Swiss Programme for Research on Global Issues for Development

R4D Working Paper 2015/1

Employment Effects of Different Development Policy Instruments: The Case of Ghana

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This country report presents an overview of developments in the Ghanaian economy over the last two decades with the intention to provide background information for further studies on technological upgrading and foreign direct investment on one hand and connecting local firms to the global economy on the other and consequently the link between each of these issues to employment. Specifically, the report discusses among other issues: macroeconomic trends; sectoral performance; firm landscape; infrastructural development and overview of microfinance. In addition, we examine the educational system and its relation to employment; social protection; national development policy; technological upgrading and productivity; labour market restructuring and the connection between local enterprises to the global market.

This research received financial support from the **Swiss Agency for Development and Cooperation** and the **Swiss National Science Foundation** under the **Swiss Programme for Research on Global Issues for Development**. The project *"Employment Effects of Different Development Policy Instruments"* is based at the World Trade Institute of the University of Bern, Switzerland.

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Abstract

Ghana, located in western Africa along the coastline of the Gulf of Guinea with an approximate population of about 25 million and land size of approximately 239,000 square kilometres has undergone economic reforms since 1983 against the background of over a decade of economic stagnation and decline in the mid-1970s to 1983. Since 1993 when the country was ushered into a democratic rule, Ghana has maintained a relatively stable political climate, under which good governance, the rule of law and respect to human rights have been paramount. Together with the stable political environment, the abundance of rich natural resources under economic reforms have contributed to attracting foreign investment and strong economic growth. In the last four years since Ghana commenced production of oil, income per capita has increased to US$1600 placing it among the ranks of low middle income countries, a feat which was expected to be achieved by end of 2015. In addition Ghana's Human Development indicators such as access to education and health have also improved markedly leading to its classification by the United Nations as one of the few "medium human development" countries in sub-Saharan Africa, with a ranking of 135 in the world in the latest Human Development Index Report. This country report presents an overview of developments in the Ghanaian economy over the last two decades with the intention to provide background information for further studies on technological upgrading and foreign direct investment on one hand and connecting local firms to the global economy on the other and consequently the link between each of these issues to employment. Specifically, the report discusses among other issues: macroeconomic trends; sectoral performance; firm landscape; infrastructural development and overview of microfinance. In addition, we examine the educational system and its relation to employment; social protection; national development policy; technological upgrading and productivity; labour market restructuring and the connection between local enterprises to the global market.

1.Introduction

A. Political History and Governance

Ghana is located on the west coast of Africa, lying north of the equator. It is bordered by the Atlantic Ocean to the south, Cote d'Ivoire to the west, Togo to the east and Burkina Faso to the north. It gained independence from Britain in 1957 and became a republic in 1961. Ghana has gone through a chequered history of military and civilian rule after the ousting of its first president through a coup d'etat in 1966. The fourth republic began in 1993 after 12 years of military rule. The country has been under a democratic dispensation since then having twice successfully conducted elections that handed over governance of the country from one political party to another. Its democratic credentials were tested further when the New Patriotic Party, dissatisfied with the conduct and outcome of the 2012 presidential elections presented a petition to the Supreme Court. The calm and mature acceptance of the Supreme Court ruling against the petitioners by the country at large and the petitioners in particular is further confirmation of the depth of democracy in Ghana. Ghana practices a unitary system of government with executive powers vested in the President, an independent judiciary and legislature. It is a multi-party democracy that holds presidential and parliamentary elections every four years. It has ten administrative regions (Central, Western, Greater Accra, Eastern, Brong-Ahafo, Ashanti, Northern, Upper East and Upper West) and practices a decentralized system of governance. There are currently 216 metropolitan, municipal and district assemblies. Two-thirds of the members of the assembly are elected whilst the remaining one third are appointed by the President in consultation with local leaders. The District Chief Executive is appointed by the President of the Republic of Ghana. The assemblies finance their activities using local taxes, rates and fees and from resources disbursed by the District Assemblies Common Fund. The Fund is a pool of resources created by central government from a minimum of 7.5 percent of national tax revenue and is disbursed to the assemblies using a formula.

B. Geography

Located just north of the equator, Ghana has a tropical climate. The southern sector of the country has two rainy seasons (April-July; September-November) and the northern sector has one rainy season from April to October. The country can be subdivided into three major ecological zones, i.e. the coastal savannah to the south, the semi-deciduous forest belt that cuts across the southern half of the country and the guinea savannah to the north. The forest belt is home to cocoa, the major export crop of Ghana. In addition to cocoa a wide range of export and food crops is grown in the forest belt. Timber for export and domestic use has been cut from the forest belt for decades. There is now growing concern about deforestation with a significant percentage of the forest cover lost to the timber trade, farming, mining and rising urbanisation. It is estimated that between 1990 and 2005 Ghana lost 26 percent of its forest cover.[1] Agriculture in the guinea savannah zone is handicapped by its single rainy season and the lack of widespread use of irrigation. Typical crops found in the zone are millet, maize, groundnuts, cowpeas and yams. The shea nut tree grows wild in this zone and is an important source of livelihood for women who harvest the tree for the

[1] www.unep.org/pdf/PressReleases/Ghana_Africa_Altas.pdf

manufacture of shea butter and oil. The guinea savannah lends itself to livestock rearing in a way that is not possible in the forest zone because of the tse-tse fly.

In addition to its timber and other flora resources, Ghana has a rich mineral base. Gold, manganese, bauxite and diamonds have been mined for decades. Gold is a major earner of foreign exchange. Ghana joined the ranks of oil producing countries when the existence of oil in commercial quantities was confirmed in 2007.

C. Population

Ghana's population at the time of the last census held in 2010 was 24.6 million.[2] Its population grew at an annual average rate of 2.5 percent between 2000 and 2010. The population has a very youthful face. About 38 percent of the population comprises persons aged less than 15 years and about 58 percent of the population is less than 25 years. Females outnumber males with a sex ratio of 95.2. Urbanisation has been quite rapid and by 2010 about 51 percent of the population resided in urban areas. Urbanisation is lowest in the northern sector of the country (16 percent in the Upper West Region and 21 percent in the Upper East Region) and is highest in the Greater Accra Region (91 percent) which is host to the capital city. It is an ethnically diverse country with more than 45 ethnic groups which can be classified into nine major groups. The Akan comprise the largest ethnic group (47.5%). Next in importance are the Mole-Dagbani (16.6%) and the Ewe (13.9%). The ethnic diversity of the country has conferred it with a rich cultural heritage.

About 72 percent of the population aged 15 years and above was economically active in 2010. The rate is higher for men (73%) than for women (71%). The unemployment rate stood at 5.8 percent in 2010 and was higher for women (6.3%) than for men (5.4%). About 82 percent of unemployed males are new entrants into the labour market. This contrasts with 77 percent of unemployed females. Women are more likely to enter the labour market at an earlier age than men because a greater proportion of women have never attended school and girls drop out of school earlier than boys do.

D. The Role of the State in Ghana's Economic Development

At the time of independence in 1957 agriculture and forestry were the largest sectors accounting for more than 50 percent of total Gross Domestic Product. Manufacturing's share was less than 1 percent. Ghana's first post-colonial leader, Kwame Nkrumah, had promised the electorate in 1949 that with self-government the then Gold Coast would be transformed into a paradise within 10 years. His vision was to create a modernised economy and achieve economic independence. Given his reservations about the capacity of private Ghanaian entrepreneurs to transform the structure of the economy at the pace he desired, he chose to adopt a state-led approach. State enterprises were established in agriculture, industry and services. An import-substitution strategy that comprised a system of import licensing was implemented to promote domestic industry (Jebuni et al. 1994). As import controls reduced the extent of competition in the domestic economy price controls were introduced to protect consumers from monopolist pricing by domestic producers. Price controls were extended to cover a broader range of goods (Killick 2010). The state invested in social infrastructure such as roads, schools and hospitals and heavily subsidised the provision of health and education services.

[2] The discussion in this and the next paragraph is based on information obtained from Ghana Statistical Service. 2013. *2010 Population & Housing Census. National Analytical Report*. Accra.

The role of the state as entrepreneur through its direct participation in productive activities was not at variance with much of the thinking on development issues at the time. Development economists such as Hirschman, Rostow and Rosenstein-Rodan proposed a 'big push' strategy that would inject the economy with capital investments in preparation for take-off. Industrialisation was considered to be essential for economic transformation to be achieved. Scitovsky made an argument for the active role of the state in the development process (see Killick 2010 for a detailed discussion on this).

State intervention in the economy was maintained to a lesser or greater degree by subsequent governments between 1966 when Nkrumah was deposed in a coup d'etat and 1983. The state-led system was tinkered with but no fundamental changes were made. Some state enterprises were sold off after 1966 but by 1971 new ones had been created (Killick 2010). Price and wage controls were maintained. The external trade regime was characterised by import controls during most of this period. The period 1969-71 stands out as an exception when attempts at liberalising the trade regime were pursued (Jebuni et al. 1994). These were reversed in 1972 when the then democratically elected government was overthrown in a military coup. The new military government had a nationalist perspective intent on claiming the 'commanding heights' of the economy and emphasised self-reliance. Price controls were extended and government took over majority shares (55%) of some industries (Killick 2010). In an assessment of the role of the state in Ghana from 1957 to 1979, Hutchful (2002) was of the view that a consensus that transcended political and class affiliation had been reached on two issues. The first was '…the leading role of the state in economic and social modernisation. To various degrees all regimes accepted the fact that the absence of a domestic bourgeoisie mandated active state involvement in capital mobilisation and development' (p.16). The second was that '…the public domain would take the lead in providing roads and railways, as well as education, health facilities, water and housing' (p.16).

The year 1983 emerges as a watershed in the changing role of the state in Ghana. The economy had suffered a sharp contraction beginning from the late 1970s. Negative growth rates were registered in 1975, 1976 and 1979-1983 (Aryeetey and Harrigan 2000). Government was running large fiscal deficits whilst at the same time experiencing declining revenues and expenditures beginning from the mid-1970s (Dordunoo 2000). Export volumes contracted as did import volumes over the same period because of the foreign exchange difficulties the country faced (Oduro 2000). The government of the Provisional National Defence Council (PNDC) had in its first year (1982) enforced the price and wage controls. These actions did nothing to improve on the fiscal and balance of payments situation. There was an urgent need for financial assistance to support whatever adjustment plans the government of the PNDC had. Requests for assistance from the socialist bloc proved unsuccessful. The government had no choice but to approach the Bretton Woods institutions for support (Gyimah-Boadi and Jeffries 2000; Hutchful 2002). The economic recovery programme of April 1983 as the arrangement with the IMF was known in popular parlance contained the usual agreement to 'stabilize, liberalise, privatise'.

The state's role as entrepreneur was gradually dismantled as state-owned enterprises were sold off, price controls were removed, the exchange rate and trade regimes were liberalised and financial sector reforms were introduced. Government officials and their cronies interfered with the operations of the state-owned enterprises. For example, appointments were not always based on merit and redundant staff were kept on the payroll (Appiah-Kubi, 2001). The lack of competition and price controls resulted in the abuse of monopoly power. Not surprisingly, these enterprises were characterised by corruption, poor financial performance and the squandering of state resources resulting in indebtedness, (Jefferies, 1994, Killick, 2010).

In 1987, however, the State Enterprises Commission (SEC) oversaw comprehensive reform of the public sector. This was part of conditions under which the World Bank and IMF provided structural adjustment assistance to Ghana and at the same time reducing the role of the state while encouraging the growth of the private sector. SEC was tasked with reshuffling the management of state enterprises, hiring the services of foreign management consultants, retrenching excess personnel, restructuring funds to provide financial assistance to state enterprises for diagnostic planning studies, management support and training programs, and acquisition of computer software and hardware to improve management information systems; the strengthening of human and institutional capacity; enhancing the legal frameworks and governance of state owned enterprises(Appiah-Kubi, 2001).

As with most economies in transition, reform of state owned enterprises also entailed some form of privatisation with two major components: divestiture, which involved transfer of ownership of assets or management of enterprises to the private sector and liberalization, which implied exposing enterprises to more competition (Caves, 1990). The Divestiture Implementation Committee (DIC) was created in 1987 to manage this process. DIC was initially part of SEC but was subsequently made autonomous.

Ghana's privatization program therefore sought to fulfil a host of objectives, including public finance rationalization, domestic capital market development, resource mobilization and private sector investment activity enhancement. A typical example in Ghana's privatisation attempt was the privatisation of the information and communication service which arose from the growing unpopularity of state ownership of enterprises and its accompanying huge fiscal burden. The state monopoly in the internal marketing of cocoa has been broken with the liberalisation of the sector to include private companies. Ghana amongst some other structural reforms restructured its telecommunication sector in 1994 with the launch of the Accelerated Development Program (ADP).

Increasingly the state has had to make room for the private sector as a partner in the development process. In Ghana's first poverty reduction strategy paper for the period 2003-2005 the formal private sector is identified as a 'key stakeholder in the implementation of the Ghana Poverty Reduction Strategy' (Government of Ghana 2003, p. 73).[3] The possible tension between the public and private sector that arises because the 'formal private sector is generally seeking its own interest' is recognised. However to get round this potential problem private sector organisations were to work with government to ensure that 'the activities of their members are consistent with the broad objectives of the GPRS' were identified (p. 73). The first poverty reduction strategy also recognised the contribution of the informal sector and the constraints it faced. The strategy outlined actions that would be taken to improve linkages between the formal and informal sectors and improve technological efficiency. In a sub-section with the heading rationalising the role of the state the responsibilities of government are outlined. It is interesting to note that no explicit mention is made of the state being involved directly in productive activities (p. 132-133). This was the responsibility of the private sector (for example to originate creative and innovative business concepts and to develop profitable industrial, financial and commercial activities in support of the economy and growth (p.133)). The role of the private sector is placed even more firmly in the limelight in the second

[3] By signing on the Heavily Indebted Poor Country Initiative of the IMF and the World Bank in 2001, Ghana was required to prepare a poverty reduction strategy paper.

poverty reduction strategy paper (Growth and Poverty Reduction Strategy (GPRS II) when it is stated that 'the objective of GPRS II is to achieve accelerated growth through modernised agriculture, led by a vibrant and competitive private sector' (National Development Planning Commission 2005, p.29). The third poverty reduction strategy paper for the period 2010-2013 entitled the Ghana Shared Growth and Development Agenda maintained the emphasis on the role of the private sector; 'Ghana needs to accelerate growth and transformation of its economy. The role of the private sector will be crucial. However, the private sector lacks the level of competitiveness that will enable it lead Ghana's growth and transformation and in that regard a major effort shall be made to build a vibrant and competitive private sector' (Government of Ghana 2010 p. 22). Thus contrary to the sentiments at the time of independence when the private sector was gently shoved aside because it did not have the capacity to transform the economy at the speed that government desired the current situation is one of government attempting to create the conditions that will enable the private sector actively bring about economic transformation. State enterprises have not been completely eliminated- the Cocoa Marketing Company still has a monopoly over the external marketing of cocoa, the COCOBOD is the largest player in the internal marketing of cocoa and the state holds shares in some institutions such as banks.

Prior to 1983 social policy in Ghana was implemented largely through the provision of universal (i.e. non-targeted) subsidies to health and education. The provision of social security was limited to formal sector workers. The role of the state as provider of social services changed after 1983 as user fees in public health facilities were increased and education subsidies were reduced. These changes in the education and health sectors were informed largely by fiscal necessities rather than by a desire to protect identified groups (Aryeetey and Goldstein 2000). The state's role as provider of social services changed further after 2003 when it began to consider social protection strategies that were targeted more purposefully at the poor and vulnerable in society.

As the emphasis of the role of the state as entrepreneur has declined the challenges related to efficiency and effectiveness of the state remain. Some of these are concerns about efficiency of public service delivery in the education and health sectors for example, obtaining value for money spent in the public sector and issues of corruption and capture of the state's policy-making by vested interests. The economic reforms begun in 1983 also included programmes to improve public sector efficiency. A spate of public sector reforms was begun in the 1990s with mixed success (World Bank 2005). The public sector reform programmes were comprehensive with several components. Their successes have been undermined by a limited time frame for implementation, poor sequencing of activities and ownership problems emanating partly from the use of consultants and not civil servants (World Bank 2005, Lawson 2012).

2.Background Information to the Economy of Ghana

A. Macroeconomic Trends

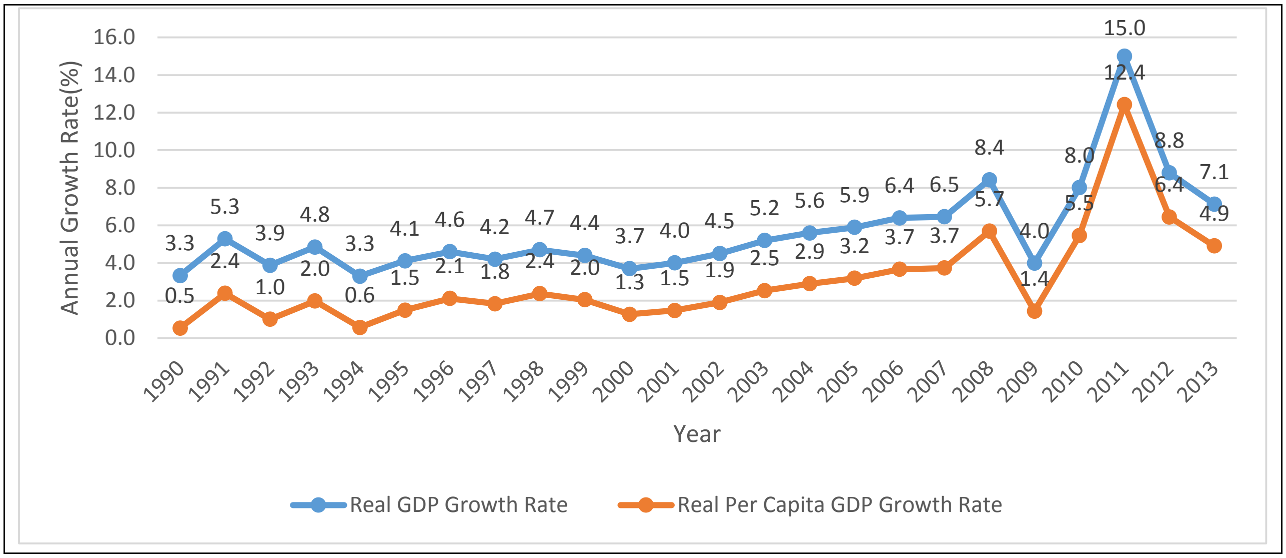
I. National Output Growth

Current economic developments in Ghana can be traced back to the early 1980s, a period over which the country pursued stabilization and structural reforms. The initiation of the Economic Recovery Programme (ERP) in 1983- an antecedent to the Structural Adjustment Programme (SAP) - was aimed at arresting and reversing the decline in all sectors of the Ghanaian economy and to rehabilitate ruined productive and social infrastructure. The SAP which commenced in 1987 sought to correct the structural macroeconomic imbalances that the Ghanaian economy faced over the decade prior to 1983 by restructuring almost all sectors of the economy including the industrial sector.

Soon after the initiation of the ERP, all sectors including the industrial sector in general and the manufacturing sector in particular responded positively and strongly to the reforms and this laid the foundation for Ghana's industrial recovery after a decade of decline. Various reasons have been assigned for the improved performance including reforms in trade policies, the provision of financial and technical assistance in the rehabilitation, modernization and expansion of potentially productive and efficient industries, the improved utilization of installed capacity, and correction of price distortions that served as a disincentive to industrial production and the initiation of reforms in allied sectors (Ackah et al; 2014).

