditions becoming common, particularly among youth. Many employers are now engaging workers on unstable, low-paid contracts of between two months and two years, with little job security and little opportunity to unionise.⁴⁷

Creating opportunities for formal employment remains a key challenge for Ghana, as most evidence suggests that economic growth has been driven by low employment-generating sectors, like natural resource extraction and finance.⁴⁸

46. Ernest Aryeetey and William Baah-Boateng, "Understanding Ghana's growth success story and job creation challenges," *Brookings*, June 2016.

47. Ignatius Baffour-Awuah, "Employment Minister calls for review of fixed-term contracts for workers," *MyJoyOnline*, October 7, 2019.

48. Ernest Aryeetey and William Baah-Boateng, "Understanding Ghana's growth success story and job creation challenges," *Brookings*, June 2016.

Flexibility in the types of employment contracts

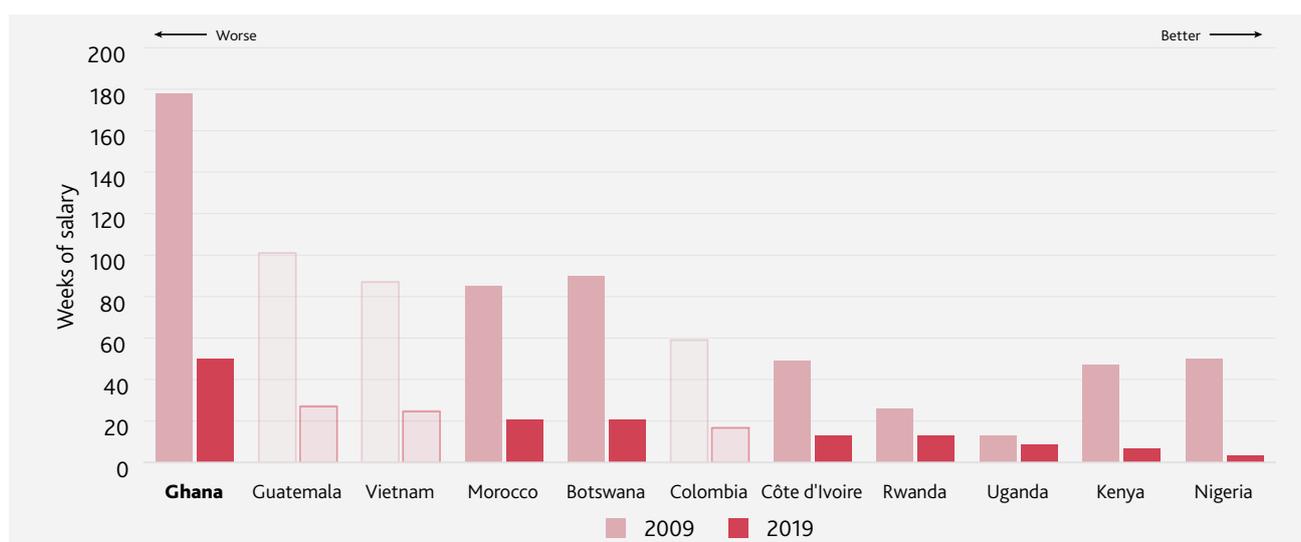
Ghana's system of employment is regulated by the Labour Market Act of 2003, which includes protections for employees and unions, and provided flexibility for an employer's right to terminate employment.⁴⁹ In some respects, the Act has improved employment flexibility in the country: according to the World Bank's Doing Business Index, Ghana is now joint-first globally when measuring contract flexibility.

Hiring practices have become much more flexible since 2009, with the country ranking 22nd in this measure, compared to 98th a decade ago.⁵⁰ In addition, the law provides a clear framework, procedure and appeals process for termination of employment, redundancy and appropriate compensation for workers affected, with further protections for union participation.

A major lack of flexibility in Ghana's labour market is high redundancy costs. While redundancy costs have decreased from 178 weeks of salary to 50 over 10 years, Ghana still ranks 161st for this measure (see Figure 14).⁵¹

Hiring practices have become much more flexible since 2009, with the country ranking 22nd in this measure, compared to 98th a decade ago.

Figure 14: Redundancy costs



Source: World Economic Forum

Business are also resorting to casualisation to avoid obligations imposed by employment law, which additionally helps them reduce production costs.⁵² This has been common in export processing zones, where special regulatory frameworks exist to stimulate the growth of export-oriented businesses.⁵³ For example, fruit exporters are able to hire employees on six-month contracts for the duration of the fruit production season, thus avoiding the requirement under the Labour Act to make all employees permanent after six months of service.⁵⁴ Educating employers and employees of the labour law and its provisions has been a challenge, with many reporting lack of awareness of its existence.⁵⁵

49. "Labour Market Profile: Ghana," *Danish Trade Union*, 2016, p.4.

50. World Economic Forum.

51. World Economic Forum.

52. Gertrude Dzifa Torvikey, "Labour Casualisation and Youth Employment in Ghana's Formal Private Sector," *IDS Bulletin* 49, no. 5 (2018): 34.

53. Ibid.

54. Ibid.

55. Kwadwo Adu-Pakoh, "An investigation into the awareness of the Labour Act in Ghanaian public industries – the case of Ghana Water Company Limited," *International Journal of Business and Management Review* 4, no. 7 (2016): 82-91.

In recent years, the minimum wage in Ghana has been legislated to rise at between 10-11%, roughly the levels of inflation. It is rising again from January 1 2020, from GHC 10.65 per day to GHC 11.82 per day.⁵⁶ This does not appear to have a major impact on hiring in Ghana. The Labour Code does not specify clearly the punishment of minimum wage violations in Ghana, and it is not enforced in the informal sector, where many Ghanaians earn less than GHC 5 per day on the streets.

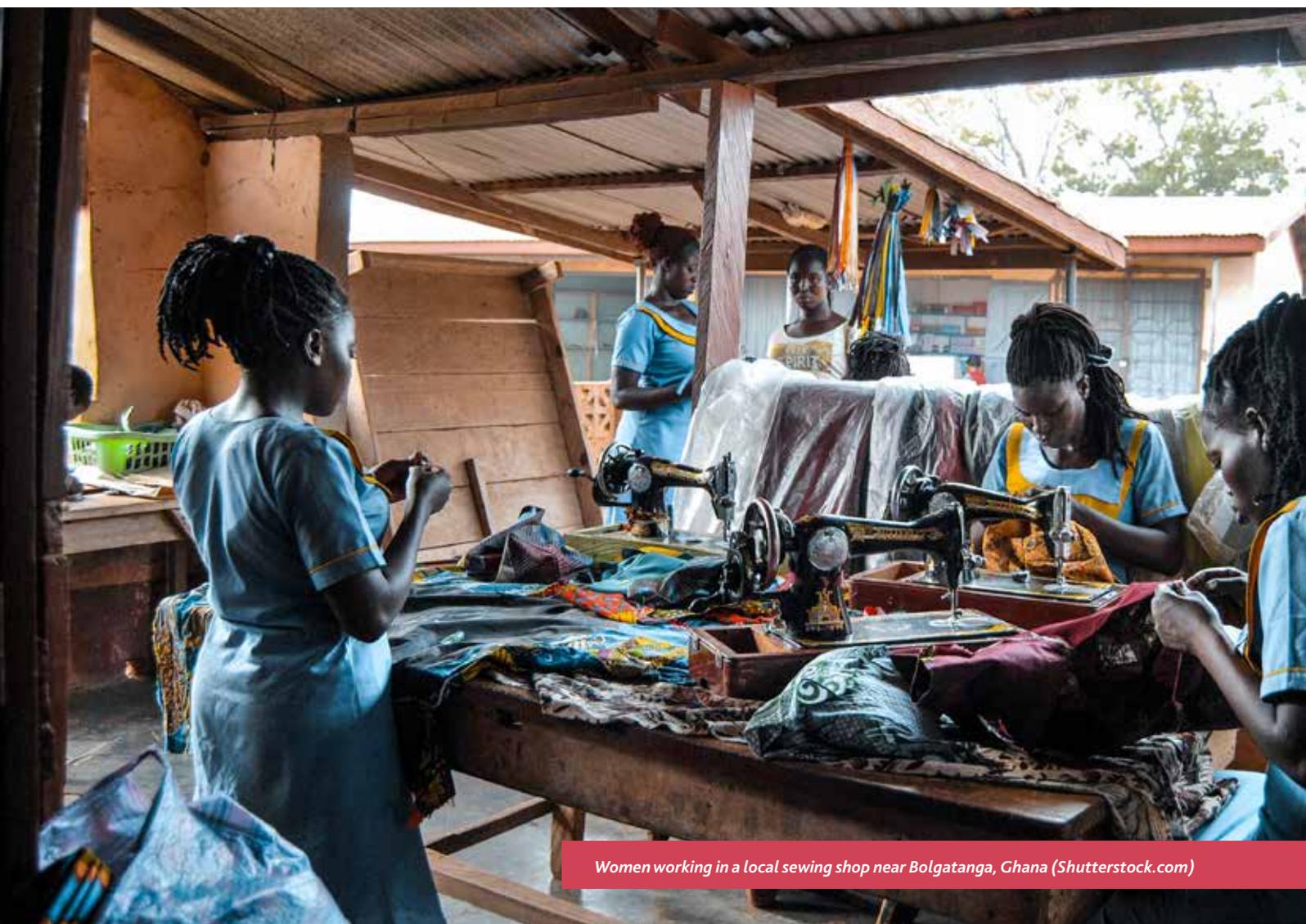
Opportunity

Ghana's labour market presents both an opportunity and a risk. As the labour force expands rapidly, Ghana could benefit greatly from its substantial 'demographic dividend'. However, that opportunity needs to be grasped, and its labour market regulations need to be focussed on job creation for the younger generation, rather than job protection for the established workforce.

