

GHANA

Ghana's socio-economic transformation and the imperative for equitable and inclusive development

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Current debates in Ghana about sustainable development express a confluence of four important trends: 1) questioning of the growing inequalities and exclusion wrought by the dominant neoliberal economic policies and the quality of growth that has resulted; 2) recognition of the advances that the 2030 Agenda for Sustainable Development and its 17 Sustainable Goals (SDGs) represent on the minimal ambitions of the Millennium Development Goals (MDGs); 3) African recognition of the limits of raw material commodity export dependence and the need for structural economic transformation; and 4) the rediscovery of development planning as an important tool and policy framework.

Ghana's National Development Planning Commission is currently leading a process to develop a 40 Year Long Term Development Plan (2018-2057), with its end date coinciding with the centenary of Ghana's independence from colonial rule. Central to the Plan is the structural economic and social transformation of Ghana. Goals 1 and 2 of the Plan aim at the creation of an inclusive and equitable economy and society. The concern of the 40 Year Plan for inclusive and equitable structural transformation reflects how in recent years this issue has returned to the top of the African development agenda. The African Union's Vision 2063² gives it centrality as does the Africa Mining Vision adopted in 2009.³ Vision

2063 and the 2030 Agenda for Sustainable Development, with its advances on the minimalist ambitions of the MDGs, are explicitly cited as influences on the 40 Year Plan.

The revival of interest in a subject which dominated development thinking and policy in the immediate postcolonial period is a welcome turn away from the prevalent intense focus on growth. It is also a recognition that while growth is vital the nature and drivers of growth are important for its sustainability, development value and the equitable distribution of its outcomes.

According to a 2013 paper from the Economic Commission for Africa, UNECA: "Four essential and interrelated processes define structural transformation: a declining share of agriculture in GDP and employment; a rural-to-urban migration underpinned by rural and urban development; the rise of a modern industrial and service economy; and a demographic transition from high rates of births and deaths (common in underdeveloped and rural areas) to low rates of births and deaths (associated with better health standards in developed and urban areas). Economic and structural transformation is also associated with rising agricultural productivity, an integrated economy and rising per capita growth rates."⁴

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2 <http://agenda2063.au.int/en/vision>

3 http://www.africaminingvision.org/amv_resources/AMV/Africa_Mining_Vision_English.pdf

4 <http://www.post2015hlp.org/wp-content/uploads/2013/01/ECA-issue-paper-rev.pdf>

The specific challenges of the African context are not captured by this generic definition. Furthermore historical experience shows that structural transformation is not inherently equitable or inclusive without a conscious intervention by the state through policies, investment and actions. China's much-lauded transformation is generating increasing inequalities some of the effects of which have been experienced in Ghana in the form of an influx of illegal Chinese small-scale miners. The evolution of Ghana's economy and society over the past three decades illustrates how certain policies and actions can produce a "perverse" structural transformation. From being the black star of Africa's national liberation and independence struggles, Ghana, with the launch of Structural Adjustment Programmes in 1983, blazed the path for the rejection of key development policies of that period and became the star pupil for the neoliberal growth model which has defined policy across Africa.

Since 1984 Ghana's economy has grown steadily, at a rate widely considered to be among the most spectacular in Africa. The growth rate averaged 4.7 percent between 1983 and 2000, and 7.2 percent from 2000 until 2013, reaching an all-time high of 14.4 percent in 2011 with the onset of oil production. As a result of steady growth and the rebasing of the economy Ghana became a lower-middle income country as per capita GDP increased from US\$501.9 in 2005 to US\$1,604.9 in 2012. Over the past 25 years, the number of people in poverty has dropped significantly, from 52 percent in 1992 to 24 percent in 2013. There have also been notable improvements in education, health and other indicators.

Thirty years of steady growth, two decades of an open political culture, relatively peaceful multiparty electoral politics and administration transitions have burnished Ghana's status as an African model, often referred to in the rising Africa narrative. Last year the UK's Overseas Development Institute (ODI) published a study on Ghana titled "Rising Star: Progress in political voice, health and accountability".⁵ In a parody of the ODI title, economist David Johnson published an article on Ghana titled "The

rising Star of inequality".⁶ Whilst acknowledging the positives highlighted by the ODI study it focused attention on the persisting problems of Ghana's political economy unresolved by 30 years of growth and also the new problems created by the strategy and policies responsible for the growth and the weaknesses in the political system.