With regards to GDP growth rates, Ghana has achieved moderate but consistent growth over the past 25 years, with the growth rate between 1990 and 2010 averaging five percent. Indeed as shown in figure 1 Ghana's economic growth over the past 25 years can be characterized into four periods, a period of instability (1990-1994); constant growth (1994-1999); accelerated growth (2000-2008) and petroleum boom (2010-2013). The sharp decline between 2008 and 2009 is attributable to the increase in price of oil, a reduction in financial flows from development partners due to the credit crunch and the world food crisis that occurred in the early part of 2008. Markedly, over the last decade Ghana has registered above average economic growth compared to other African economies and has grown faster than some high investment emerging market economies. The last five years has been particularly spectacular with real GDP growing at annual average rate of 8.6 percent (as shown in figure 1). It should be noted that Ghana's record growth rate of 15 percent recorded in 2011 was mainly due to the commencement of commercial production of petroleum from the Jubilee Fields.

Figure 1: Trends in Real GDP and Real Per Capita GDP Growth Rates, 1990-2013



Source: Ghana Statistical Service, National Accounts Statistics and Budget Statements

As shown in figure 1 the increase in real GDP growth rate translated into an increase in the real per capita GDP growth rate from 1.4 percent in 2009 to 5.4 percent in 2010, and a substantial increase to 12.4 percent in 2011. Compared to an annual average real per capita GDP growth rate of 3.8 percent between 2005 and 2009, Ghana's growth in real GDP per capita over the period 2010-2013 has been impressive. The commencement of oil production in 2011 increased Ghana‘s growth further, making it one of the rapidly growing economies in Sub-Saharan Africa. The resulting significant improvement in GDP per capita from about US$1,300 in 2010 to US$1,570 in 2012 has placed the country into a Lower Middle-Income Country (LMIC) status. Ghana's GDP per capita as at the end of 2013 stood at $1820.50 (in current US$), and this represents a substantial increase of over 300 percent from $426.26 recorded at the end of 2004.

The expansion of the Ghanaian economy in the last four years (i.e. 2010-2013) and its significant impact on real GDP per capita is principally attributable to relative macroeconomic stability and public sector reforms, oil production, rising prices of Ghana's primary exports and substantial inflows of external financing. FDI inflows which was less than 10 percent of GDP in the 1990s and increased to an annual average of about 18 percent in the 2000s increased substantially to 31 percent in 2010, 33 percent in 2011 and about 41 percent of GDP in 2012 (see Table 15).

With the commencement of oil and gas production in 2011 and subsequent new discoveries of oil, Ghana is now in the position to become one of sub Saharan Africa's leading 'commodity powerhouse[4]' although its export base continues to be very much dependent on coca, gold and timber. It is expected that revenue from oil will eventually comprise about 20 percent of the national revenue (Government of Ghana, 2010). Large inflows of foreign direct investment (FDI) have been attracted by Ghana's oil and gas resources. On the other hand as noted by the Government of Ghana (2014), Ghana's middle income status will reduce its eligibility for grants and concessional financing from institutions such as the World Bank and African Development Bank (AfDB).

[4] Ghana will become a commodity powerhouse if the revenues from oil are invested in productive capacity and strengthening our human capital.

Under the Coordinated Programme of Economic and Social Development Policies, 2010 – 2016, the Government of Ghana has projected an average medium-term real GDP growth rate of at least 8 percent per annum. This projection is based largely on achieving macroeconomic stability, the implementation of policies that will stimulate growth in all sectors of the economy and employment generation. When oil and gas production is factored into the projection, the average real GDP is expected to grow at 11.3 percent per annum over the medium-term and this will be expected to double the projected real per capita GDP growth (Government of Ghana, 2010b).

II. Inflation

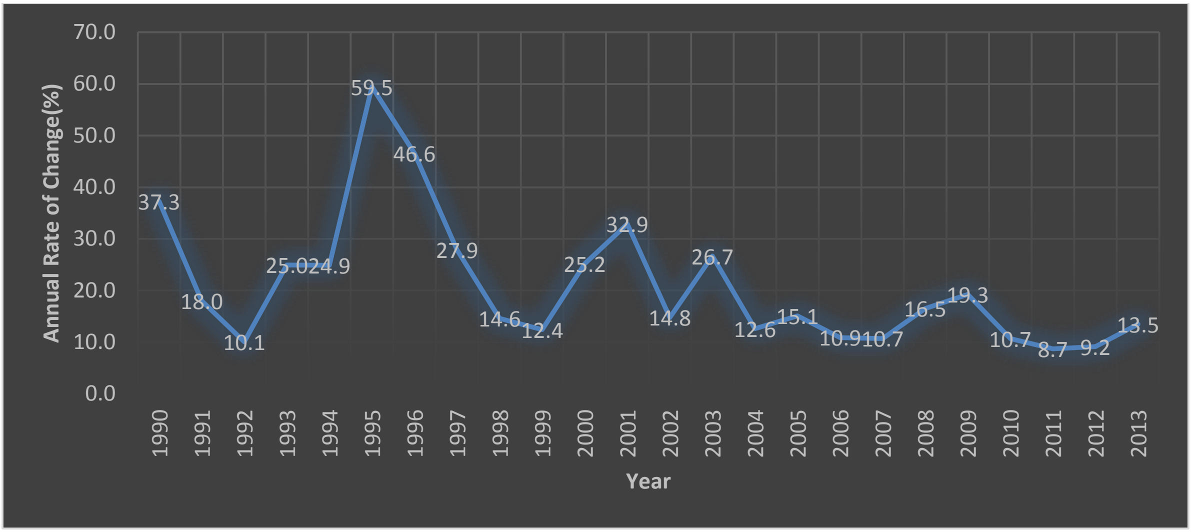
Trends in inflation in Ghana over the last 25 years (Figure 2) shows two contrasting periods; a period of relative price instability from 1990 to 2001, and the subsequent period from 2002 during which prices have been relatively less unstable. Incidentally these two periods relate to two corresponding monetary policy regimes. Prior to 2002 Ghana's monetary policy stance was based on a monetary targeting framework. Monetary targeting in Ghana proved to be ineffective in the light of the several money substitutes[5] that had emerged due to global financial developments and increasing financial integration of the Ghanaian economy with other economies. In the light of this, Ghana abandoned the monetary targeting framework for inflation targeting in 2002 with the enactment of the Bank of Ghana Act 617. Since then the Bank of Ghana has pursued a monetary policy stance of price stability with specific reference to low inflation and fairly stable exchange rate (Sowa and Abradu-Otoo, 2007).

As shown in figure 2, Ghana has enjoyed relative price stability since 2002. From a period average year-on-year inflation of 29.1 percent over the period 1990-1995, the rate declined to 25.3 percent over the period 1996-2000. The main monetary policy objectives since 2000 were centered on the desire of the central bank to meet the single-digit inflation convergence criterion and also to implement an interest rate policy that encouraged credit to the real sector.[6] However, these aspirations were elusive. Over the period 2001-2005, the average year-on-year inflation declined to 20.4 percent and further significantly declined to 13.3 percent during the period 2006-2010. Indeed in 2007 for instance, the central bank struggled to maintain some sanity in the macro economy as a result of the global fuel price hikes and increase in food prices in 2007. In addition, during the second half of 2007, the Bank of Ghana implemented the redenomination of the cedi, which did exert some inflationary pressures in the system. The government's ambition of achieving single-digit inflation of 7-9 percent by 2010 was not achieved until 2011 and 2012. Within the last three years to 2013, monetary policy achieved the lowest rates of inflation in Ghana for over five decades. In spite of inflationary pressures from rising oil prices and exchange rate pass-through, inflation was kept in single digits largely as a result of low food price increases explained by seasonal factors and also due to the continuous operationalization of the inflation targeting framework. Indeed inflation which hovered around 10 percent in 2010 dropped to single digits of about 9 percent in 2011 and 2012. In 2013 inflation surged from 10.1 percent at the beginning of the year (i.e. January) to 11.8 percent in July and ended the year at 13.5 percent mainly on account of the removal of subsidies on petroleum and utilities.

[5] This refers to Automated Teller Machines (ATMs), Electronic Funds Transfer at Point of Sale (EFTPOS) and other stored value cards (credit and debit cards). Financial innovation in terms of the availability of money substitutes is quantitatively important in determining the stability of money demand, which in turn is "sine qua non" for monetary targeting.

[6] This is one of the criteria to be met if the West African Monetary Zone is to be realized.

Figure 2: Trends in Inflation, 1990-2013



Source: Bank of Ghana Statistical Bulletin

III. Unemployment and Underemployment

Unemployment remains a major socio-economic problem in Ghana although evidence of the extent of the unemployment situation downplays the enormity of the problem. As indicated by Baah-Boateng (2013), in Ghana as in most sub Saharan Africa, the use of the ILO definition of unemployment[7] is problematic because of the peculiar nature of the Ghanaian labour market. A considerable number of jobseekers who are available for work fail to register at the employments centres because these centres are woefully resourced and in most cases do not exist. This has meant that the employment centres do not function properly and thus are unable to collect information on the unemployed[8]. In addition, the existence of the large informal sector in Ghana continues to serve as an avenue that offers a means of survival (self-employment) for the many jobseekers who although are available to work engage in a day or two self-employment within the reference period and thus per ILO definition are not unemployed.

Available data (shown in table 1) from the Ghana Living Standards Surveys indicate that total unemployment increased from about 2.3 percent in 1992 to 2.7 percent in 1999 and further to 3.1 percent in 2006. With regards to the housing and population census, which has higher unemployment figures, table 1 shows a dip in unemployment from 10.4 percent in 2000 to 5.8 percent in 2010. Unemployment among women was generally disproportionately higher than men (except in 1999 and 2006).

Table 1: Trends in Unemployment

Category	Survey/Census Year			
	GLSS 3	GLSS 4	GLSS 5	Population Census

[7] According to the International Labour Organization (2007), "unemployed workers" are those who are currently not working but are willing and able to work for pay, currently available to work, and have actively searched for work within the prior four weeks.
[8] Unemployment data is obtained from various household surveys (Ghana Living Standards Surveys in 1991/1992, 1989/99, 2005/2006) and the Population and Housing Census in 2000 and 2010.

	1992	1999	2006	2000	2010
Total (% of total labour force)	2.3	2.7	3.1	10.4	5.8
Gender					
Male (% of male labour force)	2.2	3.4	3.2	10.1	5.4
Female (% of female labour force)	2.4	2.2	3.0	10.7	6.3
Location					
Urban (% of Urban labour force)	6.7	5.8	6.1	12.8	8.0
Rural (% of Rural labour force)	0.5	1.2	1.3	8.6	3.5
Age					
Youth (% of labour force, 15-24)	5.2	5.0	6.6	16.7	12.9
Adult (% of Adult labour force, 25+)	1.4	2.1	1.9	8.6	4.0

Source: World Bank WDI and Baah-Boateng (2013)

In addition, the estimates in table 1 shows that unemployment rates are relatively higher in urban areas compared with rural Ghana. This can be attributed to the massive rural-urban drift especially among the youth. Unemployment among the youth population is also higher than the other age groups though some decreasing trend is being observed with regards to the census data. The main reasons for the higher unemployment rate among the youth include skills mismatch, job inexperience and certain stereotypes that discriminate against the youth (Baah-Boateng, 2013).

Employment challenges in Ghana does not only consist of open unemployment but also underemployment in the labour market. Underemployment is an employment situation that is not sufficient for the worker. A typical working day in Ghana consist of 8 hours of work and with five working days in a week, this adds up to 40 hours of work a week as a national threshold for full-time employment. Consequently, individuals who work less than the stipulated hours are classified as underemployed. Instances of underemployment in the country is a situation whereby workers desire full-time jobs but are only offered part-time, others include overstaffing in a given employment and over-qualification of workers in a job. Underemployment is common across the country but quite pervasive in rural Ghana due to limited employment opportunities in such areas. Sackey and Osei 2006 indicate, over 60 percent of the workforce in agriculture work less than 40 hours a week and this is a sector that employs over half of the labour force. They further observed about 10 percentage point increase in severe underemployment where individuals work less than 20 hours a week between 1992 and 1998. Information on underemployment is scanty due to the nature of the calculation, particularly in a country where majority of the workforce are in informal employment where people do not work according to stipulated hours, the practicality of such statistics becomes questionable. Growth in the country however can be enhanced within the country through a significant reduction in the levels of unemployment and underemployment.

IV. Wages

In Ghana, the minimum wage for the formal labour market (same across sectors) is determined through a collective bargaining process between the government, labour unions and employers (Tripartite Committee). With regards to wage trends in Ghana, data on the minimum wage shows an increasing trend, although the rate of growth in real terms has fluctuated since the early 1990s. Table 2 and figure 3 show the trends in the daily and monthly minimum wages. Although in nominal terms the monthly minimum wage has increased continually over the period, in dollar terms it has fluctuated between the minimum over the period of $20.73 in 2001 and the highest of $72.40 in 2013. The monthly real minimum wage in cedis declined in the 1990s. From an average of ¢56.66 over the period 1990-1995, the average monthly minimum wage declined to ¢49.88 over the period 1996-2000.

Table 2: Trends in Minimum Wages, 1990-2013

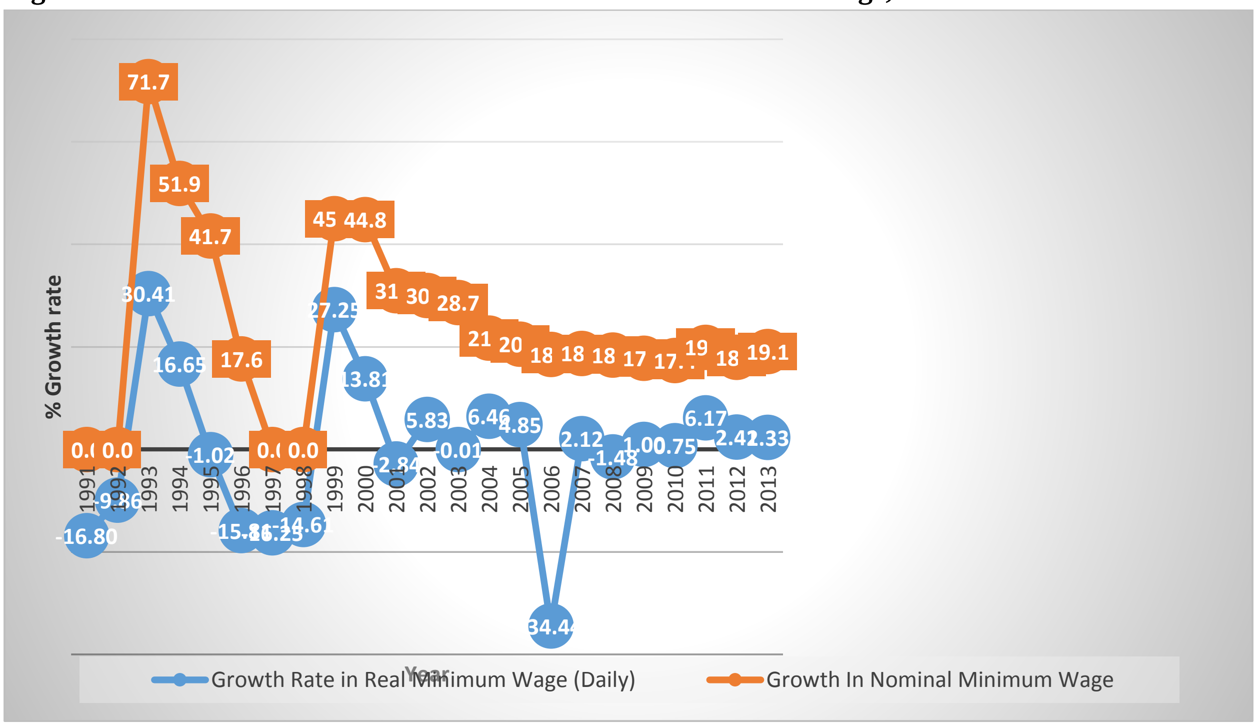
Year	Monthly Min Wage (Cedis)	Monthly Min. Wage (US$)	Real MW (Cedis)
1990	1.24	38.08	58.31
1991	1.24	33.78	48.52
1992	1.24	28.43	43.73
1993	2.13	32.88	57.03
1994	3.24	33.90	66.53
1995	4.59	38.28	65.85
1996	5.40	33.02	55.44
1997	5.40	26.37	46.43
1998	5.40	23.36	39.65
1999	7.83	29.37	50.45
2000	11.34	20.81	57.42
2001	14.85	20.73	55.79
2002	19.31	24.36	59.04
2003	24.84	28.66	59.03
2004	30.24	33.62	62.84
2005	36.45	40.22	65.89
2006	43.20	47.14	43.20
2007	51.30	54.85	44.12
2008	60.75	57.43	43.46
2009	71.55	50.79	43.90
2010	83.97	58.68	44.23
2011	100.71	66.61	46.96
2012	118.80	66.15	48.09
2013	141.48	72.40	49.21

Real Wages are at 2006 Constant Prices.
Source: World Development Indicators of the World Bank

As shown in table 2 the trend in the 2000s is similar to the preceding decade. Indeed since 2000, there has been a steady increase in the official minimum wage in Ghana. The monthly minimum wage has increased from US$20.73 in 2001 to US$72.40 in 2013 representing over 300 percent increase across the period. In real terms, the monthly official minimum wage increased from its lowest over the period under consideration of ¢39.65 in 1998, to ¢50.45 in 1999 and further increased over the subsequent years to ¢65.89 in 2005. Since then the real minimum wage has declined, recording the lowest in the 2000s of ¢43.20 in 2006. On average, the period 2000-2005 recorded an average real minimum wage of ¢60.52 monthly to a low of ¢43.78 over the period 2006-2010. The last three years to 2013 has seen annual marginal increases to ¢49.21 in 2013.

The fluctuations in the growth of nominal and real minimum wage is clearly depicted in figure 3. The main reason for the stable growth in nominal wages since 2004 was the promulgation of the Labour Act of 2003 (Act 651), which among others resulted in the establishment of the National Labour Commission (NLC) to settle industrial disputes and investigate labour related complaints. This has not only ensured that wage increase demands by Trade Unions are made on justifiable grounds but also made it mandatory for the parties involved to make use of the collective bargaining process before proceeding to the Labour Commission for settlement. Minimum wage levels have implications on employment and the working poor particularly in the formal sector where it is mandatory.

Figure 3: Trend in Growth Rate of Nominal and Real Minimum Wage, 1991-2013



Source: World Development Indicators of the World Bank

Evidence on wages (computed as total annual salary costs of the firm divided by the total number full and part time employees) from the World Bank Enterprise Survey[9]-Investment Climate Assessment Wave 2 in 2006 on Ghana indicates the food sub-sector to be the highest paid sector, while the textiles sector is the least paid. Older firms were found to pay employees higher wages than younger firms, while foreign owned firms pay higher wages than domestic firms (as shown in table 3).

Table 3: Wages per employee-Annual (USD, 2006 Values)

Sector	All firms	0-5yrs	6-10yrs	11-20yrs	20+yrs	Foreign owned	Exporting
Textiles	150.45		150.45				150.45

[9] The Enterprise Surveys are conducted by the World Bank and its partners across all geographic regions and cover a representative sample of small, medium, and large firms in the non-agricultural formal private economy.