There are two main opportunities:

1. Ghana can continue to invest in skills and training for Ghanaians. This applies to all levels, from children at school to older employees requiring retraining.
2. The government should remove factors that inhibit hiring, making the transition for Ghanaians into formal employment as smooth as possible. One action could be to lower redundancy costs, which remain among the highest in the world.

56. "Daily minimum wage increased to GHC11.82 effective 2020," *Ghana Web*, August 29, 2019.



Women working in a local sewing shop near Bolgatanga, Ghana (Shutterstock.com)



GOVERNANCE (GHANA RANK: 55TH)

The importance of good governance to long run economic growth cannot be overstated.¹ Even when controlling for extraneous factors such as culture, there is evidence that economic institutions are one of the main determinants of differences in prosperity across countries.² Governance underpins economic activity; unless and until good governance is established, attracting investment and enterprise is nearly impossible. Investment and prosperity require the effective Rule of Law, which itself is dependent upon trust in a robust set of effective and accountable state institutions.³ Good governance is most robust when it has been established over time through natural evolution and is essentially a codification of cultural expectations and behaviours.⁴

Ghana SWOT Analysis of Governance

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Constitutional separation of powers between executive, legislature, and judiciary, with effective constraints on executive power • Independent civil society and media providing some checks and balances • Effective Electoral Commission running credible election processes • The judiciary is independent 	<ul style="list-style-type: none"> • Continuing instances of high-level corruption undermine faith in institutions and create a drag on economic growth and investment • Less effective delivery of policy especially at regional and district level • Lack of effective regulation making
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Considering new method for appointing judges • Better funding of relevant authorities to tackle corruption • Increased effectiveness and visibility in addressing corruption especially at higher levels • Strengthening central and local government policy-making and delivery • Introducing more systematic reviews of the impacts of legislation and regulation, such as regulatory impact analysis 	<ul style="list-style-type: none"> • Corruption threatens to continue to undermine trust in institutions • Political order shaken by disputed future elections, including through less effective Electoral Commission performance • Failure to improve public financial management and government capability could lead to major policy failures

1. Douglass C. North. *Institutions, institutional change, and economic performance*. Cambridge: Cambridge University Press, 1990.

2. Daron Acemoglu and James Robinson. "The role of institutions in growth and development." *Leadership and Growth* 135 (2010).

3. Guillermo A. O'Donnell, "Why the rule of law matters." *Journal of Democracy* 15, no. 4 (2004): 32-46; Stephan Haggard and Lydia Tiede. "The rule of law and economic growth: Where are we?." *World Development* 39, no. 5 (2011): 673-685.

4. Richard V. Adkisson and Randy McFerrin. "Culture and good governance: A brief empirical exercise." *Journal of Economic Issues* 48, no. 2 (2014): 441-450.

Evaluating Governance

Governance can be conceptually split between the structural and operational aspects of how political and administrative power is checked and how it is applied.

The first of these structural aspects of Governance is **Executive Constraints**, which includes the existence of the separation of powers and the level of checks and balances in a governing system, particularly with respect to the executive. The second is **Political Accountability**, or the degree to which the public can hold public institutions accountable. The third is the **Rule of Law**, which encompasses the fairness, independence, and the effectiveness of the judiciary (in applying both civil and criminal law), along with the accountability of the public to the law.

We assess three different ways in which administrative power is applied. The first is **Government Integrity** (e.g., transparency and the absence of corruption). The second is **Government Effectiveness**, which is the ability of government to set and implement a policy. The final area is **Regulatory Quality**, which captures the extent to which regulations are administered and enforced in a manner that supports economic activity.

Ghana ranks 55th for the quality of its governance, putting it amongst the leaders in Africa in this pillar. That position has been hard won, and is cherished as such, following a history of instability and coups during the first half of Ghana's existence as an independent nation since 1957. Following constitutional changes in 1992, a contrasting tradition of multiparty politics has arisen, with contested elections which have successfully delivered three peaceful transfers of power at the ballot box.

In the following sections, we review the performance of Ghana in each of the distinct elements of Governance, from Executive Constraints through to Regulatory Quality.

EXECUTIVE CONSTRAINTS (GHANA RANK: 36TH)

A well-functioning government relies on clearly defined, separated powers and an appropriate level of external checks and balances on the executive, from bodies such as the judiciary, media, and civil society. Appropriate action also needs to be taken when officials violate their power. Our measure accounts for the extent of institutionalized constraints on the decision-making powers of the executive, such as through the separation of powers into different bodies, and the degree to which there are checks and balances in practice.

Ghana's constitutional and subsidiary institutions are well-established, and Ghana ranks 36th globally for Executive Constraints, down two places in a decade, despite a slight improvement. This element is Ghana's strongest performing in the Index, although some debate remains around the internal constitutional balance, especially the executive powers of the Presidency.

Parliamentary checks and balances

Ghana's 1992 constitution enshrines a separation of powers between the executive, legislature, and judiciary. As in most functional democracies, Parliament has a major role in checking the executive.

The Parliament of Ghana has a responsibility to scrutinize and give concurrent approval to various appointments made by the President, including nominees for appointment to public office, such as Ministers, Deputy Ministers, Chief Justice, and other Justices of the Supreme Court. Parliament determines its own agenda and the executive can neither dissolve the legislature nor force it to vote on a bill. Parliament also has the power to pass a resolution to remove the President, Vice President, or Speaker under special circumstances.

There are political and constitutional constraints on parliamentary oversight. Since 1992, the party that has won the presidential election has also won a parliamentary majority. This has been attributed to the concurrent timing of the parliamentary and the presidential elections.⁵ Holding them on the same day increases opportunities for collaboration, but may reduce the willingness of Parliament to hold the executive to account.

Furthermore, there are constitutional shortcomings that restrict Parliament's role. Article 78 of the Constitution allows the President to appoint the majority of ministers from Parliament, and Article 108 prevents Parliament from introducing financial legislation. Some argue that these have stifled parliamentary initiative in policy-making and inhibited effective oversight of the executive.

The judiciary

The judiciary is generally regarded as independent of the executive, and there is no obvious evidence of the "government meddling in judicial procedures".⁶ The judiciary is generally willing to assert its power, such as when it rescinded the Electoral Commission's decision to disqualify 13 candidates from the 2016 election (See Rule of Law).

However, there has been some tension. In 2018, Ghana's highest court ruled on the legality of the executive granting a pardon to three men convicted of inciting violence against judges on a radio show. The court ruled in the executive's favour, though there were two dissenting opinions by Justice Anin Yeboah and Justice Jones Victor Dotse. The latter said that if the judiciary surrendered to the executive it would "sound its own death knell": "In my candid opinion, at the moment the last vestige of semblance of authority is the judiciary. Erode the power of the judiciary and there will be chaos in the country."⁷

Since 1992, the party that has won the presidential election has also won a parliamentary majority.

5. Ernest Darfour, "The Parliament of Ghana: A countervailing force in the governance process?"

6. Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018.

7. Carmel Rickard, "Against Background of 'Judicial Martyrs to the Rule of Law', Ghana's Top Court Considers Political Interference

Independent bodies

Independent bodies offer some scrutiny of the executive. The Constitution provides for the creation of six independent bodies, which are to act as *de facto* constraints on executive authority, including the Auditor General (AG), the Commission on Human Rights and Administrative Justice (CHRAJ), the Office of the Special Prosecutor, and the Electoral Commission of Ghana.⁸

The President is responsible for a range of appointments, including the Inspector-General of Police, Auditor-General, boards of state-owned enterprise, and district officials. The appointments are made after consultation with the Council of State, and must be approved by Parliament.⁹ In this case, the seniority of the Council of State as prominent and nationally-recognised advising elders, coupled with the role for Parliament, constitute real checks on unbridled Presidential power.