The positive developments in Ghana's political economy over the last three decades today co-exist with many troubling realities. Whilst the percentage of persons living in poverty has decreased significantly the actual numbers have not dropped by much, falling from 7 million in 2006 to 6.4 million in 2013. In addition, the chance of a Ghanaian child living in poverty has increased. While in the 1990s a child in Ghana was 15 percent more likely to live in poverty than an adult, this has risen to 40 percent today. North-South differentials also remain strong, as do those between cash crop and food crop farmers and urban-rural divides on poverty and many other indicators. Significantly economic, social and political inequalities persist and economic inequality has been rising throughout the life of the 4th Republic, that is, since 1992. Gender inequalities and inequities remain significant. For example men predominate in the ownership of residential property and agricultural land and make up the majority of formal sector employees. Maternal mortality remains a problem. One of the poorest regions, the Upper West, has the highest levels of inequality and has experienced the biggest rise in inequality. Over the past decade the consumption gap between the poorest 10 percent and the richest 10 percent has widened.⁷

Historically the public education system served as an important leveller of opportunities. No more. Increasing numbers of poor people feel the need to send their children to private schools, the preference of the rich and middle classes, as they lose faith in public basic schools. Even as more health facilities are being built and the National Health Insurance Scheme, the

⁵ "Rising Star: Progress in political voice, health and accountability"

⁶ <http://roape.net/2016/04/28/ghana-rising-star-inequality/>

⁷ Ghana Poverty and Inequality Report 2016

most important delivery institution in the public health service, has improved accessed for many, the quality of health care leaves much to be desired. Rising inequality is of course not only a Ghanaian problem or even an African problem. Two years ago Ghana hosted a Pan-African Conference on Tackling Inequalities in the Context of Structural Transformation which focused on the challenges the problem poses.

Over the past three decades a perverse process of structural transformation has been unfolding in Ghana and many African countries as a result of the pattern of economic growth and its associated effects and outcomes. We have witnessed a steady fall in the share of agriculture in GDP which nonetheless remained the main sector of employment implying poor productivity and low quality of employment and income. The manufacturing sector has continued to decline whilst the services sector has become the biggest economic sector where highly profitable transnational banks and telecom firms dot a sea of millions of low productivity and low income petty service providers and businesses. Ten years ago the sectoral distribution of GDP was as follows: Agriculture 37 percent; Manufacturing 9 percent and Services 29.4 percent. By 2015 this had changed to: Agriculture 20.2 percent (employing 53% of labour force); Manufacturing 5.1 percent, Mining 5.4 percent and Services 49.5 percent.

The most glaring failure of the growth model has been its inability to deliver decent and secure jobs. In April 2016 a public controversy erupted over claims by the Government that it had created hundreds of thousands of jobs, some directly as part of social protection programmes and others indirectly through economic policies. The scepticism and disputation that greeted the claim underlined the critical status of this issue. Fully 86 percent of Ghana's working people are involved in the informal economy, engaged largely in low income and low productivity jobs, ranging from illegal gold mining to selling in the streets. The precarious nature of many of these jobs makes them more basic survival undertakings than sources of meaningful livelihoods.

Ghana has been urbanizing whilst at the same time de-industrializing. Millions have fled poverty in the

countryside looking for non-existent jobs in urban areas resulting in huge housing, social services, and sanitation problems in overcrowded poor neighbourhoods, especially in the main cities of the country: Accra-Tema, Kumasi, Tamale and Sekondi-Takoradi. In these cities sprawling poor neighbourhoods lacking basic utilities coexist with well-furnished gated communities. Urbanization is growing at an annual rate of 3.55 percent: 31.3 percent of the population lived in urban areas in 1984, 43.8 percent in 2000. Currently more than half the population live in urban areas with Tamale, Accra-Tema, Kumasi, Sekondi-Takoradi being the fastest growing poles of concentration. Tamale, with a population of close to 380,000, is said to be the fastest growing city in West Africa. The growth of three dormitory towns in the Accra Tema area exemplifies the extremes of the urbanization process. Ashaiman grew from 50,000 people in 1984 to 190,972 people in 2010; Kasoa grew from 863 people in 1970 to 34,000 people in 2000 and 69,000 in 2010; Madina grew from 7,500 people in 1970 to 28,000 people in 1984 to 137,000 in 2010. It does not require much scrutiny to see how these areas suffer in the discriminatory allocation of public investment in infrastructure and other facilities compared to high income areas in Accra such as East Legon and Cantonments.

The jobs crisis is rooted in the sectoral drivers of growth and exports over the past 30 years and the resultant intensification of raw material commodity export dependence and the heavy reliance on imports of basic foods and most manufactures. The discovery of oil has merely intensified this raw material commodity export dependence. Three commodities – cocoa, gold and timber-- accounted for 73 percent of exports in 2005. By 2014 the concentration had worsened with three products-- gold, oil and cocoa-- accounting for 82 percent of the US \$10 billion worth of exports.