Garments	351.54	239.49	283.06	440.40	337.78	105.78	315.49
Food	602.78	411.72	595.01	594.80	725.63	1792.20	579.32
Other Man.	488.79	205.29	424.60	545.61	569.74	1792.204	7554.11
Construction	423.13		423.13				
All sectors	463.11	298.98	392.27	504.76	558.42	1,173.05	512.27

Wages are total annual salary costs of the firm divided by the total number of employees **Source: World Bank Enterprise Survey-Investment Climate Assessment Wave 2 (2006)**

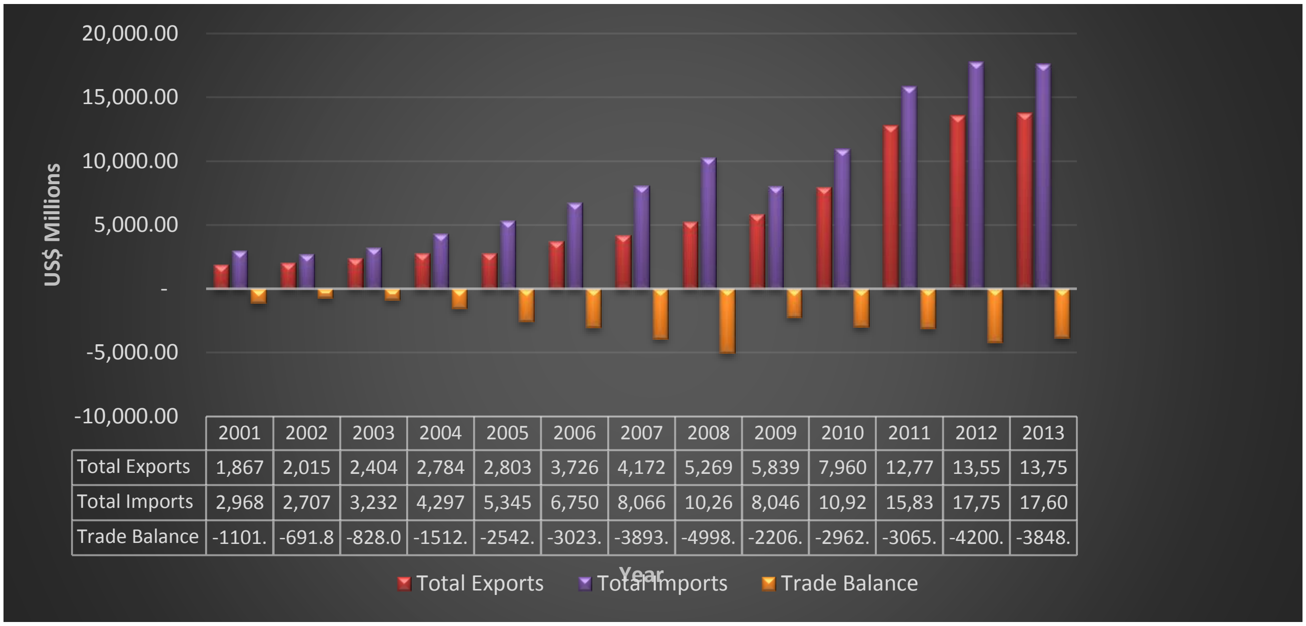
V. Trade Balance

The trade balance has been in deficit in every year since 2001 (Figure 4). After a dip in 2002 it rose continuously until 2008 when it peaked at US$4998.6 million. The worsening trade balance can be attributed to the increased import bill as a result of the world food crisis in 2006/2007 and increased oil imports as a result of the record high increases in oil prices. The total import bill rose by 246 percent from 2001 to 2008 with oil imports rising much faster than non-oil imports. Although exports did not do so badly with high commodity prices (increased by 182 percent between 2001 and 2008), the gains accrued were wiped out by the huge and rising import bill. The subsequent decline in the trade deficit in 2009 can be explained by the sharp decline in the import bill due to the sluggish domestic demand for imports, downward trend in oil prices and a lower volume of crude oil imports due to the increase in the hydro component of power generation by the Volta River Authority (VRA) in Ghana. The gains made in 2009 have been gradually eroded as the trade deficit worsened continually to a deficit of US$4,200 million in 2012. In 2013 there was a marginal improvement in the trade balance by US$352 million and this was on account of a marginal decline in imports against a marginal growth in exports. It should be noted that, the commercial exploitation of oil has marginal effect on the trade balance because Ghana is a net importer of oil.

VI. Exchange Rates

Although the cedi depreciated against all the major currencies, over the period from 1991 to 2013 (Figure 5), the exchange rate was relatively stable over the period 2002-2008, compared to earlier years. Indeed figure 5 shows that except for 1993, 1994, 2000 and 2009 when the cedi depreciated against the US dollar by about 32, 27, 51 and 25 percent respectively, relatively between 1991 and 2013 the cedi has remained fairly stable. The considerable stability of the cedi against the US dollar over the period 2002-2008 ensured that over that period the rate of inflation exceeded depreciation rates, and this at that time raised concerns that the resultant real appreciation of the Ghanaian cedi against the major currencies would adversely impact the real sectors of the economy.

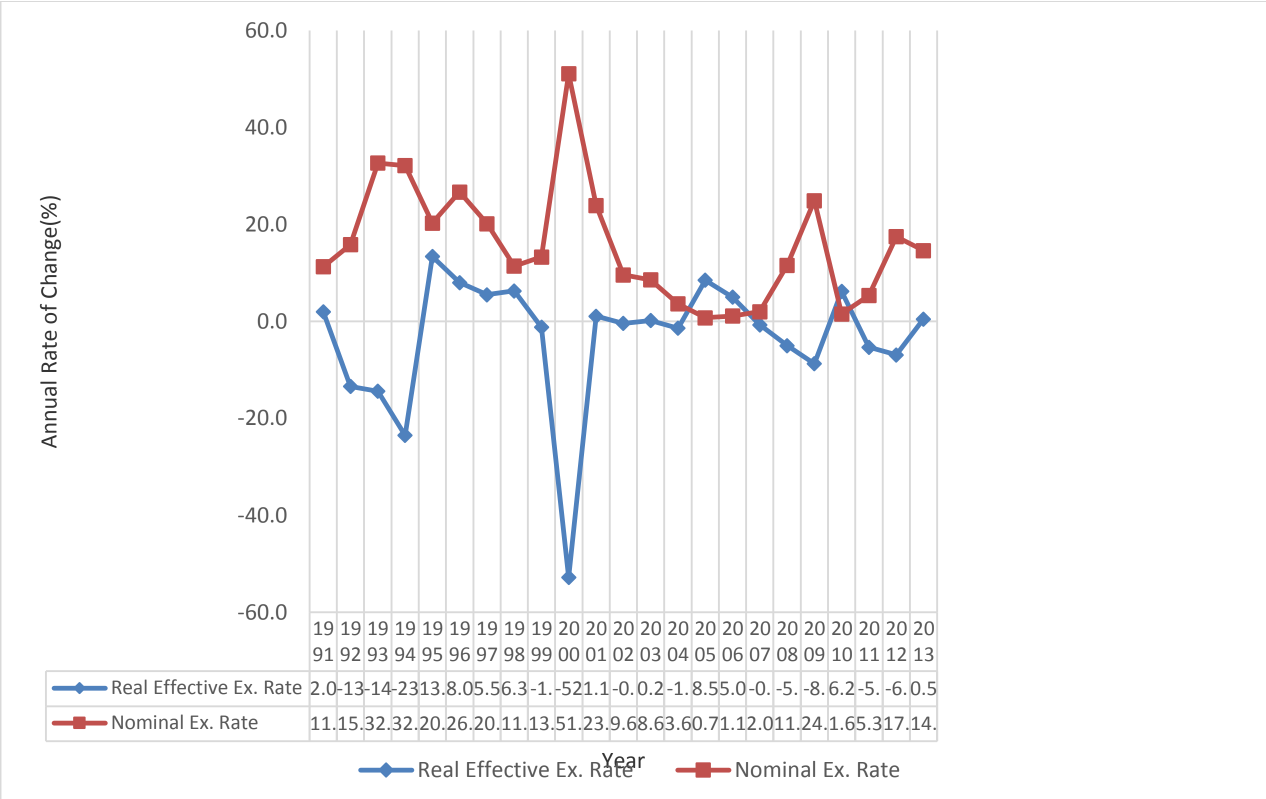
Figure 4: Ghana's Trade Balance in Millions of US$, 2001-2013



Source: Bank of Ghana

Although there is no doubt that the increase in the volume of oil imports due to sustained economic growth plus the rising oil prices on the world market is partly responsible for the worsening trade balance, deducting oil imports has little impact on this worsening trade balance. It therefore looks like the Ghanaian economy was showing evidence of the Dutch disease as Ghana began the production and export of oil mainly on account of the appreciation in the real exchange rate and its negative impact on exports.

Figure 5: Movements in Exchange Rates, 1990-2013



Real Effective Exchange Rate index (2010=100); Nominal Exchange rate (Cedi per US$, period average)
Source: WDI Database

In the inter-bank market, the cedi depreciated by 14.6 percent against the US dollar in 2013 although this was lower than the 17.5 percent annual depreciation recorded in 2012. The cedi depreciated by 16.7 percent and 20.1 percent against the pound sterling and the euro, respectively, in 2013. Over the first five months of 2014 the demand for foreign exchange from both official sources and the private/informal sector has been high relative to the supply and this has resulted in the weakening of the cedi in the domestic currency market. Indeed the cedi recorded cumulative depreciation of 23.9 percent against the US dollar, 24.1 percent against the pound sterling and 21.4 percent against the euro in the first five months of 2014, the fastest rate of depreciation over the period under consideration (Government of Ghana Supplementary Budget Statement, 2014).

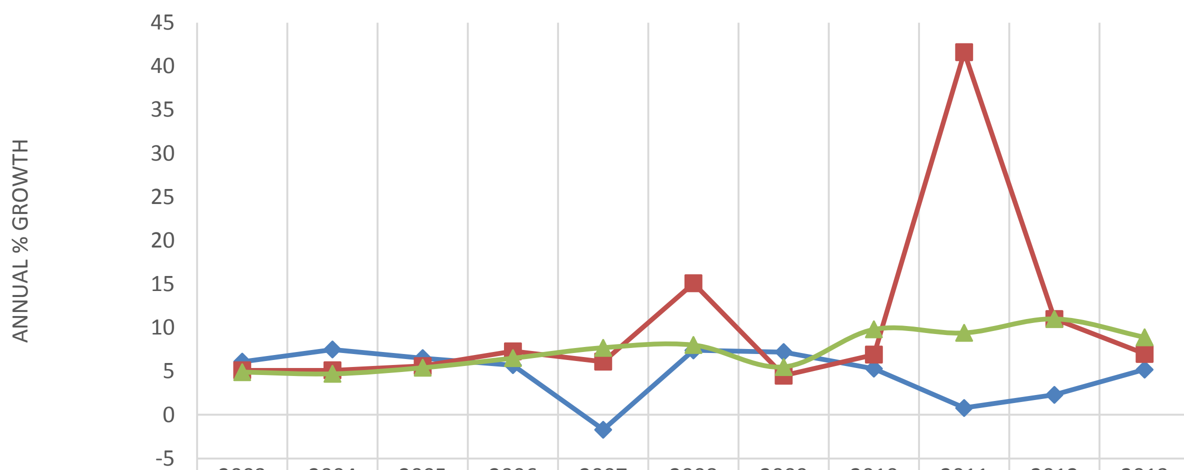
VII. Public Debt

Ghana's public debt remained substantially high in the early 2000s. The total public debt which amounted to GHC5121 million in the year 2000 rose steadily to about GHC5608 million in 2001 and the increase continued till 2003 (ISSER, 2005). By 2004, when the country had started benefiting from substantial debt relief through the Highly Indebted Poor Countries (HIPC) initiative, the public debt stock declined. By the time Ghana had completed its HIPC processes in 2006, its public debt stock had reduced to GHC 5297 million. This reflected in the significant decline of its debt to GDP ratio of 189 in 2000 to 46 in 2006. However, this decline in public debt could not be sustained as by 2008 Ghana's total debt had almost doubled from what was last seen in 2006 (ISSER, 2010). Ghana's total public debt as at 2013 had surged to about GHC 46.1 billion. This represented about 54% of the total value of the economy. This has raised serious concerns in the economy as the percentage nears the IMF and World Bank critical 60% benchmark considered dangerously high.

B. Sectoral Performance

The major driver of overall GDP growth of the Ghanaian economy in the last two decades has been the services sector, which has consistently since the beginning of the 1990s grown at a faster rate than the industrial and agriculture sectors. As shown in figure 6, except in 2008 and 2011 when the industrial sector grew faster, the services sector has driven Ghana's growth in recent times. In 2012, the services sector, which is also the largest sector, recorded its highest growth of about 11 percent and though this declined to 8.9 percent it remained the highest growth rate in 2013 compared to the other sectors. The industrial sector growth rate also rose to its highest peak ever in 2011 and has since declined to 11 percent and further to 7 percent in 2012 and 2013 respectively. The commencement of commercial production of petroleum is largely responsible for the appreciable increase in the growth of the industrial sector in 2011. Ironically the agriculture sector has seen declining trend in growth rates since 2009, recording the lowest growth of 0.8 percent in 2011 before rising to 2.3 and 5.2 percent respectively in 2012 and 2013 respectively (Figure 6).

Figure 6: Sectoral Growth Rates (%), 2003-2013



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Agriculture	6.1	7.5	6.5	5.7	-1.7	7.4	7.2	5.3	0.8	2.3	5.2
Industry	5.1	5.1	5.6	7.3	6.1	15.1	4.5	6.9	41.6	11	7
Service	4.9	4.7	5.4	6.5	7.7	8	5.5	9.8	9.4	11	8.9

YEAR

In addition to rapid growth in recent years, the structure of the economy has changed as agriculture's contribution to GDP has fallen whilst there has been an increase in the share of the services sector. Agriculture's share of GDP has followed a downward trend from an average of about 43 percent in the 1990s to about 25 percent in the period 2010-2013 (Table 4 and Figure 7). The declining contribution of agriculture to GDP has been almost matched by an increase in the contribution of the services sector. From an average contribution of about 33 percent in the 1990s, the services sector's share of GDP in 2010-2013 stood at almost 50 percent. Indeed after the rebasing of the national account estimates[10] (intended to allow for a more accurate picture of the relative contribution to GDP of the various sectors of the economy), the services sector contributed about 51.1 percent of GDP in 2010, and 49.1 percent in the 2011.

The structural change in the sectoral contribution to GDP (from agric-led to service sector-led) could be explained by the rapid expansion of the information and communications and the financial and insurance sub-sectors since 2006. From an estimated ₵483 million in 2006 the information and communications sub-sector more than tripled in size to ₵1,607million in 2013. A similar rapid expansion has also been recorded in the financial and insurance sub-sector (Ghana Statistical Service 2014). In contrast the agriculture sector remains rain-fed with farmers still utilizing traditional farming practices. The agriculture sector contribution to GDP has declined due to the rural-urban drift and the unattractiveness of agriculture production due to the several growth inhibiting bottlenecks that continue to bedevil the sector.

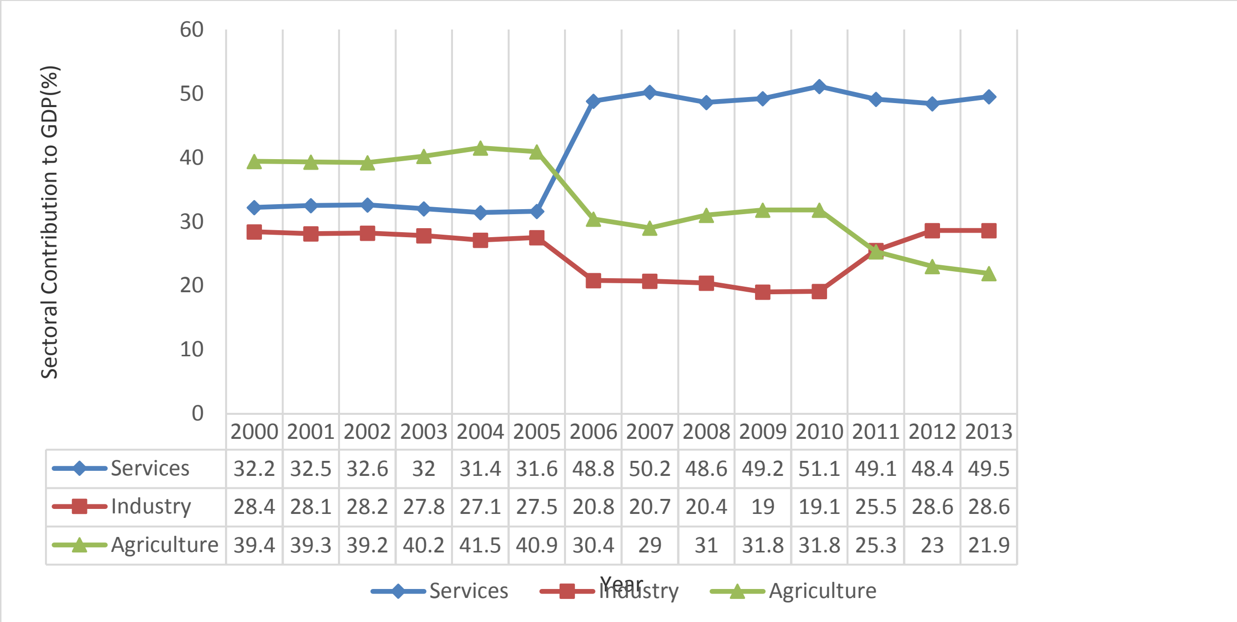
Table 4: Sectoral Contributions to GDP (Period Averages), 1990-2013

Period/Year	Services	Industry	Agriculture
1990-1999	32.9	24.5	42.6
2000-2004	32.1	27.9	39.9
2005-2009	45.7	21.7	32.6
2010-2013	49.5	25.5	25.2

Source: Ghana Statistical Service, National Accounts Statistics

Figure 7: Sectoral contribution to GDP, 2000-2013

[10]The rebasing of the national account estimates was done in 2006. Since then, national account estimates have been computed on the rebased economy.



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Services	32.2	32.5	32.6	32	31.4	31.6	48.8	50.2	48.6	49.2	51.1	49.1	48.4	49.5
Industry	28.4	28.1	28.2	27.8	27.1	27.5	20.8	20.7	20.4	19	19.1	25.5	28.6	28.6
Agriculture	39.4	39.3	39.2	40.2	41.5	40.9	30.4	29	31	31.8	31.8	25.3	23	21.9

Source: World Development Indicators, 2013

The industrial sector's contribution to GDP has averaged between 22 percent and 28 percent in the period beginning 1990. The improvement in the contribution of industry to GDP in the last three years can be attributed to the commencement of crude oil production in 2011 that has resulted in the mining and quarrying sub-sectors contribution to GDP quadrupling from about 2 percent to over 8 percent since 2011. The share of manufacturing to GDP stood at 6.9 percent in the period 2009-2011 and declined to 5.8 percent in 2013. Growth of the sub-sector declined from 17 percent in 2011 to less than 1 percent in 2013 (Ghana Statistical Service 2014). Unreliable power supplies, rising fuel prices, a depreciating cedi and other production bottlenecks that mainly confront the manufacturing sub-sector have been the main reasons that have stifled the growth of the sub-sector and its contribution to GDP in 2013 (Ackah et al, 2014).