While many of these bodies lack enforcement mechanisms and are often underfunded, some have been effective in holding the government to account. The AG and the CHRAJ have shown a willingness, particularly with the help of the media and civil society.¹⁰ For example, the AG, in his 2018 report, noted that he had so far recouped GHC67,315,066 (\$12.1 million) from “shady transactions” by public officials.¹¹ The AG has also criticised state officials for spending money on procurement that is not needed.¹²

Transfer of power

Ghana is one of the most stable countries in Africa. It is ranked 44th in the world for the extent to which the transition of power is subject to the law. Following the introduction of multiparty elections in 1992, regular elections have been held, with three peaceful transitions of power between the NPP and NDC at the ballot box over the last 27 years.

While the two parties are distinguished by two differing ideological standpoints (broadly centre-left and centre-right), both have come to “accept the legitimacy of the rules that govern politics in Ghana”.¹³ Maintaining the status quo is thus increasingly in both parties’ interest (see “Political parties in Ghana”).

Election campaigning, while often noisy and robust, is not usually violent. There are very few recorded fatalities during recent election campaigns. That is especially notable, given how close some results have been, such as in 2008 when the NPP conceded defeat by less than 0.5% of the national vote. Despite legal challenges, the result was upheld, thanks in large part to the credible process run by the Electoral Commission.

in Judicial Independence,” *African LII*, December 6, 2018.

8. The other three are the National Council on Civil Education, the National Media Commission, and the National Development Planning Commission.

9. “The Structure of the Ghanaian State,” *Friedrich Ebert Stiftung*, January 2011, p.5.

10. “Democracy and Governance Assessment: Final Assessment,” *U.S. Aid*, August 2011, p.31.

11. “Auditor General retrieves over GHC67m from corrupt public officials,” *Ghana Web*, September 2, 2019.

12. “Auditor General decries ‘gov’t officials buy just for buying’ sake,” *My Joy Online*, August 26, 2019.

13. “Democracy and Governance Assessment: Final Assessment,” *U.S. Aid*, August 2011, p.31.

Political parties in Ghana

The Constitution guarantees the right to form political parties, and this right is generally respected. Ghanaian politics has historically allowed space for well-known individual politicians and smaller parties to operate, outside the two party mainstream. In 2018, 24 political parties were registered, down from 30 in 2012.

The hurdles that smaller parties must overcome to enter parliament are high, both politically and organisationally.¹⁴ Most smaller parties cannot run candidates in every seat, let alone embark on mass campaigns, public education, and leadership training.¹⁵ In addition, there was a significant increase in candidate nomination fees for the 2016 elections (by 500% and 1,000% in the presidential and parliamentary elections, respectively), along with the difficulties in nomination procedures highlighted by the presidential candidate disqualifications.

Because of these difficulties, politics is dominated by two major parties, the NPP and the NDC. They in turn have tended to focus political interest around a relatively small pool of presidential contenders from each party, a number of whom have run for and/or held office through successive elections. As a result, it has become increasingly hard for the leaders of other smaller parties to make an impact, even though some have been in national life for years and represent specific elements in the political spectrum—whether as independents, or break-aways from the main parties.¹⁶

In the 2016 election, no seats in Parliament were won by a candidate from outside the NPP and NDC. Four other presidential contenders also ran, including well-known public figures, but between them they achieved less than 2% of the national Presidential vote.

POLITICAL ACCOUNTABILITY (GHANA RANK: 46TH)

Political Accountability is important for promoting democracy and ensuring prosperity. It provides a democratic means to monitor government conduct and prevent both the concentration of power and collusion between the state and big businesses. Our measure of Political Accountability captures the degree to which the public can hold public institutions to account, which covers a range of mechanisms of accountability such as periodic elections and the degree of political pluralism.

Political Accountability is robust in Ghana, and ranks 46th globally. There is a strong acceptance of democracy and high levels of political participation. Universal suffrage and the right to campaign are protected.

High regard for democracy

There is a high regard for democracy and a general tendency—despite widespread public respect for Kwame Nkrumah’s socialist post-independence legacy—towards a liberal, market economy. This is reflected in both general public attitudes and the direction of both main political parties, especially the NPP. A recent survey shows that 68% of the population supports democracy, and liberal market reforms have generally been seen to be beneficial—at least since the HIPC debate of the early 2000s has passed.¹⁷

14. Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018.

15. Michael Addae Amoako, “The Dominance of Two Parties in the Politics of Ghana’s 4th Republic: The Electoral System a Factor?,” *International Journal of Science and Research* 8, April 2019, p.1800-1805.

16. “Democracy and Governance Assessment: Final Assessment,” *U.S. Aid*, August 2011, p.10.

17. Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018. “Freedom in the World 2019:

However, there is also the need for caution. According to the regular Afrobarometer surveys, while commitment to the democratic system remains high, acceptance of democratic institutions and their performance has dropped over the years. This may lead to diminished legitimacy of the whole democratic process.¹⁸

Political participation

The Ghanaian electorate can be demanding in terms of expected commitment from its elected representatives, and voters can be relatively independent. This is seen in known instances of bespoke 'skirt and blouse' voting choices, matching a candidate for one party at parliamentary level with a different party's presidential contender.

While the local influence of traditional chiefs and community elders can also be strong, overall "Ghanaians are generally free from undue interference with their political choices by powerful groups that are not democratically accountable".¹⁹

Religion and ethnicity do not hold as much of a visible influence in Ghanaian politics as elsewhere on the continent. While the country is clearly comprised of distinct religious and ethnic groups, politicians do not typically seek allegiances along these lines. While certain divisions do at times stoke conflict, they do not seriously disrupt day-to-day life in Ghana.²⁰

Politics and money

One of the challenges for Ghana is the influence of campaign financing. Many businesses donate with the expectation of being rewarded with a state contract. Campaign financing law does not extend to donations to individual candidates, so many donations are left unknown.

Furthermore, the lack of regulation around political funding and powers of patronage give rise to the criticism of the leverage that a strong executive can exert behind the scenes. Executive appointees and officials have the power to award state contracts to those who have supported them. Those who seek access to state resources are seen as having to take part in the political process: businesses donate to both sides (given the chance of power transferring between the two), but it is generally not a choice not to participate.²¹ As a result, the private sector has become "politicised by necessity, rather than ideology".²²

There is also some evidence of buying off voters. For example, former President John Mahama was implicated in a number of incidents, including evidence of him allegedly 'buying votes' by handing out money at a market. This may have contributed to an environment where now 43% of Ghanaians feel that bribing voters is either "not wrong at all" or "wrong but should not be punished".²³

Ghana," *Freedom House*, 2019.

18. Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018.

19. "Freedom in the World 2019: Ghana," *Freedom House*, 2019.

20. Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018.

21. "Democracy and Governance Assessment: Final Assessment," *U.S. Aid*, August 2011, p.7.

22. "Ibid., p.18.

23. Kaunain Rahman, "Overview of Corruption and Anti-Corruption in Ghana," *Transparency International*, September 2018, p.5.

Civil society in Ghana

An active and relatively free civil society has been one of Ghana's strengths in building its democracy, engaging across a spectrum from local development to central advocacy and accountability.

As civil rule has become more embedded, more citizens have come to appreciate the role of civil society groups and NGOs outside political parties, and the freedoms they promote. Economic growth has also enabled a small, but growing, middle class to support a strong core of NGOs.²⁴

While civil society is strong in Ghana, there is a large difference between elite-led, urban civil society organisations (CSOs) and local primary associations. Influence primarily belongs to some well-known think tanks, NGOs, and faith-based organisations. As such, "only a relatively small slice of civil society truly engages central state institutions for the purpose of participating in the principal functions of a democratic system of governance".²⁵

Nonetheless, the gap between the two sectors of civil society—the influential, smaller group and the broad base of volunteer organisations—is narrowing, as the sector becomes more coherent and entrenched over time. This was illustrated by the initiative taken in 2016 by CSOs in Ghana to organise themselves into the CSO Platform on SDGs. By the end of 2017, some 140 CSOs work in 17 clusters, one per SDG.²⁶

Opportunity

Tackling campaign finance and corruption is an opportunity to improve political accountability in Ghana. In particular, spending limits and greater transparency around donors to political parties would help to improve the integrity of elections.²⁷

RULE OF LAW (GHANA RANK: 55TH)

An independent, impartial, and effective judiciary is a cornerstone of democracy, as it ensures that the law, both civil and criminal, is being fairly and appropriately applied. It also means that business disputes are settled in an open, unbiased, transparent, and predictable manner, which is essential for business development and investment. There needs to be a level playing field for both state agents and firms so that firms can thrive. Our measure of the Rule of Law captures these elements, along with the accountability of the public to the law.