Ghana's most impressive period of growth (2000-2013) coincided with the peak of the commodity boom, which also produced Africa's best period of growth in 30 years. According to the UNDP's 2013 African Economic Outlook, devoted to natural resources and structural transformation, natural resources (agricultural

commodities, timber, metals and minerals, and hydrocarbons) accounted for roughly 35 percent of Africa's growth during that period. Resource-based raw and semi-processed goods accounted for about 80 percent of African export products in 2011, compared with 60 percent in Brazil, 40 percent in India and 14 percent in China. Similarly, most greenfield foreign direct investment (FDI) in Africa went to resource-related activities.⁸

Gold mining, which is dominated by foreign transnational corporations, has attracted the most FDI into Ghana since the 1990s and has been the primary export earner for many years. One third of gold production is from the artisanal and small scale (ASM) sector with the bulk coming from illegal miners, popularly called 'galamsey'. Over the period of the commodity supercycle, specifically the decade to 2013, the high price of gold and the employment crisis in the country triggered an upsurge in illegal ASM gold mining. Whilst the poverty reduction and economic livelihood benefits have been substantial, galamsey is an environmental disaster which is slowly killing important rivers. The response of the state has been a heavy handed 'law and order' response of criminalization and raids but this has dimly failed to curb the problem.⁹

Given how profitable gold mining has been for foreign investors it is hardly surprising that hundreds of thousands of unemployed young people break the law, risk their health and lives whilst wreaking environmental damage so as to also earn a living from the sub sector. If you take away its negative environmental impacts the galamsey miner and the women defying city guards on the pavements of central Accra so as to sell some cheap imported toy (who continued to thrive despite constant state harassment) are both informal economy operatives ready to break the law to make a living in an economy offering few

opportunities.¹⁰ A more balanced economic policy supported by public spending which prioritizes job creation across the economy will be key in the long term to reducing the galamsey problem. There is a widespread perception that galamsey is aided by official corruption and complicity; this is an aspect of the pervasive public perception of key public institutions and political leaders as corrupt and not acting in the public interest.¹¹

Despite efforts of the mining companies to highlight the contributions large-scale gold mining makes to the Ghanaian economy, the sector's overall contribution to job creation is limited and its links to the rest of the economy are disappointing. This is partly because of the incentives regime used by the state to attract FDI. A 2012 World Bank publication which highlights how large-scale mining can improve its national and regional linkages in West Africa confirms this point.¹² Ironically, the World Bank's 1992 policy advice urging countries to forego their objectives for employment and economic control in exchange for mineral revenue from FDI-led mining was an important influence on the mineral development strategy across Africa. A 2005 report by the Economic Community of West African States (UNCTAD) has characterized the consequences as a "winner's curse" for host countries, whereby investment competition among host countries triggered a "a race to the bottom" not only in the more static sense of forgone fiscal earnings but also in terms of giving up policy options necessary to organize a more dynamic long-term growth path.¹³

Job creation through industrialization is key to setting Ghana on a development path that moves the country away from the unfolding perverse structural transformation. It is also an important component of a transformation process that is equitable and inclusive.

8 <http://www.undp.org/content/dam/rba/docs/Reports/African%20Economic%20Outlook%202013%20En.pdf>

9 http://www.gaf.mil.gh/index.php?option=com_content&view=article&id=1030:presidential-task-force-flush-out-galamsey&catid=13:news&Itemid=34

10 Ghana Chamber of Mines exasperated by persistence of illegal gold mining

11 Trust and corruption in public institutions: Ghanaian opinions: Findings from the Afrobarometer Round 6 survey in Ghana

12 http://siteresources.worldbank.org/INTENERGY2/Resources/8411-West_Africa.pdf

13 http://unctad.org/en/Docs/gdsafrika20051_en.pdf

Ghana's 1992 Constitution has some clear mandatory provisions on the right to work and the state's responsibility in that regard. Under the Economic Objectives of the Directive Principles of State Policy [Article 36 (1)] the State is enjoined to take all necessary steps "to ensure that the national economy is managed in such a manner as to maximize the rate of economic development and to secure the maximum welfare, freedom and happiness of every person in Ghana and to provide adequate means of livelihood and suitable employment and public assistance to the needy". Article 36 (2) (a) states principles of decent work. Article 24 (1) provides that "every person has the right to work under satisfactory and safe and healthy conditions and shall receive equal pay for equal work".

Although Ghana's policymakers proclaim the importance of industrialization for job creation, the country's policies and actions do not match this recognition. For example, industrial policy is fragmented and there is no coherent and overarching relationship among industrial policy frameworks and local content in specific sub-sectors such as mining and oil and gas. Such a framework should have a clear strategy for the use of technology, international trade and investment policy as well as regional integration for the advancement of industrialization. It must confront the current policy presumption in favour of foreign investors. The potential of agro-industrial linkages for increasing agriculture output, reducing post-harvest losses, improving the supply of foods and raw materials, creating jobs and raising incomes is well known. So how do we understand the presence of several factories milling imported wheat into flour to feed a growing consumption of wheat bread but the local staple cereals and grains such as maize and millet are still milled by individual households at small mills which process these grains by the pan load?