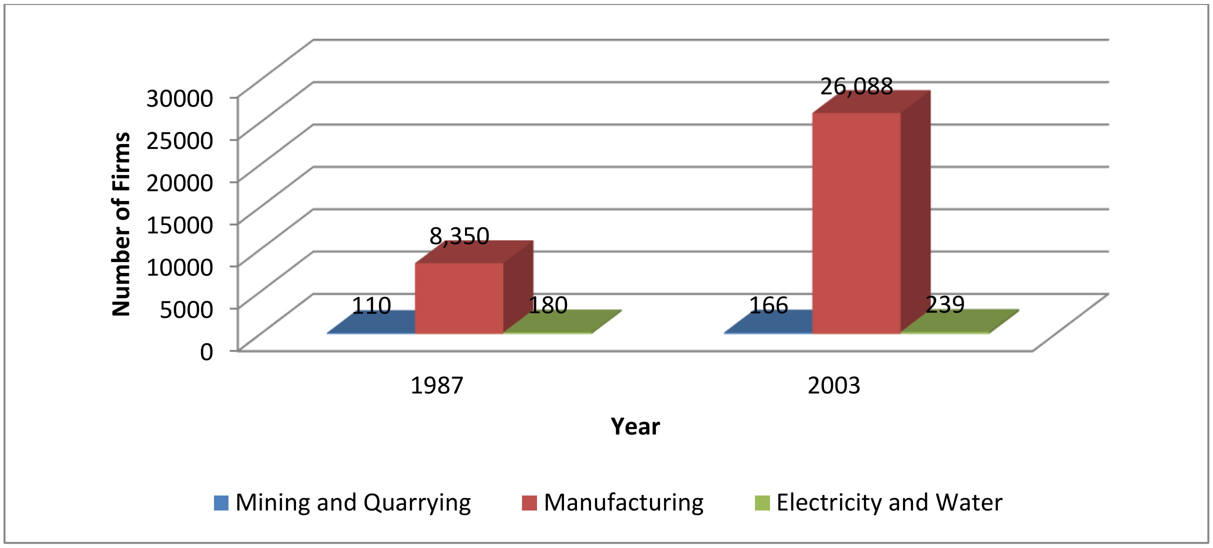
C. Firm Landscape[11]

I. Size Distribution

The number of establishments within the industrial sector increased significantly between 1987 and 2003[12] from 8,640 in 1987 to 26,493 firms. This represents an increase of over 200 per cent. Of the total number of firms in both years over 90 per cent were into manufacturing with the rest in the mining and quarrying and electricity and water sub-sectors (figure 8). This however excludes the construction sub-sector because the reports on the industrial census of both years omitted the construction sub-sector from the analysis.

Figure 8: Sub-sectoral Distribution of Firms in Industrial Sector, 1987 and 2003

[11] This discussion focuses on the industrial sector because there is no comprehensive database on firms in the services sector.
[12] This is the latest census of industrial establishments in Ghana conducted by the Ghana Statistical Service at the time of writing this report.



Source: Ghana Statistical Service: Industrial Census 1987 and 2003

For the purpose of this analysis, the size classification adopted (based on the UNIDO and RPED classifications) considers an establishment that employs less than 5 people to be a micro establishment, between 5 and 19 to be small; between 20 and 49 to be medium and 50 and above to be a large establishment. By the classification adopted in this report, the Ghanaian industrial comprises primarily micro and small firms which make up close to 94 percent of the total number of firms in the industrial sector. Medium-sized firms on the other hand make up only 4.0 percent with the remaining 2.3 per cent being large firms (table 5).

Table 5: Size Distribution of Firms in Industrial and Sub-Sectors, 2003

Establishment Size	Industry Sub-Sectors						All Industry	
	Manufacturing		Mining & Quarrying		Electricity & Water			
	Number	%	Number	%	Number	%	Number	%
Micro (1-4)	14,352	55.0	26	15.7	60	25.1	14,438	54.5
Small (5-19)	10,256	39.3	64	38.6	73	30.5	10,393	39.2
Medium (20-49)	942	3.6	27	16.2	70	29.3	1,039	4.0
Large (50+)	538	2.1	49	29.4	36	15.1	623	2.3
Sub-Sector Shares	***26,088***	***98.5***	***166***	***0.6***	***239***	***0.9***	***26,493***	***100.0***

Distribution is in terms of number of Firms
Source: Ghana Statistical Service, 2003 Industrial Census (2006)

Within the manufacturing sub-sector, micro firms make up 55 percent of all manufacturing firms with the small, medium and large firms making up the rest of 39.3, 3.6 and 2.1 per cent respectively. The size distribution within the mining and quarrying and electricity and water sub-sectors shows that these sub-sectors have a relatively greater proportion of larger firms than the manufacturing sub-sector. For instance whilst 44.4 percent of firms in the mining and quarrying sub-sector are medium and large firms, a relatively lower proportion of firms in the manufacturing sub-sector (5.7%) can be so classified..

II. Ownership

With respect to the ownership of firms within the industrial sector of Ghana, the evidence as shown in tables 6 and 7 indicates that the industrial sector is overwhelmingly owned by private investors most of whom are Ghanaians. Approximately 87.6 percent of the total industrial sectors workers in 2003 were employed in establishments which are privately owned, with the remaining 12.4 percent owned by the state (5.7 per cent) and jointly owned establishments accounting for 6.6 percent (table 6). Within sub-sectors, table 6 shows that a greater proportion of the workforce within the manufacturing sub-sector were employed by private firms (i.e. 94.7 percent) than workers in the quarrying and mining sub-sector. The electricity and water sub-sector is found to be largely state-owned because less than 3 per cent of the employed within that sub-sector were employed in firms that are either privately or jointly owned.

Table 6: Distribution of Firms by Type of Ownership, 2003

Ownership Type	Manufacturing		Mining & Quarrying		Electricity & Water		All Industry	
	Number	%	Number	%	Number	%	Number	%
State Owned	2,912	1.2	906	4.6	11,938	97.2	15,756	5.7
Private Owned	230,512	94.7	10,793	54.8	240	2.0	241,545	87.7
Joint Owned	10,092	4.1	8,004	40.6	98	0.8	18,194	6.6
Sub-Sector Shares	243,516	88.4	19,703	7.2	12,276	4.5	275,495	100.0

Distribution is in terms of persons engaged rather than the number of firms
Source: Ghana Statistical Service, 2003 Industrial Census (2006)

A look at table 7 indicates that as at 2003, Ghanaians dominated the industrial sector, a pattern that was totally different from what pertained just before and after Ghana gained independence in 1957. During that time ownership of establishments/firms within the industrial sector was mainly foreign-owned. Indeed the import substitution industrialisation strategy just after independence was meant to give the State a leading role in the production of import substitutes and to reduce Ghana's dependence on colonial powers and other foreign economies for goods (Killick 2010). It seems the government's efforts after independence to place the industrial productive activities in the hands of the State and Ghanaians in general paid off as the share of manufacturing output from Ghanaians increased from 24.8 percent in 1962 to 29.2 percent in 1966, total mixed (Ghanaian and foreign) from 11.9 percent to 21.4 percent, while wholly foreign owned declined from 63.2 percent to 48.3 percent in 1966. Indeed wholly owned foreign firms share of manufacturing output further declined to 40.2 percent in 1970 (Killick 2010 p. 135). Though the state dominance in industrialisation has significantly diminished under economic reforms as a result of the privatization of State-Owned Enterprises, Ghanaians continue to dominate the sector. As shown in Table 7, by 2003 the vast majority (81.4 percent) of the industrial sector workforce was employed in establishments owned by Ghanaians while the remaining 18.6 percent of the industrial work force were employed in establishments which are either owned by non-Ghanaians or by Ghanaians and foreigners in joint ventures.

In the manufacturing sub sector, 83.1 percent of the workforce was in establishments fully owned by Ghanaians. The case of the mining and quarrying sub sector is different with approximately 54.3 percent of the workforce in establishments owned either by non-Ghanaians or by Ghanaians and foreigners in joint ventures. This could be due to the large capital required in order to enter the mining industry. Ghanaians are not readily able to access loans to enter the mining industry because of the huge capital outlays involved. This has led to the mining industry being dominated by foreigners.

Table 7: **Ownership Status of Private Firms by Nationality and Gender, 2003**

Nationality Of Ownership	Manufacturing		All Industry	
	Number	%	Number	%
Ghanaian Male	104,866	45.5	107,224	44.4
Ghanaian Female	59,048	25.6	59,266	24.5
Ghanaians (Both Sexes)	27,618	12.0	30,200	12.5
Non –Ghanaians	21,997	9.5	24,204	10.0
Mixed Nationality	16,983	7.4	20,648	8.6
Total	230,512	100	241,545	100

Distribution is in terms of persons engaged rather than the number of firms
Source: Ghana Statistical Service, 2003 Industrial Census (2006)

D. Infrastructure Development in Ghana

One of the things needed to propel Ghana's economy so that it can realize its full potential is the provision of quality and efficient infrastructure. Given the public good element in most infrastructure government usually takes the lead in its provision. Thus, as Appiah-Kubi (2001) noted, prior to independence, the colonial administration established and managed public utilities such as water, electricity and postal services mainly in the urban areas. Subsequently in the 1950s and 1960s, there was a rapid expansion in the number of state-owned enterprises managing infrastructure. Killick (1978), indicated that these state-owned enterprises from inception had their senior management structure being put together by the government.

I. Electricity

The two major sources of commercial power generation in Ghana have been hydro-electric power and thermal plants. Of these two, the former provides the bulk of the power generated13. Given the nation's heavy dependence on these two sources, any price or supply shocks from fuel and water are likely to have an impact on the economy. In 2010 for instance, power supply was relatively stable. This was not surprising as the torrential rainfall that occurred in the catchment area of the Volta Lake resulted in the water level reaching a peak of 277.07 feet for the first time in 20 years. The same cannot be said for 2013 and 2014 as inadequate rainfall has led to the water levels falling to levels below the minimum required for effective generation of power. Hydro-electric power has not been a reliable source due to inadequate rainfall and this has led to erratic power supply in the country. The thermal plants set up to complement the hydro-electric power have also not been able to resolve the inadequate and unreliable supplies of electricity (ISSER, 2005). The deficit in the power situation may be explained by the increasing population (ISSER, 2005; Kumasi Metropolitan Assembly, 2006) and the failure of the Electricity Corporation of Ghana to maintain its equipment (Braimah and Amponsah, 2012). Power outages do affect firms' ability to produce and

[13] Awotwi (2011) indicates that hydroelectric power accounts for about 58.4% of national power generation.

ultimately their profit. In the World Bank Enterprise Survey (2007) firms estimate the average number of power outages in a typical month in Ghana to be about 9.9 and the duration of power outage on average 12 hours. This, the firms estimated led to an average loss of about 6.6 percent of their total sales.

Ghana's domestic production of electricity has been increasing over time. Production increased from about 5900 GWh in 2003 to about 11,987.4 GWh in 2012. The expansion in generation capacity has not kept up with the demand for electricity. The Energy Commission estimated a deficit of between 894 and 3173 GWh in 2012 (Energy Commission 2012). In addition to power generation using hydro and thermal plants fuelled by petroleum Ghana generates power using gas from Nigeria supplied by the West African Gas Pipeline Project. Gas is cheaper than petroleum and its introduction into the power generation mix will reduce the cost of power generation. The supply of gas has not been reliable and has in some years contributed to exacerbating the problem of reliable power supply.[14] Ghana both imports and exports electricity. Its exports are to Togo and Benin. Comparing its imports to exports, before 2005, its imports outweighed its exports, but the opposite has been occurring after this period. For instance, while it imported 878.4 GWh of electricity and exported 666.6 GWh in 2004, its exports far exceeded its imports by 573.1 GWh (its exports was 766.8 GWh and its imports 193.7 GWh) in 2009.

Ghana cannot stop exporting electricity because it is a member of the West African Power Pool and is under contract to export power to neighbouring countries. Government of Ghana subsidises and imposes restrictions on the price of electricity. To this effect, an independent body, the Public Utilities and Regulations Commission of Ghana (PURC), has been set up to regulate and oversee the provision of high quality electricity and water for consumers. In particular, the PURC protects the interest of consumers, provides guidelines for the setting of utility prices by service providers and examines and approve rates among other things. The failure to set tariff rates that cover production costs deters private sector investment.

II. Water and Sewerage

Two agencies are responsible for the production and distribution of water to the public in Ghana. The first is the Ghana Water Company Limited (GWCL), which is responsible for the production and distribution of water for urban and specific areas, and the second, Community Water and Sanitation Agency (CWSA), mainly concerned with providing water to rural areas and some specific urban areas. Water production by GWCL increased steadily from 206.1 million cubic meters in 2004 to about 255 million cubic meters in 2012. This represented a 23.7 percent increase in the production of water. The rural areas and small towns get potable water from boreholes, hand dug wells, small community pipe systems, small town pipe systems, limited mechanization system, rain water harvesting system and GWCL. Boreholes however appear to be these communities' major source of water. The CWSA has also been meeting its coverage target from 2006, and has even managed to exceed this target since 2009. As at 2012, a total of about 26,211 boreholes had been constructed to serve a population of 18,059,953 in all the regions of Ghana. Only about 111 rain water harvesting systems were constructed to serve all regions of Ghana within 2012. Again in 2012, out of the total population in Ghana, 11,452,377 people had access to potable water. This represents 63.4 percent coverage.

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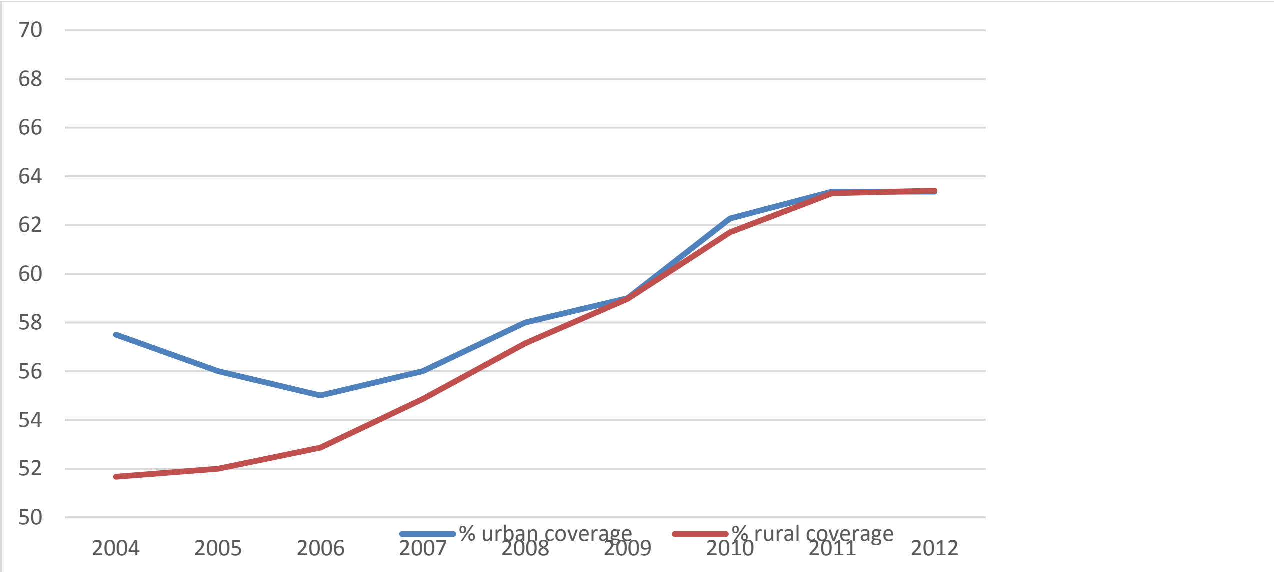
[14] The supply of gas from Nigeria declined by 45% in the first half of 2012 and did not flow altogether in the second half of the year.

Figure 9: Urban and Rural Water Coverage, 2004-2012



Source: Ghana Water Company Limited/ Community Water and Sanitation Agency

Figure 9 above compares the percentage of the population with access to safe water in the urban and rural areas. An important point to note from this figure is that potable water coverage has seen a steady increase in both the rural and urban areas. However, the percentage of the population with access to potable water in the rural areas was fairly stable at about 63 percent in 2011 and 2012, while the urban areas saw a minimal decline from 63.4 percent in 2011 to 62.9 percent in 2012. This implies that population growth outstripped the growth in potable water provision in 2012. Although a significant improvement has been seen in the access to potable water, a lot more needs to be done. Firms interviewed in the World Bank Enterprise Survey in 2007 indicated that, in a typical month, the frequency of water shortage is 12 days. This represents more than a third of the month and can be damaging to firms especially those involved in manufacturing. To improve water supply, government continues to undertake a number of projects to support the provision of potable water. It has completed a number of treatment plants across the country as a result of this.

III. Roads

Road transport is crucial to the Ghanaian economy since nearly all transportation of people and goods is done by road. It accounts for about 97 percent of all passenger travel and 94 percent of freight (Ghana National Commission for UNESCO, 2010). Ghana roads may be divided into three main categories, namely urban, trunk and feeder roads. Trunk roads link the rural areas to the urban areas, and feeder roads are those roads mainly found in the rural areas. Mainly all urban transportation is done by private cars, taxis, mini buses and state/private buses. However, bus transportation accounts for mainly all passenger movements. A crucial observation that has been made in road transport (especially inter-city) is that medium and large buses that take between 30 and 70 people have now replaced mini-buses.

Table 8: Total Road Network Size (2000-2012)

Year	Trunk Road (km)	Feeder Roads (km)	Urban Roads (km)
2000	11,122	23,999	2,200
2001	12,688	32,597	3,365

2002	12,696	32,597	4,064
2003	12,700	32,595	5,013
2004	12,781	38,561	4,796
2005	12,781	40,862	5,575
2006	12,786	40,671	9,764
2007	12,549	42,010	9,764
2008	12,697	42,194	12,400
2009	12,840	42,209	12,400
2010	12,840	42,209	12,400
2011	13,263	42,190	12,400
2012	13,477	42,190	12,400

Source: Ministry of Road and Highways, 2012

After Ghana gained independence in 1957, substantial progress was made in its road construction. Although significant efforts were put into the construction of the roads at the time, the roads were not properly maintained. By the 1970's, the road network had deteriorated significantly. The deterioration went on until the start of economic reforms in 1983. Ghana has made major progress in increasing the length of the road network linking the economy. Table 8 provides information on what has been happening since 2000. The Ministry of Roads and Highways estimated Ghana's road network linking the entire economy to be 37,321km as at the end of 2000. By 2012, this had increased to about 68,067km representing an increase of about 81.8percent over the 2000 network size.

Although after 12 years the total road network size seems to have doubled, very little focus has been given to the construction of trunk roads. A lot more emphasis has been placed on the construction of urban roads. For instance, in 2000, trunk roads constituted about 30 percent of the total road network, feeder roads, about 64 percent, and urban roads about 6 percent. By 2012, trunk roads as a proportion of the road network had declined to only 10 percent reduction, feeder roads share had declined by a marginal 2 percent, with urban roads' share tripling. It is indeed worrying to see trunk roads which are supposed to be linking the rural areas (where most agricultural production is done) to the urban areas (mostly market areas) dwindle in proportion.

By the 1990s, Ghana had started experiencing significant improvements in the state of its road network, with about 17 percent of its urban roads and 72 percent of feeder roads being in good or fair condition. A report by the Ministry of Roads and Highway indicate that the condition of roads has improved further since then. As at 2000, 46.5percent of the roads were reported poor, 25.8percent fair and 28.8percent good. By 2005, this mix had seen significant improvement as 37.2percent of the roads were poor, 25.6 percent fair and 37.2 percent good. The condition even became better in 2012, as only 30percent of the roads were described as poor, 28 percent fair and 42 percent good.