This has been Ghana's most improved element in Governance over a 10-year period, up 14 ranks to 55th. The country has a good overall track-record on civil liberties, political freedom, and human rights.²⁸

Judicial independence and corruption

The judiciary's independence is protected by the constitution, and appears strong in practice. According to an expert survey conducted by the World Economic Forum, Ghana comes 42nd in the world for judicial independence, up 32 places in 10 years. Higher court judges are appointed by

24. Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018.

25. "Democracy and Governance Assessment: Final Assessment," *U.S. Aid*, August 2011, p.17.

26. "United Nations Sustainable Development Partnership 2018 – 2022: Ghana," *United Nations*, June 2018, p.6.

27. "Political Campaign Finance In Ghana," *News Ghana*, June 23, 2016.

28. "Democracy and Governance Assessment: Final Assessment," *U.S. Aid*, August 2011, p.10.

the president after consultation with the Judicial Council and gaining parliamentary approval. This means there might be a possibility of the court becoming politicised in the future.

Judicial independence has been stress-tested in some electoral cases brought by successive losing presidential candidates. In 2016, 13 presidential candidates (none of whom had wide popular support) were disqualified by the Electoral Commission, due to "irregularities with their nomination papers or failure to pay the nomination fee". The Supreme Court rescinded the Electoral Commission's decision shortly after, and three of the original 13 candidates were subsequently allowed to stand for office after rectifying their problems.²⁹

However, despite independence from the executive, corruption is still a problem, with Ghana ranking 119th for the integrity of its legal system. Corruption scandals have shaken wider faith in its impartiality and credibility. In 2015, under the former NDC government, an investigative journalist exposed widespread corruption and bribery in the judiciary. In response, the then government suspended seven (out of 12) High Court judges, as well as 22 lower court judges.³⁰ In May 2018, President Akufo-Addo suspended four High Court judges, based on allegations of bribe-taking that dated back to 2015.³¹

Administration of justice

Ghanaians still face inequalities in accessing justice. The legal system is largely underfunded, and with only 23 lawyers making up the entire country's legal aid scheme, there is little recourse for Ghanaians to seek justice through the courts.³² The costs of accessing the legal system also make going to court too expensive for the average citizen.³³ According to a recent report, 62% of respondents believe people are treated unequally under the law, and between 66% and 94% of cases are left "hanging in the air" once in court.³⁴

Furthermore, while Constitutional protections for due process and defendants' rights are mostly upheld, police have been known to accept bribes, make arbitrary arrests, and hold people without charge for longer than the legally permitted limit of 48 hours.³⁵ Furthermore, the government is not required to provide legal representation to people charged with crimes.

Despite such pressures, the efficiency of dispute settlement in Ghana has nonetheless improved significantly since 2009, with the country now ranking 36th, compared to 71st a decade ago.³⁶

There is also an alternative route for the administration of justice. Ghana has retained a system of traditional courts, which deals only with matters related to chieftaincy. These courts may also make a final appeal to the Supreme Court. The system of tribal chiefs is guaranteed under the constitution, with the House of Chiefs acting as an advisory body on all matters of customary law and chieftaincy.³⁷

29. "Freedom in the World 2019: Ghana," *Freedom House*, 2019.

30. "Ghana: Unprecedented Judicial Corruption. Investigative Journalist Shocks the Nation," *Shadow Governance Intel*, February 1, 2016.

31. "Freedom in the World 2019: Ghana," *Freedom House*, 2019.

32. "Report of the Special Rapporteur on extreme poverty and human rights on his mission to Ghana," *Human Rights Council*, June 2018, p.11.

33. Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018.

34. "Assessing Ghana's Performance on Governance using the Mo Ibrahim Index of African Governance (IIAG)," *Imani Center for Policy & Education*, July 2018.

35. "Freedom in the World 2019: Ghana," *Freedom House*, 2019.

36. World Economic Forum.

37. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.18.

Opportunity

Tackling corruption in courts is the main improvement that will strengthen the rule of law. In particular, Ghana could do the following:

1. Ghana could review how judges are appointed, and might consider an independent judicial appointments commission, instead of appointments by the President to the upper courts.
2. Better use of technology and more efficient processes would also help to remove some corruption, by making the payment and filing processes more transparent.³⁸ It would also improve the speed and reduce the cost of judgements.
3. Furthermore, the government could encourage the use of alternative means of dispute resolution. This includes not only internationally recognised forms like arbitration, but also the use of customary courts, particularly for those in more rural areas.³⁹

GOVERNMENT INTEGRITY (GHANA RANK: 107TH)

Corruption has a serious and significant negative economic impact, reducing public trust and the legitimacy of the state. It raises inequality, discourages private sector development, and, by reducing government revenue, limits the ability of governments to invest in productivity-enhancing projects. Transparency supports public accountability and helps build trust in the government, which in turn supports social stability and economic growth. Our measure considers corruption within each branch of government and public office, and it also measures transparency, capturing the degree to which government fosters citizens' participation and engagement through open information and transparent practices.

Corruption, both real and perceived, is a significant issue in Ghana, despite legislation to counter it and an active media campaign against it. This is reflected in the country's weak performance for Government Integrity, which is down 21 places over a 10-year period to 107th.

Corruption

The use of public office for private gain is common, with Ghana ranking 102nd for this measure, having fallen 19 places in the global rankings. The high cost of political campaigns has led to increased pressure for politicians to control resources and give favourable contracts to their supporters.⁴⁰ There has been a misuse of funding and embezzlement, particularly in community-based resource management programmes and funds.⁴¹

Aggravated by economic problems in recent years, corruption seems to be increasing and public perception of how cases are dealt with has become more and more negative.⁴² For example, commercial fraud is common in the gold industry, as the relationship between purchasers of gold and the Precious Minerals Marketing Company (the state-run marketing board for gold) is sometimes exploited by middlemen.⁴³

Ghana ranks 102nd for the use of public office for private gain, having fallen 19 places over 10 years.

38. Raymond A. Atuguba, "Ghana's justice system needs a major overhaul: here's what should be done," *The Conversation*, January 4, 2018.

39. Raymond A. Atuguba, "Ghana's justice system needs a major overhaul: here's what should be done," *The Conversation*, January 4, 2018.

40. "Democracy and Governance Assessment: Final Assessment," *U.S. Aid*, August 2011, p.21.

41. Kaunain Rahman, "Overview of Corruption and Anti-Corruption in Ghana," *Transparency International*, September 2018, p.7.

42. Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018.

43. Kaunain Rahman, "Overview of Corruption and Anti-Corruption in Ghana," *Transparency International*, September 2018, p.8.

Transparency

Ghana's rankings for policy and budget transparency have been improving. The Institute of Economic Affairs has been tracking transparency in the oil sector, and has reported that transparency and accountability in the industry has increased since production began in December 2010.⁴⁴

Recent legislation suggests that Ghana is also moving in the right direction in improving government transparency. Ghana's Right to Information Bill—which had been in parliament for 19 years without being passed—was finally legislated in 2019. A Public Procurement Act, in force since 2003, has now been adopted by all government entities.

However, various challenges remain. In 2018, the Public Procurement Authority reported that less than a third of all 1,000 procurement entities have supplied procurement plans, as required by the Act. Regulators have since moved to enforce compliance with the law by introducing a budgeting platform that makes it "impossible for entities to receive budgetary allocations if they do not have procurement plans".⁴⁵

There are also challenges for transparency and government integrity posed by the management of natural resources, particularly oil and gold. Successive governments have sought to ensure transparency over the management of oil revenues following the passage of the Petroleum Revenue Management Act 2011. Under the law, the Minister of Finance is required to make reports on receipts and expenditures publicly available quarterly and as part of the Budget presentation to Parliament, but the country has yet to actually implement strong practices in the publication of expenditure and contracts.⁴⁶

Government response to corruption

Ghana's efforts to deal with corruption have been, on the surface, strengthened in recent years. The Economic and Organised Crime office was inaugurated in 2010, with a remit to "investigate, prosecute, and recover proceeds of crime, including high-level corruption".⁴⁷ These efforts were bolstered by the passage of the National Anti-Corruption Action Plan in 2014. In December 2018, the government, through an Act of Parliament, set up an independent Office of the Special Prosecutor tasked specifically with fighting corruption.⁴⁸ In 2016, the EU also committed €20 million over five years to support Ghana's anticorruption efforts.⁴⁹ Ghana has also signed up to the Extractive Industries Transparency Initiative, and as a result there is now also a push to make the private sector more transparent, particularly companies in the extractive sector, by mandating they publish beneficial owners of all companies.⁵⁰

However, these changes may not have been as fundamental as what is needed. While President Akufo-Addo was praised for nominating former attorney general Martin Amidu of the NDC opposition to the position of Special Prosecutor, there have been subsequent complaints from opposition parties, the media, NGOs, and Amidu himself about the inadequacy of funding and

44. "2015 P-TRAC Index (Petroleum Transparency and Accountability Index Report)," *The Institute of Economic Affairs*, October 21, 2015.

45. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.30.

46. Ransford Edward Van Gyampo, "Transparency and accountability in the management of oil revenues in Ghana." *Africa Spectrum* 51, no. 2 (2016): 79-91.

47. Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018.

48. "Assessing Ghana's Performance on Governance using the Mo Ibrahim Index of African Governance (IIAG)," *Imani Center for Policy & Education*, July 2018.

49. "Freedom in the World 2017: Ghana," *Freedom House*, 2017.

50. "Ghana's new government: new impetus to curb corruption?," *The Extractive Industries Transparency Initiative*, January 7, 2017.

lack of commitment towards anti-corruption efforts on behalf of the government.⁵¹ Amidu has noted that while the President is committed to fighting corruption, the heads of government institutions will often disregard requests for information, frequently against the law.⁵² He has threatened prosecution to get the information he needs.⁵³

Furthermore, while there exists the Whistleblower Act to protect witnesses in corruption cases from prosecution once they come forward with pertinent information, potential informants frequently fear losing their well-paid employment.⁵⁴

Opportunity

The current President has demonstrated that he is committed to fighting corruption, but more can be done. While the creation of the Office of a Special Prosecutor demonstrates this commitment, many are frustrated by the lack of progress in tackling corruption. In particular, Ghana could make two major changes.

1. All anti-corruption agencies could be funded adequately, in particular the Office of the Special Prosecutor. To be effective it must also be free of executive influence and have the appropriate powers to obtain information necessary for its investigations from government ministries. The President and ministers could continue to put pressure on ministries to comply with the Special Prosecutor's requests.
2. In terms of increasing transparency, the International Budget Partnership states that Ghana could prioritise publishing pre-budget statements and in-year reports online, as well as increasing the information on expenditure, borrowing, and debt in the government's budget proposal.⁵⁵

GOVERNMENT EFFECTIVENESS (GHANA RANK: 66TH)

Government Effectiveness includes, but extends beyond, the efficient use of resources and spending through effective government policy design and implementation, to also consider the ability of a government to enact its stated strategies. Our measure includes the quality of public services, the quality of government officials, and their independence from government pressures.

Ghana has a relatively good record for Government Effectiveness, ranking 66th globally. Nonetheless, the country's performance has been deteriorating over the last couple of years, and it has recorded a 13 rank fall since 2009.

Quality of administration

Ghana ranks 80th globally for overall government quality and credibility, and has declined in the global rankings. Administration in the country has been described by the World Bank as "of fair quality and advanced by sub-Saharan African standards".⁵⁶ This is more evident in urban areas than rural areas, where the visibility of the state is limited.

One of the challenges for Ghana is that the bureaucracy does not always have the expertise or capability to deliver effective policy. Often, this expertise is provided by the international

51. "Freedom in the World 2019: Ghana," *Freedom House*, 2019.

52. Martin Amidu, "Challenges of the Special Prosecutor's office in fighting corruption in Ghana," *Ghana Web*, July 16, 2019.

53. "Public officials make work tough – Martin Amidu threatens action against AG," *Ghana Web*, July 17, 2019.

54. Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018.

55. "Open Budget Survey 2017: Ghana," *International Budget*, last accessed November 20, 2019, <https://www.internationalbudget.org/open-budget-survey/results-by-country/country-info/?country=gh>.

56. Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018.

donor community or purchased at high cost.⁵⁷ According to African Development Bank, there are currently 23 bilateral donors in-country, and a similar number of multilateral donors.⁵⁸ The influence of external donors, while positive overall, has led to a situation whereby it is difficult to tell whether progress in improving government efficiency is the result of 'institutional learning' or external support.

Policy coordination

Ghana ranks 39th globally for the quality of its policy coordination. Because public administration operates primarily as a centralised organisation, there is a certain degree of coherence in decision-making. However, even in central ministries and parastatals, planning can be held up by understaffing and lack of capacity, or insufficient political engagement by the relevant line minister. Short-term crises, political expediency, and election cycles can cause further disruption to well-laid plans.

While competition between ministries exists, this is not a significant block on overall government performance. However, the government has faced some criticism for the large size of its administration, which numbers around 110 ministers and deputies, and is the largest in the country's history.⁵⁹

Central government has demonstrated the capability to take a coordinated long-term view. The National Development Plan Commission (NDPC), together with the Ministry of Planning, has developed a 40-year development plan (the 2057 vision, to mark the 100th anniversary of Ghana's independence), with the five main goals aligned with the SDGs and the African Union's Agenda 2063.⁶⁰ Flowing from that, Ghana's first medium-term strategy, the Coordinated Programme of Economic and Social Development Policies 2017-2024, was approved by the Cabinet and President, and submitted to Parliament in late 2017.⁶¹

However, one of the major challenges is to ensure that the government delivers on these plans. According to the World Bank, Ghana faces an "organisational performance" problem: "there is a disconnect between the formal structures of managing performance (which exist) and the functional usage of these structures to drive performance and deliver results."⁶² Lifting the capability of government departments remains critical to delivering successful policy initiatives.

A further challenge to implementing policy is political. It is difficult to get bipartisan agreement on major projects, and there is a pattern of parties not completing projects initiated under other administrations.⁶³

Fiscal management

Management of financial resources has traditionally been subject to weak oversight by the civil service, with Ghana ranking 70th for its efficient use of assets. There are several reasons for this: poor organisational quality, unclear definition of roles and the overlap of responsibilities, widespread 'shadow workers' (people who are no longer working for the government but are still on the payroll), as well as a highly politicised bureaucracy.⁶⁴

57. Ibid.

58. "Republic of Ghana: Country Strategy Paper: 2019-2023," African Development Bank, June 2019.

59. "The Report: Ghana 2019," Oxford Business Group, 2019, p.20.

60. Barbara Orlandini and Cornelius Adablah, "Ghana Common Country Assessment," *United Nations Development Programme*, October 2016, p.12.

61. "United Nations Sustainable Development Partnership 2018 – 2022: Ghana," *United Nations*, June 2018, p.3.

62. "Ghana Public Sector Reform for Results Project (P164665)," *World Bank*, August 2018, p.6.

63. Cadman Atta Mills, "Politics, Policy, and Implementation: The 'Ghanaian Paradox'," *Brookings Institute*, July 18, 2018.

64. Barbara Orlandini and Cornelius Adablah, "Ghana Common Country Assessment," *United Nations Development Programme*, October 2016, p.33.

Regulations concerning fiscal management, however, have improved in recent years. The government established a fiscal council and committed to a fiscal rule limiting the fiscal deficit to 5% of GDP. This came on the back of specific legislation concerning public financial management and the creation of an internal audit agency. A further Supreme Court ruling allowed the auditor general to disallow public officials who misappropriated public funds.⁶⁵

As a result, the 2018 PEFA report and Country Fiduciary Risk Assessment confirmed the “significant positive trajectory” in the regulatory environment, financial reporting, and legislative scrutiny of audit reports.⁶⁶ This has been attributed to the wider deployment of the Government Integrated Financial Management Information System, a financial management platform that integrates accounting and financial reporting, asset management, human resources, and payroll management.⁶⁷

One of the responses by Ghana, as part of its agreement with the IMF (which has recently come to an end) has been to focus explicitly on cleaning up the public administration by addressing the issue of unearned salaries going to ex-employees (‘shadow workers’) by requiring biometric registration for all civil servants.⁶⁸

Local government

Local government is severely constrained by inadequate resources and lack of staff, particularly in rural areas. Below the district level, government is almost non-existent. It has become extremely difficult to recruit civil servants, particularly teachers and health officials, to work in rural areas in the North, for example. The expanding number of district administrations only exacerbates these issues.⁶⁹

Where local government lacks capacity, traditional leadership (including chieftains) often fill this gap, but the role and effectiveness of traditional governance varies. The additional risk to formalising traditional authorities is that it risks fuelling and dragging the state into tribal disputes. In 2008, 65% of people said they wanted a greater role for chiefs in power structures, but there were great disparities in how people want this power formalised.⁷⁰

Opportunity

Improvements to government effectiveness can be made in three major areas:

1. Ghana would benefit from ensuring that government is set up to deliver effectively on the policy priorities set out. In particular, this requires investing in the quality of staff and improving recruiting. There may also be scope for greater use of performance management frameworks (and learning from the failures of previous projects) to build a results-based culture within government departments.
2. Ghana should focus on building better fiscal management practices. Given that growth and government revenues are volatile and dependent on the global economy, long term fiscal management is key. In particular, this requires investing wisely, implementing robust accounting practices, costing policies, and ensuring that funded projects deliver the benefits they were set out to deliver. This also requires ensuring that the appropriate expertise is within government to deliver on these changes. Part of improving fiscal sustainability may also require examining the amount allocated for subsidies and public sector wages.
3. Investing in local government capability should also be a priority, so that decentralised services are well delivered.