The policy orientation frameworks offered by the Economic Community of West African States (ECOWAS) Mineral Development Policy, adopted in 2011¹⁴ and the Africa Mining Vision seek to help countries and regions

improve the contribution of mining to equitable and inclusive transformation. This will be through the building of strong linkages between the mineral sectors and the rest of their economies through utilization of local inputs or downstream value addition. An important dimension of this is rethinking about which minerals are most important - only those of interest to export markets or also those that can be inputs in local and regional industrial or other economic processes. The exploitation of low-value industrial minerals such as clays and limestone for housing would not only help deal with the housing crisis in lower income groups but also contribute to the economic multiplier role of housing construction through the creation of jobs and incomes.

The above policies and many others that will be needed will require purposive state action. Whether in the areas agrarian transformation involving land reform and providing credit and other forms of support to small holder producers for the home market, transforming gender relations in economy and society, spatially redistributing growth through creating new growth poles away from the main cities the current default of expectations of the market and individual actions will not work.

Purposive state policy and action was central to the achievements of countries that effected inclusive and equitable structural transformation. These experiences, especially in Asia, have generated discussions about the role of accountable and democratic developmental states in Africa's structural transformation. Accountable and democratic because in the Asian cases usually referred to, the state was authoritarian and for the majority the inclusiveness of transformation was in the outcomes whilst the policy making process for transformation largely involved only sections of the elite. In our context the processes as well as outcomes of socio-economic transformation represent an opportunity to deepen democracy all round.

Today the ideology of the role of the state as merely to create an enabling environment for actors in the market has taken hold even as the state is heavily

¹⁴ <http://thechronicle.com.gh/ecowas-mineral-development-policy-adopted/>

deployed selectively in support of the elite, be it land acquisition for a mine or a large-scale agricultural project. Largely forgotten is the fact that the foundational processes and key policy decisions that created the current neoliberal economic model and growth path involved strong and purposive actions and choices by the state, an authoritarian state. State power was used to silence dissent and resistance to privatizations, layoffs and massive job losses, commercialization of public goods and the reordering of the focus and objectives of public institutions and the establishment of the hegemony of the new order.

Thirty years on purposive state action is required to break away from this model and advance inclusive and equitable socio-economic transformation. Such an approach will also be a process of deepening Ghana's democracy. It is worth remembering the provisions of Article 36(2) (e) of the Constitution which state that the "State shall take all necessary steps to establish a sound and healthy economy whose underlying principles shall include the recognition that the most secure democracy is the one that assures the basic necessities of life for its people as a fundamental duty".

This Constitutional injunction calls into question the elevation of electoral politics onto a pedestal as being the essence of Ghana's democracy rather than being an instrument for selecting political office holders. The politics of inclusive and equitable transformation will require the development of not only appropriate policies and practices but also institutions and the orientation of state cadre to be more democratic and accountable. For example, given the importance of publicly owned extractive resources in Ghana's economy there should be full disclosure of all minerals and oil and gas contracts and the names of beneficial owners of these concessions as part of a robust right to information policy. It will also require a readiness by the state to challenge the power of vested interests in the economy and society - whether it is to abolish cultural practices that perpetuate patriarchy and the subordination of women in economic and social life; reform land relations in favour of the users of the land against chiefs and landlords, or promote domestic production in the face of the import lobby. In short, the transformation agenda requires "development

governance".

According to UNCTAD's 2009 Least Developed Countries Report, focused on the state and development governance, development governance is about "creating a better future for members of a society through using the authority of the State to promote economic development, and in particular to catalyse structural transformation. In general terms, governance is about the processes of interaction between the Government (the formal institutions of the State, including the executive, legislature, bureaucracy, judiciary and police) and society. Development governance is governance oriented to solve common national development problems, create new national development opportunities and achieve common national development goals. This is not simply a matter of designing appropriate institutions, but also a question of policies and the processes through which they are formulated and implemented. Which institutions matter is inseparable from which policies are adopted. Development governance is thus about the processes, policies and institutions associated with purposefully promoting national development and ensuring a socially legitimate and inclusive distribution of its costs and benefits."¹⁵

Ghana consistently receives praise for the fact that compared to many other African countries it has experienced peaceful electoral transitions from ruling parties to the opposition. That achievement cannot however mask the growing disillusionment with the policy continuities among successive governments and the failure of these to address the most pressing concerns of most Ghanaians and the seeming cross-party consensus within the political and economic elite to tolerate the self-serving use of public office and political power. Realizing the imperative of inclusive and equitable structural transformation will entail a radical change in the culture of power and politics in Ghana. This is indispensable if the country is to achieve the SDGs by 2030.

¹⁵ http://unctad.org/en/docs/ldc2009_en.pdf