IV. Railways

Much of Ghana's railway network was constructed during the colonial period to haul minerals, cocoa and timber from the hinterland to the port. Not very much has been done in recent times to extend and transform it. As a result the railway in Ghana is barely used to transport passengers. The rail network in Ghana is about 950km. The Government is planning to develop the rail network more extensively to transport cargo and people between the ports and the central part and /or the landlocked neighbouring countries to the north of Ghana and elsewhere. It is now sourcing funds to improve upon the speed and capacity of the rail network. To this end, government plans to privatize the state-owned Ghana Railway Corporation through concession. This is to increase the capacity of the trains to enable them transport more containers and petroleum products.

V. Air Transport and Ports and Habours

Ghana has five airports. The airport located in the capital city, known as Kotoka International Airport (KIA), serves as the only international airport in Ghana and provides a transit zone for most of the passengers travelling from other parts of Africa to the rest of the World. It is indeed the most preferred airport within the sub-region as the US Federal Aviation Administration (FAA) audit as part of their International Aviation Safety Audit (IASA) programme has given it a category one status. The airport also allows transportation of cargo from other parts of the world to Ghana.

Ghana has two ports and harbours; one in Tema and the other in Takoradi. The two ports have a capacity of 17 million tons between them and handle about 90 percent of the country's exports and imports (Ghana Ports and Harbours Authority, 2014). The Ghana Ports and Harbours Authority (GPHA) is responsible for building, managing, controlling and maintaining ports in Ghana[15] with other key institutions such as the Ghana Revenue Authority. Government is in the process of embarking on a number of actions to modernise these ports and make them conform to international standards. Thus, as part of its plans, it is expanding infrastructure at the port. Following this, the government is building a new dockyard to contain floating crafts and also upgrading mechanical handling equipment. Other initiatives include automating the activities of the port. Automating the ports' activities is meant to incorporate Information, Communication and Technology (ICT) into the activities of the port.

VI. Information Communication Technology

The ICT sector has seen significant expansion over the past decade. From about 11percent of the total population subscribing to the internet in 2009, the percentage of the population who subscribe to the internet increased to about 14.1 percent in 2012 (Ministry of Communications, 2012). This was however below the set target of 15 percent for 2012. The capacity available for broadband development increased from 120 gbp/s in 2009 to 7,160gbp/s in 2012 (GPRS, 2012). Compared to 2009 in which 90 community information centres were completed, 120 of these centres were completed in 2012. Access to computers is however still limited. Data from 2010 census indicate that only about 13.4 percent of the total population had computers. Urban dwellers are more likely to own computers (17.7%) than rural dwellers (3.1%). A lot is being done to improve usage of computers. As at 2012, all nursing training schools and community development institutions had been supplied computers. Currently, there are six service providers in the country. With regards to penetration rate of phones, a population of 267,389 were using mobile phones in 2009. This number increased to about 12 million in 2012. To reduce crime and have a good database for mobile phone users, a programme was instituted to register all phone users in 2012. The Ministry of Communications and the National Communication Authority oversee the activities of the sector.

From the discussion above, it is evident that the Government of Ghana still faces challenges in the provision of infrastructure. Indeed, a study carried out on behalf of the government of Ghana by the World Bank has

[15] See Ghana Ports and Habours Authority website.

revealed that Ghana needs to spend at least $1.5 billion dollars every year for the next ten years to be able to close the gap in its infrastructure. Having attained a lower middle income status, the government recognises the urgent need to address this deficit but at the same time acknowledges the ton on the nation's resources. To this end, it has explored various options to help bridge this infrastructural gap. One important option it has considered is a partnership between the public and the private sector. The Ministry of Finance acting on behalf of the government has provided a national policy on Public-Private Partnership (PPP) to give guidelines for the development and execution of all such projects. Some of the targeted projects include the rehabilitation and expansion of major roads, airports and health care projects.

E. Overview of Microfinance in Ghana

One of the main constraints that firms, especially the small ones face is the issue of finance. Since independence, various governments have pursued different financial sector programmes to reduce the financial constraints of firms. These policies included the provision of low cost credits in the 1950's, the setting-up of specialized banks like the Agricultural Development Bank in 1965 and the Rural and Community Banks in the 1970s and 1980s to provide financial resources for the agriculture, fisheries and small-scale industrial sector. However, these earlier policies failed to make firms especially the small ones relatively financially healthier (Aryeetey, 2008). This was because the banking system was inefficient and most banks were unable to perceive the creditworthiness of small firms that dominate the Ghanaian economy. This was because they had failed to invest in informational capital that will aid in their risk assessment of firms. Also, allocation of investible funds was not left to the market to do. Government controlled the activities of banks to the extent that the banking institutions became the financing unit of government budget deficits (Aryeetey, 2008).

Consequently, the Financial Sector Adjustment Program (FINSAP) implemented in 1983 sought to liberalise Ghana's financial sector. FINSAP led to some growth but this growth was the result of some increase in the demand for finance which formal financial institutions could not meet (Aryeetey, 1998). Although in Ghana, internal finance dominates firms' source of financing fixed investment, the role of external finance cannot be neglected. Yet, regarding access to external finance, only about one-third of the small and medium firms who put in loan applications are likely to go through. It is estimated that rural microfinance institutions reach about 15 percent of the total population while commercial banks reach just 10% (Aryeetey, 2008). Consequently, efforts to find alternative ways of financing for these small firms became a priority. The search became easier as people increasingly became aware of the complexities involved in dealing with the banks. The informal sector stepped in to meet private sector demand for credit. Many susu companies emerged.[16] Though the operations of these susu companies benefitted the small and

[16] Susu companies collect daily or weekly savings from their clients at home or from their work place and charge them a fee equivalent to a day's deposit for providing this service. Contributors can then access finance from their operators. Contrary to the formal banking system, Steel and Andah (2004) suggest that the amount lent to contributors by the susu operators is often very small. They also lend for short periods and pay little or no interest on deposits (Aryeetey, 2008). Unlike the formal banking system, the service of the susu scheme is more mobile. The susu scheme does not insist on the provision of collateral to access finance. This makes it very risky as operators may experience a high rate of default. To mitigate this high level of risk, the scheme operators lend money to a group of individuals, making them all liable for ensuring repayment. This has not worked for operators as people still default on their payment. In recent times, a new trend has emerged with operators making

medium enterprises, they were not well-suited to the current market conditions of some small and medium enterprises as many of these groups were not trusted. Following this, some other formal institutions have become involved in microfinance. Currently, microfinance institutions have been grouped into three[17]: Formal suppliers (savings and loan companies, rural and community banks, some specialized and commercial banks), semi- formal suppliers (credit unions, financial non-governmental organizations (FNGOs) and cooperatives) and informal suppliers (susu collectors, rotating and accumulating savings and credit associations (ROSCAs and ASCAs), traders, moneylenders and other individuals). Majority of the rural banks carry out both microfinance and commercial banking activities. FNGOs operate mainly in the rural areas. They serve primarily women as it is estimated women form round about 85 percent of their client base (Osei-Assibey, 2013). A large number of FNGOs are unregistered. At the moment only about 62 of them have registered. Until 2012, most of the rural financial institutions were unregulated. Steps were then taken in the early periods of 2012 by the Bank of Ghana to regulate and provide the mode of operation for them. These rules indicated that the activities of these institutions should be regulated under the Bank of Ghana Act, 2004 and the Non-Bank Financial Institutions Act 2008. The rules also indicated that before such institutions could start or continue their activities, they needed to obtain permission from the Bank of Ghana. Following these directives, they have been categorized into four. Table 9 below shows the new categories.

Table 9: Categories of Rural Financial Institutions

Tier	Description	Licensing Requirement
Tier 1	Rural and Community Banks, Finance Houses and Savings and Loans Companies. These institutions are regulated under the Banking Act, 2004 (Act 673)	GH¢ 7 million
Tier 2	Susu companies, Financial Non-Governmental Organizations (FNGOs) that take deposits and are profit-making and credit unions. Legislation for NBFI, Act, 2008, will soon be passed to regulate their activities.	GH¢ 100,000
Tier 3	Money lenders and non-deposit taking FNGOs.	GH¢ 60,000
Tier 4	Susu collectors who were either previously registered or not with the Ghana Cooperative Susu collectors Association. It also covers activities by money lenders.	Institutions are encouraged to form associations to promote their objectives and deal with other stakeholders

Source: Osei-Assibey (2013)

Other institutions that support microfinance institutions are Ghana Microfinance Institutions network (GHAMFIN), development partners and international non-governmental organizations, and Credit Unions Association (CUA).

The provision of microfinance is not left to the private institutions. Government of Ghana, in its attempt to create jobs and ultimately alleviate poverty has instituted microfinance programmes. The Microfinance and Small Loans Centre (MASLOC) was established in 2006 by the government of Ghana and is charged with

individuals liable for repayment but requires them to be part of a group. This group they believe will serve as a check on themselves.

[17] See Asiama and Osei (2007)

implementing these programmes on behalf of the government. It holds government and/or development partners funds in trust, and manages and disburses approved funds. Apart from providing subsidised micro and small loans targeted at the poor, it also trains and builds the capacity of small and medium enterprises to provide them with the skills and knowledge necessary to manage their own businesses. MASLOC began operating just before the presidential and parliamentary elections. This must have adversely influenced the choice of beneficiaries resulting in a low repayment rate of less than 20 percent. When new management took over in 2009, new systems were established. Government's ability to provide microfinance services provides access to financial resources to majority of un-served and under-served people. Although this is good, government may not be able to operate on profit basis. Government may provide subsidised credits due to its policy objectives. This may divert public resources that could have been used to meet other policy objectives such as health or education. Government also providing subsidised credit may raise distributional concerns leading to unfair competition.

F. Education System Reforms and Its Relation to Employment

Successive governments of Ghana have placed much emphasis on education as a key instrument for rapid social and economic development just like their counterparts in other developing countries. Enrolment rates at all levels of education increased from the post-independence period until the mid 1970s when economic decline set in. The 1987 educational reforms aimed at reversing the decline in enrolment and quality of education that had occurred during the preceding period (Ansu-Kyereme et al, 2002; pg 1).

The main objective of the 1987 reforms was to diversify the curriculum away from the more academic, grammar school type curriculum that characterised the old education system. The rationale for the reforms was to train and supply suitably educated manpower to meet particular needs of agriculture and industry in the country for economic growth. Consequently, the reforms was to:

- Expand and improve the quality of education at all levels;
- Make basic education free and compulsory;
- Reduce the length of pre-tertiary education from 17 years to 12 years for all children;
- Enhance the relevance of education to the social and economic needs of the country; improve supervision and management and to partially recover costs.

The objective of reducing the length of pre-tertiary education was achieved with the introduction of the 9-year basic education and three (3) years Senior Secondary School (SSS) system.[18] Basic education consists of six (6) years of primary school and three (3) years of Junior Secondary School (JSS) which is free and compulsory. The secondary level (post-basic) consists of senior high schools (SHS), technical and vocational institutes. Pre-tertiary education was as a result reduced from 17 years to 12 years. The end of nine years of basic education marks the first official exit point from the education system. All JHS 3 students are required to write the Basic Education Certificate Examination (BECE). Admission into the SHS depends on results of the BECE while admissions into tertiary institutions depend on Senior Secondary School Certificate Examination (SSSCE) performance. Senior high school curriculum was diversified to include agriculture, technical and vocational programmes in addition to general arts, science and business. Polytechnics were upgraded into tertiary institutions. The number of polytechnics increased from 6 to 10

[18] Junior and senior secondary schools were renamed junior and senior high schools.

with one located in each regional capital. Similarly, starting from only 3 public universities, as at 2014, there are 6 public universities, 9 professional public institutes/universities, 51 university colleges and private universities affiliated to the public universities. Tertiary education consists of different types of post-secondary education that offer training leading to the award of diploma and/or degree.

Yangben and Seniwoliba (2014) classify the channels for the acquisition of technical and vocational education (TVET) in Ghana into three. The first is formal TVET which as the name suggests is provided by formal institutions such as the NVTI (National Vocational Training Institute), Ghana Education Service (GES), youth training institutions and a variety of private vocational training schools. Certificates are provided at the end of the training. The second is non-formal TVET which is provided in the form of workshops, short courses and seminars and does not usually end with the receipt of a certificate. The third channel is the through the informal system which comprises programmes and processes characterised by flexibility. Training using the informal channel consists largely of the traditional apprenticeships provided at work places and sometimes in the home.[19] The bulk of skills training in Ghana occurs through the traditional apprenticeship system with only about 15-20 percent being provided by formal training institutions (Palmer 2005; Darvas and Palmer 2012). Only about 4 percent of the population aged 15 years and above have received formal TVET and there does not appear to be a significant gender difference (Table 10). The National Apprenticeship Program (NAP) supports informal apprenticeship. However its impact is limited since it only provides training to about 1% of the youth in informal apprenticeship. With regards to formal training in employment, the World Bank Enterprise Survey for 2007and 2013 indicate 33 percent of formal firms in 2007 and 40.1 percent in 2013 offered training to their employees.

Table 10: Educational attainment of Population 15+ years (%)

Level of Education	Census 2010		
	Male	Female	Total
No education	21.6	34.7	28.5
Basic education	49.3	46.2	47.7
Secondary education	16.3	11.3	13.7
Vocational/Technical	4.4	3.7	4.0
Tertiary	8.3	4.1	6.2

Source: 2010 Population and Housing Census

Ghana's TVET sector faces several challenges that are not peculiar to Ghana. These include concerns about the quality of the training provided, a gap between skills provided and the demands of the market and unfavourable attitudes and perceptions regarding TVET (Atchoarena and Delluc, 2001). As part of measures to develop and improve TVET in Ghana, in 2004, the government developed a national policy on TVET which is expected to guide the development of strategies to enhance technical and vocational skills for an accelerated national development. As a result, 20 vocational and technical resource centres were established in 2004 in rural locations of the ten regions to provide training to the youth.

[19] The traditional apprenticeship system involves on the job training.

Table 11 shows the trend in vocational training enrolment in both formal public and private institutions. Following a period of successive decline in enrolment in 2007/8 and 2008/9, enrolment consistently increased across the periods. This growth has been attributed to the teaching and examination of all five core senior high school subjects in technical institutes run by the Ghana Education Service which enable students to progress to polytechnics and other tertiary institutions. In addition, the introduction of a computerised senior high school selection and placement system in 2009 is also a contributory factor to the growth in enrolment as most of the public technical and vocational institutions are on the list of secondary institutions. The computerised placement system distributes students based on performance to available institutions to ensure all institutions have adequate number of students based on capacity. This could have contributed to the increase in enrolment in public technical schools which prior to the computerised placement system would not have been selected by students.

Table 11: Trend in Technical and Vocational Institutions Enrolment (secondary)

Year	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12
Enrolment	61,403	60,898	52,661	56,965	64,478	79,986

Source: Ministry of Education

Efforts to make TVET an attractive alternative to general education have been an uphill task. This is because it is not perceived to be as prestigious as general education and because graduates of technical and vocational education are not considered to be as competitive in the labour market. The activities of the TVET sector are coordinated by the Council for Technical and Vocational Education and Training (COTVET) which was consequently established in 2006. It formulates skills development policies and is developing the TVET system to 'improve the productivity and competitiveness of the skilled workforce and raise the income generating capacities of people, especially women and low income groups, through provision of quality-oriented, industry-focused and competency-based training programmes and complementary services' (Aryeetey et al 2011,p. 19).

Formal education and skills training constitute the main methods of developing human capital for the labour market in Ghana. According to the population and housing census, 71.5 percent (65.3% of females and 78.3% of males) of the population aged 15 years and above is literate. Although this is an improvement from 54.1 percent in 2000, the illiteracy rate of the population remains high.

In 2003, the Education Strategic Plan (ESP 2003-2015) was developed to guide developments in the education sector. It is a long-term plan designed to be consistent with Ghana's poverty reduction strategies and to provide the framework by which Ghana meets its education-related commitments under the Millennium Development Goals (Ministry of Education, 2013).

G. Poverty, Inequality and Social Protection

Poverty can be measured using welfare measures based on consumption or income and can be measured using non-income measures such as those employed by the UNDP in its multidimensional poverty index. In Ghana poverty measures dating back to 1987/88 when the first Ghana Living Standards Survey was conducted are based on consumption expenditure.[20] The incidence of poverty in Ghana, based on this welfare measure, has registered a steady decline since 1991/92 when the third Ghana Living Standards Survey was conducted. The poverty headcount fell by 12 percentage points between 1991/92 and 1998/99 and by 11 percentage points between 1998/99 and 2005/06. It stood at 24.2 percent in 2012/13, about 8 percentage points below its 2005/06 level. Poverty in Ghana is a rural phenomenon. In 1991/92 the contribution of rural poverty to total poverty was about 82 percent. Rural poverty's contribution to the total declined to 78 percent in 2012/13. Poverty in Ghana has a strong geographical bias with the three northern regions recording the highest poverty incidences. In 2012/13 compared to the national average of 24 percent the headcount in the Upper East Region was 44.4 percent. It stood at 50.4 in the Northern Region and 70.7 in the Upper West Region. Together these regions account for about 70 percent of the total poverty in Ghana. A decomposition of the change in poverty between 2005/06 and 2013/13 finds that the poverty reducing effect of the growth registered during this period was somewhat dampened by the increase in inequality. According to the estimates of the Ghana Statistical Service poverty could have declined by an additional 1.1 percentage points in the absence of rising inequality (Ghana Statistical Service 2014). The negative impact of rising inequality on poverty reduction was higher among rural than urban communities.

Although it has declined over time the incidence of poverty remains quite high for a significant proportion of the population and vulnerability to poverty remains. Growth is necessary but not sufficient to reduce the incidence of poverty in Ghana. Since 2008 the Government of Ghana has introduced social protection measures targeted at the extreme poor and vulnerable.

Social protection describes all 'public and private initiatives that provide income or consumption transfers to the poor, protect the vulnerable against livelihood risks, and enhance the social status and rights of the marginalised; with the overall objective of reducing the economic and social vulnerability of poor, vulnerable and marginalised groups' (Devereux et al, 2004; p.9). This conceptualises social protection to have four main dimensions that include preventive measures, such as pensions and health insurance that help to manage shocks. Protective element which consist of the provision of assistance to individuals who are unable to work in addition to social services to targeted groups such as orphans and abandoned children. The third dimension has to do with measures to promote income-generation and capabilities. This consist of measures such as provision of subsidised inputs, micro-finance and school-feeding programmes. The fourth dimension entails a transformative measures that "seek to address issues of social equity and exclusion.

National Social Protection Floors have been recommended for adoption and implementation by all member countries of the United Nations. They were adopted by the General Conference of the International Labour

[20] Estimates of the incidence of poverty in Ghana are obtained using data collected during nationally representative household surveys. Six of these surveys have been conducted since 1987/88. The method of calculating the poverty line has changed over time making it difficult to compare the incidence rates beginning from 1987/88 when the first Ghana Living Standards Survey was conducted. A new poverty line had to be created in 2012/13 to incorporate the introduction of new goods such as rice cookers and mobile phones in the consumption basket (Ghana Statistical Service 2007; 2014).

Organization (ILO) on June 14, 2012[21]. Social Protection floors are a strategy for extending social security for all citizens, especially the poor and vulnerable. Nationally defined minimum levels of social security guarantees are established with the aim to prevent or alleviate poverty, vulnerability and social exclusion. According to the ILO (2012), the minimum, social protection floors are expected to comprise at least four social security guarantees for all citizens without exception:

I. access to essential health care, including maternity care;
II. basic income security for children, providing access to nutrition, education, care and any other necessary goods and services;
III. basic income security for persons in active age who are unable to earn sufficient income, in particular in cases of sickness, unemployment, maternity and disability;
IV. basic income security for older persons.