65. “Republic of Ghana: Country Strategy Paper: 2019-2023,” *African Development Bank*, June 2019.

66. *Ibid.*

67. “GIFMIS to replace stand-alone legacy financial management systems,” *Business Ghana*, October 18, 2017.

68. Bertelsmann Stiftung, BTI 2018 Country Report – Ghana, Gütersloh: Bertelsmann Stiftung, 2018.

69. “Democracy and Governance Assessment: Final Assessment,” *U.S. Aid*, August 2011, p.24.

70. *Ibid.*, p.36.

Decentralisation

Decentralisation has been pursued in Ghana since the 1993 Local Government Act. The Constitution calls for governance and accountability at a local level through the formation of District and Municipal Assemblies. The assemblies are the highest units of local government, in three types: Metropolitan, Municipal, and District. There are also sub-district political and administrative structures which are subordinate bodies of the assemblies, including sub-metropolitan, district, urban, town, zonal and area councils, and unit committees (with 16,000 of the latter alone across the country).⁷¹

The number of Metropolitan, Municipal, and District Assemblies (MMDAs) has more than doubled since 2000, to 260 today. Districts can be proclaimed by the central government, with significant expansion occurring in 2004, 2008, 2012, and 2017. Local governments are largely responsible for implementation of policy (deconcentration), rather than having completely decentralised responsibilities.⁷² There are very few exclusive responsibilities of local government, generally limited to sanitation, births/deaths, and environmental management. Fiscal decentralisation is almost non-existent, with local governments drawing approximately 85% of revenues from donors and central government.

Most officials who work at the local and district level in Ghana are in fact employees of the central government. At the same time, the President appoints a Regional Minister for each region, who coordinates with each district chief executive (also appointed by central government). This level of oversight has meant that local government power is constrained by the executive, rather than the other way around. The power of appointees to ignore the elected district assembly means there is an additional breakdown in accountability between citizens and officials. Regional and District officials also need to find ways to work with MPs, especially those from the Opposition at the time.

While Ghana has made progress in setting a policy framework for decentralisation, there still seem to be significant challenges in making it a viable reality on the ground. Funds are not channelled through in a timely manner and line ministries are not yet ready to devolve power and responsibilities to the districts, which should be empowered and resourced for service delivery.⁷³ It is also likely that the sheer number of decentralised bodies is an impediment to efficiency at each level, especially when resources are limited, though it might be politically expedient as central government is being seen to respond to local demands.⁷⁴

71. "The Local Government System in Ghana," *Commonwealth Local Government Forum*, 2017, p.74.

72. Danielle Resnick, "Is Ghana serious about decentralisation?," *International Food Policy Research Institute*, April 17, 2018.

73. Barbara Orlandini and Cornelius Adablah, "Ghana Common Country Assessment," *United Nations Development Programme*, October 2016, p.33.

74. "The Report: Ghana 2019," *Oxford Business Group*, 2019, p.19.

REGULATORY QUALITY (GHANA RANK: 72ND)

Regulatory Quality encompasses all aspects of the running of the regulatory state – whether it is burdensome and impedes private sector development, or whether it is smoothly and efficiently run. A key challenge – as faced by all countries – is to be able to formulate cross-government policy planning and operational delivery in response to complex problems. Our Regulatory Quality measure encompasses both the quality of, and burden imposed by, governmental regulation.

Regulatory Quality has been improving in Ghana since 2009. The country ranks 72nd overall, up 10 places over a decade.

One of the challenges for improving regulatory quality is that comprehensive regulatory impact analysis is not a regular feature for new legislation. Member of Parliament Hon. Ibrahim Ahmed has said that a number of bills have not achieved the purposes for which they were enacted, and that, as a result, many businesses were facing increased costs for no good reason.⁷⁵ For example, he argued that the Excise Tax Stamp Law increased costs for producers by requiring every product to have a tax stamp on it.

Ghana can also improve the ease with which firms can contribute to the development of regulations. This is difficult in Ghana, where most firms are small and informal, meaning that “a large section of the private sector cannot be effectively mobilised to demand for improved quality in the regulatory environment”.⁷⁶ The problem is worsened by business-government relations, which are generally patronage-based (see Political Accountability).

There is however, recognition that a good regulatory environment is crucial for business. The government is currently undertaking its Business Regulatory Reform programme, a three-year initiative, which has included introducing regulatory impact analysis for business regulations and rolling reviews of regulations. The President has also recently implored regulators in Ghana to be active in order to harness the benefits of free trade: “It is essential that the regulatory bodies rise to the occasion and be up and doing in the discharge of their duties in order to promote discipline in the activities of the private sector.”⁷⁷

There is also room for improvement in the enforcement of regulations, where Ghana is 110th in the world. There are numerous bodies that oversee regulations and their enforcement. For example, the National Labour Commission regulates industrial relations and the labour market, while the National Petroleum Authority regulates the petroleum industry.⁷⁸ The Bank of Ghana has become increasingly active in the banking sector, removing the licences from a number of banks that did not meet its regulatory standards in recent years.

75. Felix Engsalige Nyaaba, “Parliament Must Take Regulatory Impact Assessment Serious – Hon. Ahmed,” *Modern Ghana*, April 28, 2019.

76. Freda Asem, Matthias Busse, Robert Osei, and Magdalene Silberberger, “Private sector development and governance in Ghana.” *The International Growth Centre Working Paper*, 2013, p.28.

77. “Execute your watchdog role effectively – Akufo-Addo to regulatory agencies,” *GhanaWeb*, August 19, 2019.

78. “Standards and Regulation in Ghana,” *Commonwealth of Nations*, last accessed November 20, 2019, http://www.commonwealthofnations.org/sectors-ghana/business/standards_and_regulation/.

Opportunity

Regulatory quality can be improved through two main areas.

1. The government could implement a robust set of processes (such as regulatory impact assessments) that drive regulatory improvement. This would require a concerted effort across government to ensure that it does not just become another bureaucratic process, but actually enhances decision-making. Furthermore, the government could create more opportunities for small businesses and business associations to contribute to the development of regulations.
2. Regulations need to be well enforced. The key is to develop organisations that are accountable but still independent for ensuring effective enforcement of those regulations through clear specification of powers, adequate resourcing, and removing corruption.



The Black Star Gate, which celebrates Ghana's independence in 1957 (Shutterstock.com)

CONCLUSIONS

Our work at the Legatum Institute is framed by our perspective that prosperity is created when economic and social wellbeing work together. While true prosperity is about much more than economic success and material wealth, every nation still needs a successful economy to build sustainable prosperity. Our intention in publishing this case study of Ghana's Economic Openness has been to show the country's achievements that have already led to impressive growth rates, while also highlighting further opportunities for reform.

Since the democratic transition of 1992, Ghana has built a reputation for political pluralism and stability, which has delivered successive peaceful changes of government at the ballot box. Helped by the oil and gas discoveries from 2007, Ghana's economy has also grown significantly. Combining these factors, Ghana has the unique opportunity to show how good governance and growth can be combined in a virtuous circle, with one increasingly supporting the other. In that way, Ghana can be an exemplar country in Africa and more widely.

Ghana is already travelling in that direction, with improvements in policy and delivery across a number of areas, including new regulation of the corporate, financial, and energy sectors, and improvements in the environment for doing business and attracting investment. At the same time, Ghana's peers and competitors—not just in Africa—are also moving on, often at a faster rate. Hence, there is little room for complacency.

The further sustainable development of Ghana's economy is dependent on continuing to pursue reforms and address remaining weaknesses in each of the four pillars that are needed to deliver on Ghana's potential.

Firstly, Ghana can continue to invest in infrastructure.

Further investment in the country's transport infrastructure is critical to facilitate trade. Roads are over-used and under-maintained, while rail could be better utilised to ease the burden on roads. Ports can also be expanded to turn Ghana into a regional trade hub. The continued development of the route between Ghanaian ports and countries to the North will also be critical to this. Given its fiscal constraints, Ghana should look to exploit private investment to fund its future infrastructure needs.

Secondly, Ghana can improve the ease with which goods and services are traded, both within Ghana and with other countries.

Reducing friction at the borders would also allow trade to flow more freely. Where changes require cooperation with other countries, Ghana could take the lead in streamlining these border checks. Unilateral decisions can also be made to implement more efficient border processes and procedures, particularly at ports. Import tariff barriers are also high, and reducing these could attract more goods into the country, including capital goods needed for production.

Ghana is also very well placed to play a leading role in the development of the regional and continental trade policy, including as host for the AfCFTA Secretariat. It should harness these opportunities to boost regional and global trade.

Thirdly, Ghana can improve access to capital for large and small businesses.

Increasing the availability of capital begins with a resilient banking sector and continuing financial sector reform. The Bank of Ghana should continue to ensure that banks are complying with regulation and are sufficiently capitalized. The government's public financial management is also

important to increasing the availability of capital. Not only does the central government borrow, crowding out private investments, but state-owned enterprises also borrow to cover their losses. This most severely impacts SMEs, which banks find less attractive to lend to. Better financial management would mean greater access to capital for the private sector.

SMEs form an integral part of the Ghanaian economy, and better access to capital will be crucial to their success. Improving access to finance requires building the capacity of many of these organisations through capability building and better financial practices. The government could find ways to support lenders or other organisations that are helping SMEs build their capacity.

Removing restrictions on international investments, would bring a significant inflow of capital. It would also, where needed, allow foreign-based expertise to enter Ghana—including through the skills and experience of the diaspora. One of the possible impediments to greater investment is the weak insolvency framework and shareholder rights. Recent reforms have been made, and the enforcement of these will be critical to the new law's success.

Fourthly, Ghana could further improve the integrity and effectiveness of its government administration.

The government could strengthen the focus on countering corruption, which could bring greater efficiency to the government as well as better outcomes for the economy. In particular, sufficient funding and independence for the office of the Independent Prosecutor would ensure a strong, impartial advocate against corruption. Additionally, more information around the funding of political campaigns and the contracts rewarded following campaigns would increase transparency. Ultimately, fighting corruption requires ongoing support from the President and government of the day.

Improving government effectiveness would assist greatly in the delivery of government services and fiscal sustainability of the government. Government effectiveness would be greatly improved through building a results-based culture, and improving the performance of government departments. Furthermore, better fiscal management is critical to ensure the long-term sustainability of Ghana's finances.

In a lively democracy such as Ghana's, the challenge of securing consensus on reform should not be underestimated. For nearly all dimensions of reform, including those that would benefit the majority of the population, there are powerful interest groups. For example—as in other countries—labour market reform is challenged by trade unions; market liberalisation is opposed by state agencies that run the existing systems; liberalisation of foreign investment is resisted by domestic firms; changes to land policy are viewed with suspicion by traditional authorities; and subsidy reform is opposed by recipients, even those who as citizens would benefit from the resulting higher levels of public investment.

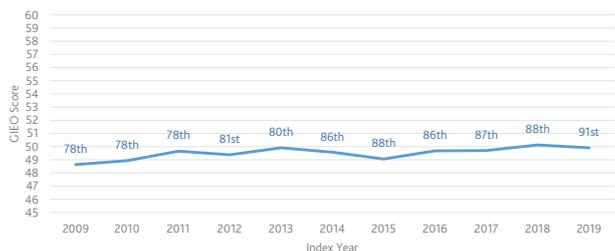
Nonetheless, Ghana's history and development for nearly three decades has shown that, with the requisite political will, one of Africa's best performing democracies can increasingly deliver growth underpinned by strong governance. Continuing down that road, with the additional reforms identified in this case study, will help Ghana reach its own identified target of moving 'beyond aid' to compete successfully on its own terms in the world economy.

APPENDIX





Economic Openness over time



Pillar Performance

Pillar	Rank - Global (1 to 167) 2019	Score 2009	Score 10-year trend	Score 2019
Market Access and Infrastructure	115	33.3		38.3
Investment Environment	106	49.4		47.9
Enterprise Conditions	69	54.1		57.4
Governance	55	57.8		56.0

Breakdown of performance

Pillar	2009 Score	Score 10-year trend	2019 Score	Rank - Global (1 to 167) 2019	10-year rank change
Economic Openness	48.6		49.9	91	▼ 13
Market Access and Infrastructure	33.3		38.3	115	▼ 7
Communications	24.2		41.0	117	▼ 6
Resources	30.4		34.6	124	▲ 2
Transport	30.7		28.6	115	▼ 15
Border Administration	26.7		39.1	115	▲ 45
Open Market Scale	8.2		26.1	95	▲ 56
Import Tariff Barriers	45.0		41.3	139	▼ 12
Market Distortions	63.4		57.5	65	▼ 20
Investment Environment	49.4		47.9	106	▼ 12
Property Rights	51.6		54.9	87	▼ 3
Investor Protection	41.1		38.6	130	▼ 27
Contract Enforcement	50.8		47.9	85	▼ 19
Financing Ecosystem	46.9		48.1	118	▼ 1
Restrictions on International Investment	61.6		45.3	106	▼ 30
Enterprise Conditions	54.1		57.4	69	-
Domestic Market Contestability	55.8		49.2	86	▼ 21
Environment for Business Creation	62.9		68.4	53	▼ 7
Burden of Regulation	43.4		54.0	76	▲ 35
Labour Market Flexibility	48.0		61.9	57	▲ 49
Governance	57.8		56.0	55	▼ 3
Executive Constraints	66.3		66.9	36	▲ 2
Political Accountability	83.4		82.4	46	▼ 7
Rule of Law	52.0		55.6	55	▲ 14
Government Integrity	44.3		39.4	107	▼ 21
Government Effectiveness	59.2		52.4	66	▼ 13
Regulatory Quality	45.6		46.4	72	▲ 10



Italics: Indicator contains imputed values

	Source	Unit	Weight	2009	Value 10-yr trend	2019	Global Rank 2009	2019		Source	Unit	Weight	2009	Value 10-yr trend	2019	Global Rank 2009	2019	
Communications (117th)			25%	24.2		41.0	111	117		Resources (124th)		20%	30.4		34.6	126	124	
International internet bandwidth	ITU	kilobits per capita	1.0	0.0		3.7	157	121		Installed electric capacity	UNESD	kilowatts per capita	1.5	0.1		0.1	125	116
2G, 3G and 4G network coverage	GSM4	index, 0-100	2.0	57.7		72.8	102	95		Ease of establishing an electricity connection	WB-DB	index, 0-100	1.0	61.3		82.0	105	56
Fixed broadband subscriptions	ITU	number /100 population	1.0	0.1		0.2	114	140		Reliability of electricity supply	WB-DB	index, 0-7	1.0	1.0		1.0	100	108
Internet usage	ITU	percentage	1.0	3.9		37.9	125	105		<i>Gross fixed water assets</i>	IBNET	USD per population served	1.0	27.7		27.7	124	124
										Water production	IBNET	litres per capita per day	0.5	95.4		95.4	149	149
										Reliability of water supply	WEF	expert survey, 1-7	1.0	4.0		4.0	116	116
Transport (115th)			25%	30.7		28.6	100	115		Border Administration (115th)		5%	26.7		39.1	160	115	
Logistics performance	WB-LPI	index, 1-5	1.5	2.2		2.7	144	90		Efficiency of customs clearance process	WB-LPI	survey, 1-5	1.5	2.0		2.5	144	96
Airport connectivity	WEF	index, 0-100	2.0	0.4		0.4	112	113		Time to comply with border regulations and procedures	WB-DB	hours	1.0	208.0		78.3	160	117
Efficiency of seaport services	WEF	expert survey, 1-7	2.0	4.0		3.0	74	126		Cost to comply with border regulations and procedures	WB-DB	USD (current)	0.5	418.0		418.0	135	134
Liner shipping connectivity	UNCTAD	index, rebased to 100 in 2004	0.5	18.1		18.5	81	100										
Quality of roads	WEF	expert survey, 1-7	1.0	3.5		3.5	102	102										
Road density	FAO	km per 100 sq km of land area	0.5	50.6		45.9	50	56										
Rail density	UIC	km per sq km of land area	0.5	0.0		0.0	90	88										
Open Market Scale (95th)			5%	8.2		26.1	151	95		Import Tariff Barriers (139th)		5%	45.0		41.3	127	139	
Domestic and international market access for goods	WTO	percentage of global GDP	1.5	0.8		23.5	132	86		Share of imports free from tariff duties	WEF	percentage	1.5	26.5		15.9	125	150
<i>Domestic and international market access for services</i>	WTO	percentage of global GDP	2.0	0.1		0.1	113	111		Average applied tariff rate	WEF	percentage	2.0	10.4		10.2	121	127
Trade-weighted average tariff faced in destination markets	WEF	percentage	0.5	4.1		3.8	109	112		Complexity of tariffs	WEF	index, 1-7	0.3	6.7		6.7	14	11
Margin of preference in destination markets	WEF	index, 1-100	0.5	21.2		34.7	131	98										
Market Distortions (65th)			15%	63.4		57.5	45	65										
Extent of liberalisation of foreign trade	BTI	expert survey, 1-10	1.0	7.0		7.0	85	87										
Prevalence of non-tariff barriers	WEF	expert survey, 1-7	1.0	5.1		4.4	35	73										
Non-tariff measures	UNCTAD	number	0.3	120.0		120.0	23	23										
Distortive effect of taxes and subsidies	WEF	expert survey, 1-7	1.0	4.0		4.0	56	56										
Energy subsidies	IMF	percentage of GDP	0.3	0.7		2.1	16	54										