A key element of national social protection floor is the fact that it is designed to cover the entire life cycle, from birth till death. Ghana has a number of social protection instruments that fall under the four conceptual frameworks outlined above and in line with the UN social security floor. Such social protection initiatives implemented in addition to a national social security scheme to address poverty and vulnerability in Ghana over the years include the National Health Insurance Scheme (NHIS), the Capitation Grant, the School Feeding Programme, and the Livelihood Empowerment against Poverty programmes.

The Social Security and National Insurance Trust (SSNIT) established in 1972, is a national social insurance scheme. Members under the scheme contribute during their working life and subsequently receive benefits in their old age and in the event of invalidity, in case of death of a contributing member, dependants receive a Survivors' Benefit. The Pensions Act (Act 766) in Ghana requires workers to make a contribution of 5.5%. In addition it mandates employers to pay social security contributions on behalf of their employees, equivalent to a monthly contribution of 13% of workers' salary. Payment of these contributions is mandatory for all workers in the formal sector and optional for the informal sector (self-employed) worker. Due to the low patronage by the informal sector which constitutes over 80% of the working population in Ghana and inherent challenges in the administration of the pension scheme, in 2008, a new three-tier pension scheme was launched under the National Pensions Act 766. Under the third-tier voluntary personal pension scheme, provisions have been made to cater for the particular needs of the informal sector workers in the economy. Under the new scheme, informal sector workers will elect to contribute any amount they can afford on monthly or regular basis with benefits directly proportional to the amount of contribution.

Our analysis of GLSS data suggest workers who have access to social security (pension) have increased over the years particularly within the formal sector. In 1998/99, about 36 percent of formal sector workers were part of a pension scheme with none in the informal sector, this was made up of 37 percent males and 32.8 percent females. In 2005/06, 57 percent of formal workers and 1 percent of informal sector workers consisting of 57 percent males and 56 percent females in formal employment and 2 percent of males in informal employment had access to pension. Although the trend looks promising, the data suggest that

[21] http://gsop.gov.gh/medi/message-from-national-co-ordinator/168-letter-from-the-national-coordinator-september-2014-edition. Letter from the national coordinator – September 2014 edition. 17 September 2014

despite the increase in Ghana's population, more people are deprived of social protection, particularly those in informal employment.

In the event of injury on the job, the Workman's Compensation Act 1987 exists to assist workers in seeking compensation. The Act stipulates that 'where an employee sustains personal injury by accident arising out of, and in the course of employment, the employer is liable to pay compensation in accordance with the Act'. In effect, the purpose of the Act is to ensure that injured employees are treated fairly by not suffering a reduction in earnings whilst undergoing treatment for injuries sustained through an accident arising out of, and in the course employment. Where death results from the injury, compensation is paid to the dependants or relatives of the deceased employee. In Ghana, other non-wage benefits have become important components in the determination of workers' compensation schemes. Some of these benefits are statutory (e.g., Social security contribution, paid sick and maternity leave, and paid annual vacation), other non statutory benefits include free/subsidised transport, free/subsidised housing, and interest free loans) have been achieved through collective bargaining. These benefits not surprisingly are mostly enjoyed by formal sector workers relative to their counterparts in the informal sector.

The government of Ghana in 2003, introduced the National Health Insurance Scheme (NHIS) with the aim to remove financial hindrances to access to health care with particular emphasis on the poor and vulnerable in society. Health care is therefore accessed in both public and private accredited health care institutions through the provision of a valid NHIS card by registered members. In 2012, 36 percent of the total population had coverage under the NHIS, this compares with 33.4 percent of the total population in 2011 (GSGDA, 2010-2013).

In 2008, the government of Ghana implemented Livelihood Empowerment Against Poverty (LEAP) Social Grants Programme. The LEAP provides conditional and unconditional cash transfers to targeted groups in the population. The intention consequently, is to empower and help such targeted individuals and households by providing for their basic needs and facilitate their being able to access and benefit from existing government interventions in areas such as education and healthcare.

The conditional cash transfer which is targeted at the extreme poor provides them with a reliable minimum income aimed at ensuring a minimum level of livelihood security and to increase their ability to plan for the future. The conditions for the conditional cash transfer include sending children to school, not allowing child labour, enrolment of family members on the National Health Insurance Scheme and birth registration of all children in the household. Unconditional grants are targeted at individuals who cannot work such as the elderly poor and persons with severe disabilities.

3.National Development Strategies

A. National Development Policy Frameworks

Ghana has since it gained independence in 1957 has pursued with varying degrees of success development strategies championed by successive governments under both constitutional and military dictatorships. The overarching aim has been to accelerate economic growth, reduce poverty and inequalities with the ultimate aim of improving the well-being of the average Ghanaian. As indicated by Asante and Owusu (2013), Ghana's vision as espoused in the various development strategy frameworks was generally on track during the late 1950s and 1960s. However, in the 1970s, successive military coup d'états coupled with economic mismanagement and social disintegration disrupted Ghana's development plans.

In line with Article 36(5) of the 1992 constitution Ghana's development strategies have been guided by policy frameworks drawn by the successive governments under the Fourth Republican Constitutional rule. The policy frameworks include; Ghana's Vision 2020 (1996-2020) – 1996-2000; World Bank/IMF sponsored Interim Poverty Reduction Strategy Paper (I-PRSP)- 2001-2002; Ghana Poverty Reduction Strategy (GPRS I) – 2003-2005; Growth and Poverty Reduction Strategy (GPRS II) – 2006-2009; and The Ghana Shared Growth and Development Agenda (GSGDA)- 2010-2013

I. *Ghana's Vision 2020*

This policy framework was aimed at making Ghana a middle income country within 25 years (i.e. 1996-2020). The framework was to be implemented in five successive 5-years periods with the first period over 1996-2000. The overall aim of Vision 2020 was to consolidate the gains made under the ERP/SAP and to lay a strong foundation for the accelerated growth and development of Ghana over the period 2001-2020. The key areas that were targeted included creating an enabling environment for economic growth, rural and urban development, human development and infrastructure development. The following targets (shown in Table 12) were set for each of the key areas.

II. *Interim Poverty Reduction Strategy Paper (I-PRSP)*

The expectation when Vision 2020 was launched was that it was to enter its second phase in 2001. This was however not the case as the Government in 2001 suspended the implementation of the Vision 2020 policy framework. This was necessitated by the decision of Government to subscribe to the Enhanced Heavily Indebted Poor Countries (HIPC) initiative, a decision Asante and Owusu (2013) indicated was a significant milestone in the evolution of Ghana's development framework/strategies and economic policy management. The decision to apply for HIPC was taken against the background of weak macroeconomic fundamentals and a huge debt burden. Ghana as at the end of 2000 was saddled with a large fiscal deficit of more than 20 percent of GDP, high inflation of about 40 percent, exchange rate depreciation of about 50 percent and interest rates hovering above 40 percent. In addition Ghana had only three weeks of import cover as international reserves, giving an indication of a very precarious situation.

According to Thompson (2003), the rationale for Ghana opting for the HIPC initiative was mainly meant to reduce the debt burden and to free up resources for accelerated poverty reduction. To benefit from the debt relief Ghana was required to prepare a Poverty Reduction Strategy paper for 2001-2002. The I-PRSP, which, at the urging of Ghana's development partners especially the IMF and World Bank, was developed in June 2000 was a last-ditch effort to rescue the plunging Vision 2020 policy framework. Given its superficiality, I-PRSP seemed more designed to meet specific conditionalities in exchange for aid from the development partners rather than an earnest attempt at national development. With the change in government in 2001, fresh inflows of foreign assistance as well as to be able to get the full benefits of the HIPC initiative, the I-PRSP was transformed into a new national development policy framework, GPRS I formulated and implemented over the period 2003-2005.

Table 12: Ghana's Vision 2020: Key Areas and Rationale

Key Areas	Rationale	Goals and Policies
1. Creating an enabling environment	To encourage private domestic and foreign investment	• Establish an open and liberal market economy • Create science and technology culture • Improve legal and administrative framework
2. Rural, Urban Development	To reduce disparities between the income and standards of living of rural and urban populations	• Judicious allocation of public investments in favour of rural areas • To adequately equip small and medium sized towns and cities to play the role as service centres for rural hinterlands
3. Human Development	To develop appropriate human resources for development	• Reduce population growth rates • Reduce infant and child mortality and morbidity • Improve food security and nutrition • Increase access to safe water and sanitation, good health and adequate housing, • Achieve universal basic education and adult literacy especially among females • Increase access to secondary, vocational and tertiary education • Improving the technical and vocational training of the labour force
4. Infrastructure Development	To lay a strong foundation for accelerated growth	• Build adequate economic and social infrastructure especially in rural areas • Reforms to public administration and the legal system.

Source: Government of Ghana (1995)

III. The Ghana Poverty Reduction Strategy (GPRS I) – 2003-2005

Although GPRS I reflected on the key policy areas of Vision 2020, it represented a considerable improvement in terms of breadth, depth, and analytical clarity, over its immediate twin predecessors, the first step of Vision 2020 and the Interim Poverty Reduction Strategy Paper (I-PRSP). GPRS I which was aimed at putting the economy on a sound footing sought to restore macroeconomic stability with a clear policy focus on production and gainful employment; human resource development and basic services; special programmes for the poor and vulnerable especially women and good governance. Indeed in most respects GPRS I broadly reflected a policy framework with all intent and purposes to fight poverty in line with the UN's Millennium Development Goals (MDGs).

To improve conditions that would ensure faster reduction of poverty in Ghana, there were specific measures under GPRS I that were undertaken at the district levels. Funds were made available to the district to carry out pro-poor projects. At the national level, Government increased the share of resources devoted in the budget to provide rural infrastructure and to establish district mutual health insurance schemes.

As a result of the attainment of relative macroeconomic stability through prudent fiscal and monetary policy, Ghana reached the completion point of the Enhanced HIPC Initiative in July 2004 (earlier than expected). Outright debt cancellation of about US$2 billion was offered by the Paris Cllub of bilateral creditors with an additional US$2 billion to be cancelled within 20 years. In 2006, under the Multilateral Debt Relief Initiative (MDRI) of the G-8 countries, Ghana enjoyed an additional debt cancellation of US$4.2 billion of outstanding foreign debt. Under these debt relief initiatives Ghana was expected to use 80 percent of the savings from the debt relief to carry out pro-poor or poverty-related expenditures and the remaining 20 percent to reduce its domestic debt. Indeed, poverty-related expenditure of government increased from 4.7 percent of GDP in 2001 to about 9 percent of GDP in 2005. In addition the burden of domestic debt servicing was also reduced significantly. It declined from about 29 percent of GDP to about 15 percent.

As noted earlier, these debt relief initiatives coupled with the relative macroeconomic stability enjoyed as a result of the prudent policies pursued translated positively into higher growth rates. As shown in figure 1 real GDP growth rate increased from 3.7 percent in 2000 to almost 6 percent in 2005. Real GDP per capita growth rate also increased from 1.3 percent in 2000 to 3.2 percent in 2005. The proportion of Ghanaian who live under the minimum acceptable level of livelihood declined from 39 percent in 1998/99 to 28.5 percent in 2005/06. The substantial decline in poverty levels put Ghana on the road to achieving the MDG of reducing poverty by half before 2015. Inflation rate declined from 32.9 percent in 2001 to 12.6 and 15.1 percent in 2004 and 2005 respectively (see figure 5). Interest rates declined while the cedi remained relatively stable against all the major international currencies. For instance against the U.S. dollar the cedi depreciated by 51.1 percent in 2000 and this declined significantly to 3.6 and 0.7 percent in 2004 and 2005 respectively.

IV. The Growth and Poverty Reduction Strategy (GPRS II) – 2006-2009

Although Ghana achieved some success in terms of growth and poverty reduction there were significant challenges to overcome. The structure of the Ghanaian economy failed to transform in spite of the continuous growth. Agriculture remained the mainstay of the economy (in terms of employment and export receipts) although over time the services sector was growing at a faster rate. Ghana continued to rely on its traditional exports, cocoa, gold and timber, with little diversification and a weak industrial base that is not properly linked with domestic resources. Domestic production was based on inefficient technologies and there was little diffusion of production technologies. The infrastructure base to support industrial production was weak. Gains from growth was unfairly distributed, public sector reforms was slow, public sector wage bill was huge, there was high youth unemployment which remained a threat to social unity and peace and massive brain drain especially among health professional etc.

The second poverty reduction strategy paper, known as the Growth and Poverty Reduction Strategy (GPRS II) was formulated to be implemented between 2006 and 2009. It emphasized policies and programmes that were to ensure faster growth of the economy and support wealth creation and poverty reduction. The overriding goal of GPRS II was to pursue growth inducing and poverty reduction policies and programmes that will ensure that the income of the average Ghanaian increased to the level enjoyed by middle income countries by 2015. This was expected to be achieved through private sector-led structural transformation of the economy, diversification of the export base and increased agricultural productivity within a decentralized, democratic environment The Ghanaian Government was desirous of ensuring that not only will prices remain stable, interest rates low enough to provide affordable credit to the private sector and the cedi very stable but also the Government envisaged such continued macroeconomic stability measures would encourage trade and other business activities within the domestic economy as well as with bilateral trading partners.

The agricultural sector was expected to play a leading role by providing the necessary inputs needed for a vibrant agro-processing industrial sector to drive the growth process in the medium to long term. In order to achieve accelerated growth in Ghana's agriculture sector, GPRS II introduced key interventions /measures including supporting 'strategic research and development activities, appropriate financing for the sector, value addition and improve marketing, efficient organization of production, and enhanced capacity of producers' (Government of Ghana 2005, p. 25).

At the same time, the GPRS II was expected to provide direction with regards to the adoption of an overall social protection policy aimed at empowering the vulnerable and excluded especially women to contribute to and partake in the benefits of economic growth. This was expected to ultimately ensure sustained reduction in poverty. There were four key pillars under GPRS II, which in fact was a regrouping of the five themes under GPRS I. These pillars included continued macroeconomic stability; improving private sector competitiveness to accelerate growth; Vigorous development of the Human Resource base and good governance and civic responsibility.

The need to continue pursuing prudent fiscal and monetary policies to ensure macroeconomic stability was to provide the necessary business and investment environment needed for the private sector to thrive. The wealth that was expected to be created under GPRS II was expected to come from the private sector. Thus by ensuring that the right environment was provided, meant that the capacities of the private sector will be enhanced to lead the wealth creation effort first in the agriculture sector, then industry and other emerging sectors such as ICT and tourism.

With regards to improving private sector competitiveness, GPRS II focused on policies that had the potential to strengthen the capacity of the private sector to lead the growth of the economy. Policies to enhance the capacity of the private sector were expected to position Ghana's private sector to expand into domestic and international markets, to produce goods and services that are of high quality at a lower cost and that can be sold at home and abroad. In addition the policies were expected to strengthen firms' competency and capacity to operate effectively and efficiently, facilitate private sector access to capital and adoption of technological innovations. Under private sector competitiveness the GPRS II also sought to make agriculture and fisheries profitable so as to provide food for the increasing population, provide raw materials for local industries and to produce for export markets. In addition, GPRS II sought to promote trade and industry, develop and promote ICT, promote tourism, support efforts to improve the regulatory and institutional environment and maintain and expand transport and energy infrastructure and science and technology.

Under pillar 3- developing human resources, GPRS II sought to provide services aimed at ensuring that the country's youthful population was well-trained, disciplined and healthy. It was the expectation that such population would be in a better position to create more wealth for the country on continuous basis to achieve the socio-economic goals and objectives of Ghana in the medium term. The critical areas of human resource development that GPRS II gave attention to included education, training and skills development, sports development and access to quality of health care. In addition GPRS II also focused on population management, access to safe water and adequate environmental sanitation, adequate housing and slum upgrading and social protection.

With regards to education, training and skills development, priority policy interventions that were meant to provide faster growth at all levels of the education sector included increasing access to and participation in education and training, bridge the gap between female and male access to education, improve the quality and efficiency of teaching and learning and promote science and technology education at all levels of education especially girls. Outside the formal education system, training and skills development was meant to upskill the many young people who did not have the skills and know-how to get jobs in the labour market. Most of these unemployable young people (aged above 15 years) had either not been school or dropped out at the primary/JHS levels or completed JHS/SHS/informal training but needed retraining to enhance their access to the labour market or disabled.

V. The Ghana Shared Growth and Development Agenda (GSGDA) - 2010-2013

The Ghana Shared Growth Development Agenda- a medium-term development policy framework seeks to address the challenges and set-backs under GRPS II. GSGDA was also programmed to accelerate employment creation and income generation for poverty reduction and shared growth. Within the context of constitutional requirements, GSGDA which commenced in 2010 was anchored on the following themes:

- Ensuring and sustaining macroeconomic stability;
- Enhanced competitiveness of Ghana's private sector;
- Accelerated agricultural modernisation and natural resource management;
- Oil and gas development;
- Infrastructure, energy and human settlements development;
- Human development, employment and productivity; and
- Transparent and Accountable Governance (Government of Ghana, 2010a, pg. xii).

In order to position the private sector to play the pivotal role in Ghana's economic growth and transformation, various policies have been pursued under the Ghana Shared Growth Development Agenda (GSGDA) to enhance the competitiveness of the private sector. The policies that have been pursed to enhance competitiveness have been geared towards removing the core constraints that inhibit the growth of the private sector. The rationale is for the private sector to partner Government and other stakeholders in the transformation of the Ghanaian economy through modernized agriculture, and the exploitation and processing of Ghana's natural resource endowments.

The key strategies contained in the GSGDA for enhancing the competitiveness of the private sector are: private sector development; good corporate governance; development of viable and efficient micro, small and medium enterprises (MSMEs); accelerated industrial development; development of the tourism industry; and the promotion of the creative industry.

With regards to employment and human development, GSGDA recognises that the ‘acquisition and application of knowledge and skills in solving problems in society are essential aspects of the national development efforts aimed at achieving growth and social equity. Worsening income inequalities and other human development indicators in areas such as education and skills acquisition, health, employment, productivity, social protection, poverty reduction are indicative of major socio-economic challenges to most developing countries including Ghana. In the medium to long-term, efforts at the structural transformation of the key sectors of the economy to raise living standards and productivity as the bases of wealth creation and the optimization of the potential of the economy will continue to stall in the absence of a well-educated, skilled and informed population’ (Government of Ghana, 2010a, pg xvi). To this end GSGDA seeks to addresses issues in the education sector; human resource development, productivity and employment; health promotion including HIV/AIDS and STDs; population management, including migration and development; youth and sports development; ageing; disability; poverty reduction and social protection.

The GSGDA recognises that enhancing productivity and creating employment opportunities especially for the youth are crucial for achieving Ghana’s medium-term policy goals. In that direction Ghana is developing ‘a national productivity measurement framework and capacity enhancement programmes in both formal and informal sectors of the economy. In addition to address the increasing unemployment especially among the youth, employment issues are expected to be mainstreamed into the development planning process at all levels’(Government of Ghana, 2010a, pg xvii).

B. Industrial Policy

Ghana’s industrialization strategy as contained in the National Industrial Policy of 2011[22] aims at creating ‘an industrial architecture based on value-added processing of Ghana’s natural resource endowments’ through the private-sector led accelerated industrial development strategy. (Government of Ghana, 2010b).