Italics: Indicator contains imputed values

	Source	Unit	Weight	2009	Value 10-yr trend	2019	Global Rank			Source	Unit	Weight	2009	Value 10-yr trend	2019	Global Rank	
							2009	2019								2009	2019
Property Rights (87th)			30%	51.6		54.9	84	87	Investor Protection (130th)			20%	41.1		38.6	103	130
Protection of property rights	WEF	expert survey, 1-7	1.0	4.4		4.4	78	72	Strength of insolvency framework	WB-DB	index, 0-16	1.0	4.0		4.0	140	144
Lawful process for expropriation	WJP	expert survey, 0-1	1.0	0.7		0.7	26	38	Insolvency recovery rate	WB-DB	percentage	1.5	24.0		23.1	113	118
Intellectual property protection	WEF	expert survey, 1-7	2.0	3.3		4.2	99	70	Auditing and reporting standards	WEF	expert survey, 1-7	2.0	4.6		4.3	75	98
Reliability of land infrastructure administration	WB-DB	index, 0-8	1.0	1.0		1.0	123	128	Extent of shareholder governance	WB-DB	index, 0-10	1.0	4.0		4.0	110	117
Procedures to register property	WB-DB	index, 0-100	1.0	64.1		64.2	92	113	Conflict of interest regulation	WB-DB	index, 0-10	0.5	6.3		6.3	37	48
Regulation of property possession and exchange	BTI	expert survey, 1-10	1.0	8.0		8.0	51	49									
Contract Enforcement (85th)			20%	50.8		47.9	66	85	Financing Ecosystem (118th)			20%	46.9		48.1	117	118
Quality of judicial administration	WB-DB	index, 0-18	1.5	6.5		6.5	106	114	Access to finance	WB-ES	percentage	1.0	66.2		62.2	159	161
Time to resolve commercial cases	WB-DB	days	1.0	162.3		236.7	57	118	Financing of SMEs	WEF	expert survey, 1-7	1.0	3.8		3.8	65	65
Legal costs	WB-DB	percentage	0.5	7.7		7.7	55	53	Venture capital availability	WEF	expert survey, 1-7	1.0	2.2		2.8	141	85
Alternative dispute resolution mechanisms	WJP	expert survey, 0-1	1.0	0.7		0.8	38	35	Quality of banking system and capital markets	BTI	expert survey, 1-10	1.0	7.0		8.0	70	61
									Commercial bank branches	IMF-FAS	branches /100,000 adult population	1.0	4.6		8.6	115	101
									Soundness of banks	WEF	expert survey, 1-7	1.0	5.8		4.3	58	112
									Depth of credit information	WB-DB	index, 0-8	0.5	6.0		6.0	59	89
Restrictions on International Investment (106th)			10%	61.6		45.3	76	106									
Business impact of rules on FDI	WEF	expert survey, 1-7	2.0	5.6		4.6	33	70									
Capital controls	FI	percentage	1.0	46.2		38.5	61	64									
Freedom to own foreign currency bank accounts	FI	index, 0-10	1.0	10.0		5.0	1	91									
Restrictions on financial transactions	Chinn-Ito	index, 0-1	1.0	0.2		0.0	106	155									
Prevalence of foreign ownership of companies	WEF	expert survey, 1-7	1.0	5.7		5.2	1	1									
Freedom of foreigners to visit	FI	index, 0-10	1.0	1.6		2.5	118	125									



Italics: Indicator contains imputed values

				2009	Value 10-yr trend	2019	Global Rank						2009	Value 10-yr trend	2019	Global Rank	
				2009	Value 10-yr trend	2019	2009	2019					2009	Value 10-yr trend	2019	2009	2019
Domestic Market Contestability (86th)				35%	55.8	49.2	65	86	Environment for Business Creation (53rd)				30%	62.9	68.4	46	53
Market-based competition	BTI	expert survey, 1-10	1.0	6.0	5.0	70	92	Private companies are protected and permitted	BTI	expert survey, 1-10	1.0	7.0	7.0	63	66		
Anti-monopoly policy	BTI	expert survey, 1-10	1.0	6.0	5.0	67	97	Ease of starting a business	WB-DB	index, 0-100	1.0	82.2	84.3	46	92		
Extent of market dominance	WEF	expert survey, 1-7	1.0	4.0	4.1	57	47	State of cluster development	WEF	expert survey, 1-7	1.0	3.0	4.2	123	45		
								Labour skill a business constraint	WB-ES	percentage	0.5	4.5	15.3	7	54		
								Availability of skilled workers	WEF	expert survey, 1-7	0.5	4.6	4.6	41	41		
Burden of Regulation (76th)				25%	43.4	54.0	111	76	Labour Market Flexibility (57th)				10%	48.0	61.9	106	57
Burden of government regulation	WEF	expert survey, 1-7	1.0	3.2	3.7	96	52	Cooperation in labour-employer relations	WEF	expert survey, 1-7	1.0	4.3	4.4	88	66		
Time spent complying with regulations	WB-ES	percentage	1.0	3.2	4.0	33	57	Flexibility of hiring practices	WEF	expert survey, 1-7	0.5	3.8	4.5	98	22		
Number of tax payments	WB-DB	number per year	1.0	33.0	31.0	92	108	Redundancy costs	WEF	weeks	0.5	178.0	49.8	164	161		
Time spent filing taxes	WB-DB	hours per year	1.0	224.0	224.0	68	93	Flexibility of employment contracts	WB-DB	index, 0-1	1.0	0.8	1.0	19	1		
Burden of obtaining a building permit	WB-DB	index, 0-100	1.0	33.8	63.8	149	104	Flexibility of wage determination	WEF	expert survey, 1-7	1.0	4.2	4.6	144	120		
Building quality control index	WB-DB	index, 0-15	0.5	8.0	11.0	120	72										



Italics: Indicator contains imputed values

		Source	Unit	Weight	2009	Value 10-yr trend	2019	Global Rank 2009	2019			Source	Unit	Weight	2009	Value 10-yr trend	2019	Global Rank 2009	2019
Executive Constraints (36th)										Political Accountability (46th)									
Executive powers are effectively limited by the judiciary and legislature										Consensus on democracy and a market economy as a goal									
Government powers are subject to independent and non-governmental checks										Political participation and rights									
Transition of power is subject to the law										Democracy level									
Military involvement in rule of law and politics										Complaint mechanisms									
Government officials are sanctioned for misconduct																			
Rule of Law (55th)										Government Integrity (107th)									
Judicial independence										Use of public office for private gain									
Civil justice										Diversion of public funds									
Integrity of the legal system										Right to information									
Efficiency of dispute settlement										Publicised laws and government data									
										Transparency of government policy									
										Budget transparency									
Government Effectiveness (66th)										Regulatory Quality (72nd)									
Government quality and credibility										Regulatory quality									
Prioritisation										Enforcement of regulations									
Efficiency of government spending										Efficiency of legal framework in challenging regulations									
Efficient use of assets										Delay in administrative proceedings									
Implementation																			
Policy learning																			
Policy coordination																			

List of data sources and acronyms

Code	Organisation
BTI	Bertelsmann Stiftung Transformation Index
CII	Chinn-Ito Index
CSP	Center for Systemic Peace
FAO	Food and Agriculture Organisation
FH	Freedom House
FI	Fraser Institute
GSMA	Groupe Spéciale Mobile Association
IBNWS	International Benchmarking Network for Water and Sanitation Utilities
IBP	International Budget Partnership
IMF	International Monetary Fund
ITU	International Telecommunications Union
UNCTAD	United Nations Trade Data
UNESD	United Nations Energy Statistics Database
WBDB	World Bank Doing Business Index
WBDI	World Bank Development Indicators
WBES	World Bank Enterprise Surveys
WBLPI	World Bank Logistics Performance Index
WEF	World Economic Forum
WGI	Worldwide Governance Indicators
WJP	World Justice Project
WTO	World Trade Organisation



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