Among the key development objectives of the industrial policy are:

- To expand productive employment in the manufacturing sector
- To create a modern productive economy with high levels of value-addition
- To expand technological capacity in the manufacturing sector
- To promote agro-based industrial development
- To promote spatial distribution of industries in order to achieve reduction in poverty and income inequalities
- To provide consumers with fairly priced, better quality products and services and
- To make firms within the industrial sector especially manufacturing firms competitive on both domestic and international markets (Government of Ghana, 2011b)

Although the full spectrum of industrial policy initiatives have been categorized into 4 main components, namely Production and Distribution; Technology and Innovation; Incentives and Regulatory Regime and Cross-cutting Issues, this report discusses these policy initiatives under the Institutional and Regulatory

[22] Its strategic thrust is derived from the key development planning frameworks of the Government of Ghana, namely GRPS I and II and GSGDA. Source http://www.ghana.gov.gh/index.php/information/policy-documents/6108-ghana

framework and Industry Sector specific policies. The discussion on Technology and Innovation is contained in section 4 (A) of this report.

I. The Institutional and Regulatory Framework

The institutional and regulatory environment within which the private sector operates is crucial to efforts aimed at achieving growth and economic transformation. The institutional and regulatory framework will be designed to remove the constraints to private sector growth and investment. The regulatory environment will be streamlined and Ministries, Departments and Agencies (MDAs) will be primed to be more responsive to private sector needs.

Without a specific policy strategy to compel the direct participation and involvement of Ghanaians there will be little job creation[23].

The institutional and regulatory policies to boost industrial production include:

- ✓ Ensuring easy access to business registration and acquisition of permits.
- ✓ Strengthening the capacity of relevant institutions to delivery efficient services countrywide.
- ✓ Promoting harmonious labour and industrial relations in the manufacturing sector to increase productivity by;
    - ➢ strengthening the National Labour Commission with resources, capacity and establish a network of regional offices to effectively implement the Labour Act
    - ➢ expanding and intensifying the education of all stakeholders on the Labour Act
    - ➢ updating labour market information is available for all stakeholders
    - ➢ in consultation with stakeholders develop a National Productivity Programme linking training, staff development and remuneration with productivity
- ✓ formulating and implementing appropriate laws to ensure that Ghanaians at all levels directly benefit from the industrialization process

A key role in promoting industrialization in Ghana is the development and effective use of national standards (both voluntary and mandatory), based on relevant international standards. In addition government efforts are geared towards facilitating coordination amongst the regulatory bodies in the development of technical regulations and improve the institutional capacity of regulatory bodies to enforce the application of Technical Regulations in industry.

II. Industrial Sector Specific Policies

Under the National Industrial Policy, the industrial sector specific policies include measures to:

[23] Government of Ghana (2010b)

- ✓ Strengthen the linkages between industry, and research and development institutions;
- ✓ Decentralization of industrial development to exploit the resource endowments of districts;
- ✓ Establishment of new and emerging industries such as petrochemicals, fertilizer and LPG cylinders production on the back of the new oil and gas industry;
- ✓ Establishment of manufacturing enterprises to process agricultural produce, especially beans, fruits and shea nuts;
- ✓ Exploitation of the limestone deposits in northern Ghana for the production of cement, as well as utilization of the significant clay deposits in the country for the production of bricks and other building materials to support the programme for the construction of affordable housing units;
- ✓ Rejuvenation of the textile industry in an integrated manner, from seed production to spinning to ginning, and printing;
- ✓ Establishment of integrated shea-butter processing factories in the three northern regions, targeting the processing of 50,000 tons of shea butter per annum for both local and international markets;
- ✓ Rehabilitation of abandoned but viable manufacturing enterprises, including the jute factory, tomato cannery, gold refinery and ceramics production;
- ✓ Establishment of a second oil refinery in the Western Region to boost the production of petroleum products for exports and for national energy security; and
- ✓ Review and implementation of plans for an Integrated Iron and Steel Industry.
- ✓ Establish Industry Support Centres to assist firms become internationally competitive;
- ✓ To seed and facilitate the creation of industrial anchors, and deploy the full benefits of existing free zone, export zone and related investment laws to accelerate industrial development

Over the period since independence Ghana has refocused its development strategies from an initial socialist ideology promoted by Dr. Nkrumah's CPP government. It was underpinned by the import substitution industrialisation policy which failed to get Ghana along the paths pursued by the fast growing Asian "Tigers". Successive governments have tried moving towards export promotion underpinned by a market driven economy and IMF/World Bank policy prescriptions. Thus there has been no conflicting visions as to the future of Ghana with regards to formulation of development programmes policies. Rather there has been a change in visions.

4.Technological Upgrading and Productivity

A. Policies aimed at Technological Upgrading

Ghana's industrial sector is dominated by micro, small and medium sized enterprises. These firms are usually characterized by obsolete technology and a weak capital and human resource base. These features hamper their capacity to adopt new technology, innovate and improve on their competitiveness. Being cognizant of these difficulties facing firms the current industrial policy of Ghana seeks to strengthen the Science, Technology & Innovation (ST&I) base available to Ghanaian industrial firms. This is to be achieved through the strengthening of public research institutions, raising the ability of private firms to carry out Research & Development and absorb Technology and to support the outsourcing of S&T requirements of industries. There are plans to increase funding of public sector research that will enhance industrial competitiveness. Business development services and support for industrial firms undertaking and exploiting S&T for Innovation will be strengthened and expanded. Particular emphasis will be placed on increasing the capacity of micro, small and medium firms to absorb new technologies.

B. Policies to Attract FDI

Currently Ghana's policy towards FDI is contained in the Ghana Investment Promotion Centre (GIPC) Act of 2013 (Act 865)[24] which replaced the GIPC Act of 1994 (Act 478). One of the purposes of the 2013 GIPC Act was to extend the coverage of the Act to domestic investments as well. To that end, Act 865 eliminated most sectoral exemptions and embraced all sectors, including mining and petroleum enterprises, which were hitherto not covered by Act 478.

The new Act increased substantially the minimum capital investments that must be made by foreign companies from US$50,000 prior to the passage of Act 865 to US$500,000, and for a joint-venture from US$10,000 to US$200,000. "Trading" enterprises under the new Act are required to invest US$1,000,000 (up from US$300,000) and employ 20 skilled Ghanaian staff. With regards to incentive structure for FDI, Act 865 continues to grant massive incentives to foreign investors.[25].

To promote inward FDI by making Ghana an attractive destination for foreign investors, Ghana signed 28 International bilateral Investment Agreements (IIAs) and dispute settlement treaties, out of which 8 were in force. These include bilateral treaties with China, Denmark, Germany, Malaysia, the Netherlands, Switzerland, and the United Kingdom. Ghana also signed and ratified double taxation agreement treaties with Belgium, France, Germany, Italy, the Netherlands, South Africa, Switzerland and the United Kingdom. To prevent cross-border tax evasion and ensure compliance with national tax laws, Ghana has signed and ratified in October 2013 the Convention on Mutual Administrative Assistance in Tax Matters, a multilateral agreement developed jointly by the Council of Europe and the OECD[26].

It is instructive to note that under the new GIPC Act of 2013, Ghana increased the scope of economic activities/sectors that foreigners including ECOWAS citizen are exempted from participating in. Under the old Act of 1994 foreigners were exempted from participating in the "sale of anything whatsoever in a market, petty trading, hawking or selling from a kiosk at any place", operation of taxi and car rental services with fleets of less than 10 vehicles (increased to 25 under the new Act), and the operation of beauty and barber salons and lotteries. In addition the new Act (Act 865) has included the production of exercise books

[24] The Act can be assessed from: http://www.gipcghana.com/images/docs/laws/GIPC%20Act %202013.pdf.
[25] WTO (2014)
[26] WTO (2014, pg.36)

and basic stationary, the retail of pharmaceutical products, and the production and marketing of sachet water and printing of recharge scratch cards for sale to local subscribers of mobile telecommunication services.

C. Technological Upgrading and Labour Productivity

Table 13 shows labour productivity distribution across firms that were surveyed under the World Bank Enterprise Survey-Investment Climate Assessment Wave 2 from 2006. Labour productivity is computed as total annual sales divided by the total number of full and part time employees. The productivity distribution across all firms clearly shows the food sub-sector as that most productive and textiles the least productive sub-sectors. Older firms are also found to be more productive compared to younger firms, while foreign owned firms compared to domestic firms are significantly more productive. After controlling for firm size and educational background of management, Barthel et al. (2011) find that foreign firms are not significantly more productive than their domestic competitors. Evidence shown in Table 13 also indicates that the labour productivity of exporting firms is higher than the average productivity of non-exporting domestic firms, and contrary to expectations lower than the average productivity of all firms.

Table 13: Labour Productivity (USD, 2006 Values)

Sector	All firms	0-5yrs	6-10yrs	11-20yrs	20+yrs	Foreign owned	Exporting
Textiles	263.28		263.28				263.28
Garments	1,918.53	1,145.81	1,734.22	2,650.49	1,129.52	634.69	1392.88
Food	7,986.93	5,276.64	8,594.95	6,141.69	10,394.53	18799.35	4344.42
Other Man.	4,309.60	1,303.98	3,175.83	5,971.39	4,193.55	9220.37	7554.11
Construction	1,128.34			1,128.34			
All sectors	4,300.30	2,841.64	3,652.25	4,439.61	5,459.60	12,028.18	4,016.59

Labour productivity is computed as total annual sales divided by the total number of employees
Source: World Bank Enterprise Survey-Investment Climate Assessment Wave 2 (2006)

The food sector which was the most productive is shown in Table 14 to be the most skilled in terms of the number of years of experience of the top manager. Interestingly the textiles sector which was the least productive is also the least skilled (as shown in Table 14). Although our analysis of labour productivity, skills and wages clearly shows a high positive correlation between labour productivity and skills and labour productivity and wages per employee within the Ghanaian industrial sector, generally workers have been found to have low productivity and they are not adequately trained (Barthel et al 2011, p.403)

Table 14: Skills

Sector	Ratio of temporary to full time staff	Number of years of experience of top manager
Textiles	0.00	8.00
Garments	0.13	16.61
Food	0.10	17.87
Other Man.	0.15	16.99
Construction	0.00	14.00
All sectors	0.13	17.03

Source: World Bank Enterprise Survey-Investment Climate Assessment Wave 2 (2006)

In a related study Gorg and Strobl (2001) investigate whether skill-biased technological change (measured using imports of technology-intensive capital goods or exports) can explain the increase in relative wages of skilled labour in Ghana. Using data obtained from the RPED panel of manufacturing firms for the period 1991-1997, Gorg and Strobl (2001) found evidence of an increase in imports of foreign machinery accounting for technological upgrading.

In another paper by Gorg and Strobl (2002) on technological spillovers from foreign firms, they found strong evidence to show that firms whose entrepreneur worked in multinationals in the same industry prior to setting up their own firm are more productive than domestic firms. In addition, Gorg and Strobl (2002) did not find any such evidence for firms run by entrepreneurs who worked for multinationals in other industries. They therefore suggested that some of the multinationals' knowledge is industry specific and cannot be transferred to firms in other industries.

D. FDI Trends

Inward foreign direct investment (FDI) into Ghana has since 2009 increased substantially. This has been as a result of the discovery and subsequent commencement of production of oil and gas along the coastline of Ghana. Indeed from a value of $4.655 billion in 2008, FDI increased to about $7.55billion (in 2009) representing an increase in the FDI-GDP ratio from about 16 percent to 29 percent respectively. Since then FDI has increased annually and in 2013 was about $19.85 billion representing 44 percent of GDP.

Table 15: Trends in FDI (inwards), 1980-2013

YEAR	FDI (Millions of US$)	% of GDP	Ratio of Ghana's FDI Flows to Region's FDI Flows			
			World	SSA	SSA (w/o SA)	ECOWAS
1990-94	445.36	4.57	0.02	1.02	1.35	2.52
1995-99	1,087.04	9.48	0.02	1.54	2.17	3.89
2000	1,554.06	19.46	0.02	1.42	2.35	4.73
2001	1,643.36	19.29	0.02	1.54	2.29	4.78
2002	1,702.26	17.23	0.02	1.42	2.04	4.50
2003	1,812.28	14.82	0.02	1.20	1.93	4.34
2004	1,951.55	13.71	0.02	1.04	1.83	4.31
2005	2,144.55	12.47	0.02	1.06	2.02	5.32
2006	2,579.55	12.64	0.02	1.12	2.11	5.40
2007	3,434.93	13.87	0.02	1.23	2.33	5.93
2008	4,655.34	16.32	0.03	1.82	2.70	6.77
2009	7,552.34	29.07	0.04	2.19	3.66	8.99
2010	10,079.69	31.33	0.05	2.45	4.34	10.72
2011	13,327.28	33.68	0.06	3.15	5.05	11.97
2012	16,621.80	40.83	0.07	3.64	5.66	13.02
2013	19,848.13	43.93	0.08	4.18	5.94	14.20

Source: UNCTAD FDI/TNC database

Regarding the regional distributions of these FDI flows, the ratio of Ghana's FDI flows to that of ECOWAS has been increasing with the ratio more than doubling in the earlier parts of the 2010's, especially when compared to the ratios of the mid-2000's. When compared to that of Sub-Saharan Africa, the ratios were significantly lower though gradually increasing with or without South Africa. In fact, the difference in the ratio of Ghana FDI flows to that of Sub-Saharan Africa with or without South Africa appear to be widening overtime.

E. Diversification and Sophistication of Exports

Table 16 presents the index of economic complexity (sophistication)[27] for Ghana. As can be observed from the table, out of the 128 countries for which data was readily, Ghana has consistently ranked among the bottom 30 since 2000. Its ranking of 118 in 2012, shows the country has become relatively less sophisticated in its international trade and suggestive of not much progress in technological upgrading in production. This is somehow surprising when compared with the average rank of approximately 93 in the 1980's, when the country experienced its worst economic crises. Not surprisingly, the Economic Complexity Index (ECI) values for Ghana were mostly negative between 1980 and 2012.

Table 16: Trends in Economic Complexity (2000-2012)

Year	Overall Country Rank	Overall Country ECI Value	Gold	Crude Petroleum	Cocoa Beans
2000	107	-1.09	-0.91	-2.05	-3.08
2001	99	-0.90	-1.62	-2.35	-2.64
2002	113	-1.30	-1.50	-2.27	-2.44
2003	114	-1.11	-1.71	-2.32	-2.25
2004	103	-0.90	-1.65	-2.18	-2.20
2005	103	-0.89	-1.94	-2.41	-2.43
2006	105	-0.99	-1.94	-2.37	-2.31
2007	103	-0.85	-1.94	-2.66	-2.53
2008	100	-0.92	-2.01	-2.86	-2.61
2009	110	-1.22	-2.09	-2.87	-2.57
2010	110	-1.15	-2.31	-2.69	-3.08
2011	100	-0.81	-2.01	-2.66	-2.37
2012	118	-0.92	-1.63	-3.46	-3.07

Source: The Atlas of Economic Complexity database. http://www.atlas.cid.harvard.edu/

To get a better sense of what is included amongst the products in the ECI index, the Product Complexity Index (PCI) for Ghana's top 3 exports are included in Table 16. Ghana's exports are concentrated among the five products with the lowest product complexity index, i.e. cocoa and crude oil (Hausman et al (2013.).

[27] See Hausman et al (2013) for a discussion on the index.

5.Labour Market Restructuring

A. Motivation

The motivation for government intervention in the labour market is seen mostly to be due to market failure (imperfect labour market necessitates intervention to influence the level of employment and enhance access to jobs). Such interventions are intended to ensure reasonable growth of productive and sustainable employment to provide decent incomes and improve the standard of living of the citizenry. Effective employment policies consist of measures to stimulate labour demand through growth and improvement of labour productivity through human resource development and the removal of institutional rigidities. Ghana currently does not have a comprehensive employment policy, there however exists the National Service Scheme which provides temporary employment for tertiary school leavers to introduce them into the labour market for a period of one year.

The Ghanaian labour market has gone through some changes in the past two decades due mainly to globalisation and the withdrawal of direct government involvement in productive activities. Government policies prior to the economic reforms of the mid-1980s were characterised by direct state involvement and control of economic activity that accounted for an expansion of public sector employment in the 1960s and 1970s. Key among these policies were the creation of state enterprises in the early 1960s which substantially increased public sector employment and the mid-1970s Operation Feed Yourself program although temporarily (Baah-Boateng, 2008).

The late 1970s and early 1980s economic downturn prompted the inception of the IMF/World Bank sponsored economic reforms. The reforms led to a shift from direct state involvement in economic activities to the private sector. Consequently, due to the massive retrenchment that was undertaken as part of the reforms to reduce government's wage bill, labour was shifted from the public sector to the informal sector. For instance the more than 60,000 civil servants who left the public sector between 1987 and 1992 through enforced retirements, ghost removal, voluntary departures, and involuntary layoffs[28] turned to the informal sector for jobs (Sahn et al, 1997). Interestingly as noted by Sahn et al (1997), about half the retrenched civil servants had jobs after they were laid off from the civil service because they held a second job while in the civil service, in the informal sector or agriculture. It is instructive to note that a disproportionate number of redeployees were women. As noted by Sahn et al (1997), in Ghana, women comprised 35 percent of redeployees but only 21 percent of civil servants mainly because female recruitment into the civil service is a fairly recent phenomenon. Indeed women have fewer years of civil service experience than men and are thus more vulnerable to "last in first out" rule for the redeployment.

The government after realising the negative effect of the reforms on the labour market, introduced the Program of Action to Mitigate the Social Cost of Adjustment (PAMSCAD) in 1987. This included the establishment of community projects to generate employment for rural households, low income, unemployed and underemployed urban households and retrenched workers. The program was also meant to provide small enterprise credit to women and small scale miners and other activities. The agricultural sector program was also initiated to achieve food security and generate employment in rural areas. The idea of PAMSCAD came up at a 1985 Consultative Group meeting with the World Bank around the same time, UNICEF was in discussion with the government of Ghana about the preliminary results of research which

[28] A reduction of approximately 20 percent of the number of public sector employees

resulted in the publication of 'Adjustment with a Human Face' in 1987. The government of Ghana formally presented PAMSCAD at a consultative meeting in May 1987. Consequently, the program became a model for World Bank sponsored programs after formulation by a multi-agency team led by the World Bank. PAMSCAD was therefore an after-thought of stabilisation programs by the World Bank due to the social concerns of the international community about the costs of adjustment. The impact of PAMSCAD was however below expectation. Several other projects such as the Labour Based Feeder Road Rehabilitation and Maintenance Project (1986), Priority Public Works Projects (1987), Feeder Roads Project and Special Employment Schemes have been undertaken to help in employment generation. In 2006, the government launched a National Youth Employment Program (NYEP) to generate jobs for the unemployed youth. The program was designed to (i) provide employable skills to school dropouts; and (ii) find temporary job placements for the unemployed youth with educational qualifications and marketable skills. Employment schemes outlined above were all aimed at employment generation but these have had minimal impact on employment at the national level since the employment outcomes depend solely on the lifespan of each project (Baah-Boateng, 2008).

Overall, the expected long-run benefits of economic reforms in terms of employment generation and poverty reduction have not been achieved after two decades Baah-Boateng, (2008). Key among initiatives to reverse the deteriorating employment situation due to the reforms is the Heavily Indebted Poor Countries (HIPC) initiative which Ghana subscribed to in 2001. The Ghana Vision 2020, also sought to build employment promotion into all macroeconomic and production policies to reduce high levels of unemployment and underemployment in the country.

B. Formal Sector and Informal Sector Employment

Since the discovery of the concept, 'informal sector,' by Hart (1970) in Ghana's urban sector, there has not been an all-inclusive and generally accepted definition. Attempts made by different researchers and governments to define the concept have resulted in diverse definitions of then informal sector. According to Farrell et al (2000) 'currently there are two approaches to defining informal sector activity: the definitional and behavioural'. The definitional approach identifies an informal activity based on whether it is 'unrecorded in the official statistics such as the gross domestic product and /or the national income accounts'. Identification using the behavioural approach '…is based on whether or not activity complies with the established judicial, regulatory, and institutional framework' (Osei-Boateng et al, 2011; pg. 4). Since informal sector activity is not covered by regulation it is also not usually recorded in formal statistics (Obeng-Odoom, 2011; pg.7).

The beginning of the informal sector activities in Ghana can be traced back to the colonial era in the then Gold Coast. One important feature of the informal sector in the labour market is its heterogeneous nature, this goes back to the early stage of its development as it provided for varieties of peasant proprietors and agricultural labourers, distribution agents, buyers, transport owners and employees, porters, repairers, etc. (Ninsin, 1991; Adu-Amankwah, 1999). Over the period, instead of disappearing with modernisation, the informal sector has actually expanded. Hormeku (1998) estimates the size of the informal sector in Ghana to be 80 percent of the total labour force in 1998. The large scale retrenchment implemented as part of the structural adjustment programme and the inability of the formal sector to create jobs for growing labour force can explain the expansion of the informal sector.

Growing informality in Ghana is partly explained by low educational attainment. In 2006, about 31 percent of Ghanaians aged 15 years and above had never attended school. More than 50 percent of Ghanaians had attained only basic education and 16.2 percent had attained secondary education or higher. The level of educational attainment is higher among men than it is among women (GSS 2008) (Osei-Boateng and Ampratwum, 2011; pg. 5). This also explains women are more likely to be employed the informal sector. A look at the education profile of formal and informal sector workers in table 17 confirms the fact that low educational attainment in Ghana generally is a contributory factor to the dominance of informal sector in the economy. Overall, less than 10 percent of informal sector workers have secondary education or higher, this compares to 42.8 percent of workers with secondary or higher education in the formal sector.

Table 17: Education Profile of Formal and Informal Sector Workers, 1998/9

Level of Education	Formal	Informal
No education	12.8	47.4
Basic education	44.4	46.1
Secondary/Vocation/Technical	18.6	5.2
Tertiary	24.2	1.4

Source: Ghana Living Standards Survey 1998/9

In practice, it is widely accepted that the distinction between formal and informal economy is not too clear. Formal sector firms can subcontract work to informal sector companies (International Confederation of Free Trade Unions [ICFTU], 2004) or a retailer for a wholesaler. Informal sector workers may not always remain informal and may graduate into the formal sector (Asiedu & Agyei-Mensah, 2008). A formal sector worker could have a second job in the informal sector.

The informal sector covers a spectrum of economic activities including agriculture, manufacturing, commerce and construction among others. Informal employment can be grouped into four broad categories namely, self-employed with employees, self-employed with no employees (i.e. own account workers), paid workers and unpaid (contributing) workers. Self-employment dominates employment within the sector.

Tables 18 and 19 give a breakdown of employment status of workers in Ghana for 1998/99 and 2005/6. Overall, self-employment dominates informal sector activities contributing about 60% to employment within the sector across the two periods for both males and females but is particularly pervasive amongst females. On the other hand, wage employment within the sector contributes to less than 20 percent to total employment. Across the two periods however, we notice a decline in the share of wage employment in informal sector employment and an increase in the share of contributing workers in the sector. It is however important to note that despite the inherent weaknesses in the informal sector in terms of its ability to create decent jobs, the sector has been described by government as vibrant. Employment in the informal sector as a share of the total rose between 2000 and 2010. This indicates that employment generation over the period mostly occurred in the informal sector rather than the formal sector. According to Osei-Boateng and Ampratwum, (2011), as government continues to control public sector employment and private sector firms fold up or switch to importation as a result of unfair foreign competition, the formal sector will continue to shrink in its share of total employment. Particularly in Ghana where there are no appropriate social protection mechanisms (e.g. unemployment benefit) in place, informal activities have become survival strategies for many; between both young and old. The implication of this overall decline in formal sector employment is a contraction in the productive and gainful employment that is created in the formal segment of the labour market where earnings are relatively high.

Table 18: Employment status for workers age 15 and older 1998/99

Employment status	Male			Female			Both Sexes		
	Informal	Formal	Total	Informal	Formal	Total	Informal	Formal	Total
Wage Employment	33.9	100.0	59.2	8.9	98.7	17.8	17.1	99.7	35.1
Self-Employment	59.9	0.0	37.0	86.3	0.8	77.8	77.6	0.2	60.8
Contributing Worker	6.2	0.0	3.81	4.8	0.4	4.4	5.3	0.1	4.6
Total	100	100.0	100	100	100	100	100	100	100

Source: Ghana Living standards survey 1998/9

Table 19: Employment Status of workers age 15 and older 2005/6

Employment status	Male			Female			Both Sexes		
	Informal	Formal	Total	Informal	Formal	Total	Informal	Formal	Total
Wage Employment	14.7	100.0	27.2	3.9	99.6	8.9	8.8	99.9	17.7
Self-Employment	69.9	0.0	59.6	63.2	0.4	59.9	66.2	0.1	59.8
Contributing Worker	15.4	0.0	13.2	32.9	0	31.2	25.0	0	22.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ghana Living standards survey 2005/6

Table 20: Employment ratio and Institutional Sector of Employment, 1992-2012

	Ghana Living Standards Surveys				Census	
Category	Year					
	1991/2	1998/9	2005/6	2012/3	2000	2010
Employment –to-Population ratio						
Total	73	80.8	67.7	75.4	66.9	67.4
Male	71.4	86.7	70.7	78.3	--	69.3
Female	74.2	75.8	67.2	73	--	65.6
Institutional Sector of Employment						
Public	--	--	5.7	5.9	7.2	6.4
Private Formal	--	--	7	6.1	8.9	7.4
Informal	--	--	87.3	88.1	83.9	86.2

Source: Baah-Boateng (2013), GSS (2014), World Development Indicators of the World Bank

The private sector encompasses a wide range of economic activities and can be found in almost if not all sectors of the economy. In recent times, the sector has received considerable attention from both government and development partners particularly with the aim of developing and positioning the sector to support the public sector as a major source of formal employment. Analyses of employment data in table 20 below however suggest that the share of formal private sector in total employment remains small despite the increase in its share in total employment over the years although the sector's share to total employment declined in 2013. This signals that even though the formal private sector in Ghana remains vibrant, and continues to gradually expand, the growth of the sector has been slow to absorb significant amounts of the labour force. In terms of proportion of employment to total population by gender, Table 20 further indicates the proportion of males in employment since 1991/92 has always been more than females.

C. Sectoral Shares of Employment

The pattern of employment in the Ghanaian labour market is a reflection of the changing structure of the economy. Workers are expected to be drawn from primary economic activity into secondary and tertiary employment in succession as a country develops. Since the structural change which is an integral part of economic development involves shift in output from agricultural sector to industry (mostly manufacturing) and ultimately a stage of service dominance, the expectation is that employment will move from agriculture into industry and then services. Table 21 presents the distribution of the country's labour force participants in employment by industry of work. A cursory look at the table shows the changing structure of employment in Ghana over the years has not followed the expected path. Employment has gradually shifted from primary agricultural activities into services with a missing manufacturing and construction link over the years. Agriculture continues to dominate employment although since 2010, the share of the sector's contribution to total employment has declined to less than half of the working age population. Since agriculture remain the dominant employment in rural areas, the constant rural urban migration is a contributory factor the recent decline in the sector's share in employment in the country. The decline has however not significantly affected the contribution of the sector to GDP mainly because the sector is predominantly organised on informal basis with high levels of underemployment[29].

Table 21: Economic Sectors of Employment

	Ghana Living Standards Surveys				Census	
Category	**Year**					
	1991/2	**1998/9**	**2005/6**	**2012/3**	**2000**	**2010**
<u>Economic Sector of Employment</u>						
Agriculture	62.0	55.0	54.9	44.7	53.1	41.6
Industry	10.1	14.0	14.2	14.4	15.5	15.4
Manufacturing	8.2	8.3	11.4		10.7	10.8
Services	27.9	31.1	30.9	40.9	31.5	43.0

Source: GLSS 3, 4, 5 & 6 and Population and Housing Census 2000 & 2010

A disaggregation of employment distribution in industry by gender in Table 22 indicates a difference in the distribution of employment between males and females. Apart from agriculture, females are highly

[29] In Ghana, individuals who work below the national weekly work threshold of 40 hours are regarded as underemployed.

concentrated in services across all periods. Men are more likely than women to be employed in agriculture, construction, mining, electricity and water across all periods. Baah-Boateng and Ewusi (2013) note differences in the distribution of employment between males and females in Ghana with females dominating services and sales-related occupations and low-skilled elementary occupations.

Table 22: Employment Distribution by Economic Sectors for 15 Years and Older by Gender

Industry of Work	GLSS4 (1998/99)		GLSS5 (2005/06)		Census 2000		Census 2010	
	Male	Female	Male	Female	Male	Female	Male	Female
Agriculture, fishing, and forestry	60.8	51.5	60.4	51.4	53.4	51.1	46.2	34.2
Manufacturing	8.0	13.4	8.1	13.6	10.5	11.5	8.8	16.6
Construction	3.4	0.2	3.9	0.1	5.0	1.1	5.6	0.2
Mining, electricity, water and gas	2.1	0.1	1.5	0.4	2.5	1.2	3.2	1.4
Services	34.7	34.7	26.2	34.4	28.7	35.1	36.2	47.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Calculations from Population and Housing Census and GLSS4&5

D. State policies that link education and employment

Over the past two decades, the government of Ghana has made some efforts to influence the direction of economic activity to promote employment generation. As part of the measures to improve the link between education and employment, in 2004, the government developed a national policy on technical and vocational education training (TVET) to enhance technical and vocational skills for accelerated national development.

One other major policy initiative that is directly targeted at providing job opportunities for young people aged 15-35 years is the National Youth Employment Programme (NYEP) which started in 2006. The programme which was later renamed Ghana Youth Employment and Entrepreneurial Development Agency (GYEEDA) is meant to address youth employment challenges. Under the programme, young people regardless of their level of education are expected to be provided with opportunities to work temporarily and acquire skills to facilitate their transition into permanent work.

E. Trade Unions and Collective Bargaining

According to ILO convention No.154, 1981, “collective bargaining is negotiation about working conditions and terms of employment between an employer and a group of employees or one or more employees’ organisations with a view to reaching an agreement wherein the terms serve as a code of defining the rights and obligations of each party in their employment/industrial relations with one another”. This takes place at the enterprise level, sector or national level but collective bargaining generally takes place at the enterprise level. Collective bargaining at the national level is tripartite in nature as it involves the government, employers and employees, for which reason the name National Tripartite Committee in Ghana.

Collective bargaining began in 1957 when Ghana gained independence and joined the ILO and ratified Conventions 87 and 98 among other conventions. The Industrial Relations Act of 1958 incorporates the provisions of the ratified conventions and it laid the legal foundation for collective bargaining in Ghana. The 1958 Industrial Relations Act was later replaced by the 1965 Industrial Relations Act which recognised the right of public service workers to bargain collectively. The Industrial Relations Act 1965 was however repealed upon the passage of the Labour Act 651.

The Labour Act of 2003 (Act 651) provides the legal framework of collective bargaining. Under the law every union is required to have a collective bargaining certificate. This implies that the formation of a union does not automatically confer on the union the right to bargain for the class of workers it represents. Unions require a Collective Bargaining Certificate to be able to enter into negotiations about wages and conditions of service. Consequently upon registration, unions apply to the Labour Department which issues the Collective Bargaining Certificate through the Chief Labour Officer. Unions with collective bargaining certificates have the right to enter into negotiations with employers on behalf of the class of workers named in the bargaining certificate. To avoid conflict among workers in different unions, the labour department issues one certificate to one union for the same class of worker at a time. In instances where there exist two or more unions for the same class of workers even in a particular job, the law mandates the bargaining certificate to be issued to the most representative union with the expectation of cooperation from other unions. The law also allows collective bargaining certificate to change hands from one union to another. A typical collective bargaining agreement in Ghana is for an average of two years. Factors considered in wage negotiations include general economic trends and the ability of enterprise to meet wage demands. In the event of a deadlock in wage negotiations at the enterprise level, a conciliation officer is appointed reconcile the parties involved in negotiations.

Article 21(e) of the 1992 Constitution of Ghana, guarantees "freedom of association, which shall include freedom to form or join trade unions or other associations, national and international, for the protection of their interest". Article 24(3) of the constitution provides that "every worker has a right to form or join a trade union of his choice for the promotion and protection of his economic and social interests". These provisions are part of the entrenched clauses. Consequently, the right to form or join a trade union is a fundamental workers' right and is at the core of trade unionism. The Trades Union Congress of Ghana is the umbrella organisation for trade union activity in Ghana. Its main objectives are to unionise all workers in Ghana under a united trade union movement to secure social, political and economic justice and ensure that workers benefit from these through collective action.

Table 23: Proportion of Paid (Public Sector) Employees 15+ years Conditions of Service

Service Conditions	GLSS4 (1998/99)		GLSS5 (2005/06)	
	Male	Female	Male	Female
Signed Contract	52.8	52.0	44.8	47.0
Trade Union	47.9	44.3	39.0	37.1
Paid Holidays	61.8	63.4	48.6	53.1
Paid Sick Leave	66.7	62.3	46.9	22.1
Maternity Leave	NA	NA	2.6	4.4
Both Sick & Maternity Leave	NA	NA	4.3	30.9
Pension	36.2	31.5	39.4	39.8
Subsidised Medical Care	53.8	40.4	38.1	33.9
Other Social Security benefits	51.9	51.9	31.0	32.9

Source: Ghana living standards surveys for 1998/99 and 2004/5

Despite these legal guarantees the union density in Ghana is quite low. Our analysis of the Ghana Living Standards Survey 5 (GLSS V) for 2004/5 show only 36 percent of the working age population who had jobs during the reference period indicated the presence of trade union activities at their workplaces. In GLSS IV for 1998/99 however, approximately 67 percent of workers were working in unionised enterprises. Between males and females, Table 23 indicates the proportion of men in trade unions were more than women in 1999 and 2006 although union density fell across gender in both periods. This is an indication of a declining trend of unionisation in Ghana mainly because small firms are unlikely to have union activity.

F. Developments in Labour Market Regulation

Ghana joined the International Labour Organisation in 1957 and ratified many of the ILO Conventions including the 'core' Conventions that guarantee workers the right and freedom to form or join unions (Convention No. 87), the right to collective bargaining (Convention No. 98), abolition of forced labour (Conventions Nos. 29 and 105), and equal treatment (Conventions Nos. 100 and 111). In addition, several other conventions that sought to promote industrial harmony and welfare of were ratified. Overall, Ghana has so far ratified 46 ILO conventions.

The Labour Act No 651 of 2003 encompasses in one document the relevant provisions in former legislation and includes provision to reflect ratified ILO conventions. It covers all employers and employees in the country with a few exceptions such as those in strategic positions such as the Police Service, Armed Forces, Prisons Service and security intelligence agencies.

Ghana made the initial attempt at institutionalising social dialogue in 1972 by forming the National Tripartite Committee (NTC) by the government in power at the time which was the National Redemption Council (NRC) with the responsibility of fixing the national minimum wage. Negotiations under the NTC were however not effective because of perceived political affiliations of members. Tripartite consultations constituted of five representatives of employees, employers and government became more effective years later. The Labour Act of 2003 (s.112) gives the NTC statutory backing and broadens its scope of responsibilities (s.113) to include advising the Minister responsible for employment on all labour market issues, and on broader "matters of social and economic importance". In addition, settlement of industrial dispute and investigation of labour related complaints are carried out by the National Labour Commission which was established by the Labour Act, 2003 (Act 651).

The Labour Act requires that employment relationships are formalized with a written employment contract within a specified period. Article 12 of Act states that "the employment of a worker by an employer for a period of six months or more or for a number of working days equivalent to 6 months or more within a year shall be secured by a written contract of employment". However, due to the dominance of informal activity in the country most workers do not have employment contracts and even within the formal public sector, Table 21 indicates 52.8 percent of males and 52 percent of females in the public sector signed employment contracts in 1998/99. In 2005/06 however the proportion of workers who indicated they had signed employment contracts reduced to 44.8 percent among males and 47 percent for females. Within the public formal sector however, there is no significant difference between males and females in terms of employment contract.

Minimum wage provides the floor or foundation for the wage structure above which wages may be regulated by individual contracts or collective agreements or even by statutory wage board of a firm. In Ghana, the government, labour unions and employers play a significant role in the determination of the minimum wage by a Tripartite Committee in shaping the wage structure in the formal labour market. Because the Labour Act does not specify sanctions for non-compliance, the minimum wage is not effective especially with private sector employers. The minimum wage is determined by the technical committee of the National Tripartite Committee (NTC) based on the approved (official) formula which is:

$$\mathbf{NDMW_t = NDMW_{t-1}\,(1+RF_t)\,(1+PI_t) + PF}$$

Where $NDMW_t$ is the current national daily minimum wage, $NDMW_{t-1}$ is the previous national daily minimum wage, RF is the restoration factor (actual inflation less projected inflation), PI is the projected inflation and PF[30] is political factor. After the submission of the minimum wage by the technical committee to the NTC, the committee discusses the value to be approved based on negotiation with members (the reason for the political factor in the formula).

6. Connecting Local Enterprises to the Global Market

A. External Developments Regarding Global Markets

I. Trade Openness

Ghana's trade openness (trade as a percentage of GDP) which increased to its peak in 2000 and 2001 was driven mainly by the trends in imports. As shown in figure 10 imports as a percentage of GDP closely trended with trade openness more than the export share of GDP. Figure 10 below shows that export contribution to GDP increased steadily from 16.8 percent in 1990, to about 32 percent in 1999. In 2000 and 2001 it peaked at about 49 and 45 percent respectively. Since then it declined marginally to about 25 percent in 2008, and it was not until 2011 when it began to increase as a result of the production and export of oil. By 2013, this contribution had increased to 42.3 percent. A similar pattern is observed with regards to import share of GDP.

II. Composition of Exports and Imports

Historically, Ghana's exports have been classified into two broad categories: traditional and non-traditional. The major traditional export commodities continue to be minerals, cocoa, and timber, which together accounted for almost 76 percent of total export revenue in 2007 on account of rising commodity prices on the world market. Consequently, the country's economic base remains narrow and vulnerable to the vagaries of world commodity prices and supply shocks (World Bank, 2007). Studies that examine exporting among manufacturing enterprises have found that large firms are more likely to export than smaller firms (Baah-Nuakoh et al., 1996; Bigsten et al., 1999; Wolf and Sarpong 2008). This is largely because small firms may find it difficult to overcome the sunk costs associated with exporting. Table 24 also shows that

[30] The government plays a major role in the determination of the minimum wage as a major employer in the labour market. Consequently, after submission of the of the proposed value for the minimum wage by the technical committee, the National Tripartite Committee deliberates on an approved value by adding or subtracting from the proposed figure, hence the political factor in the formula.

the Ghana's imports in 2011 and 2012 have largely been machinery, electrical and transportation items. They constituted about 36.6% and 40.5% of the total imports in 2011 and 2012 respectively.

Figure 10: Trade Share of GDP

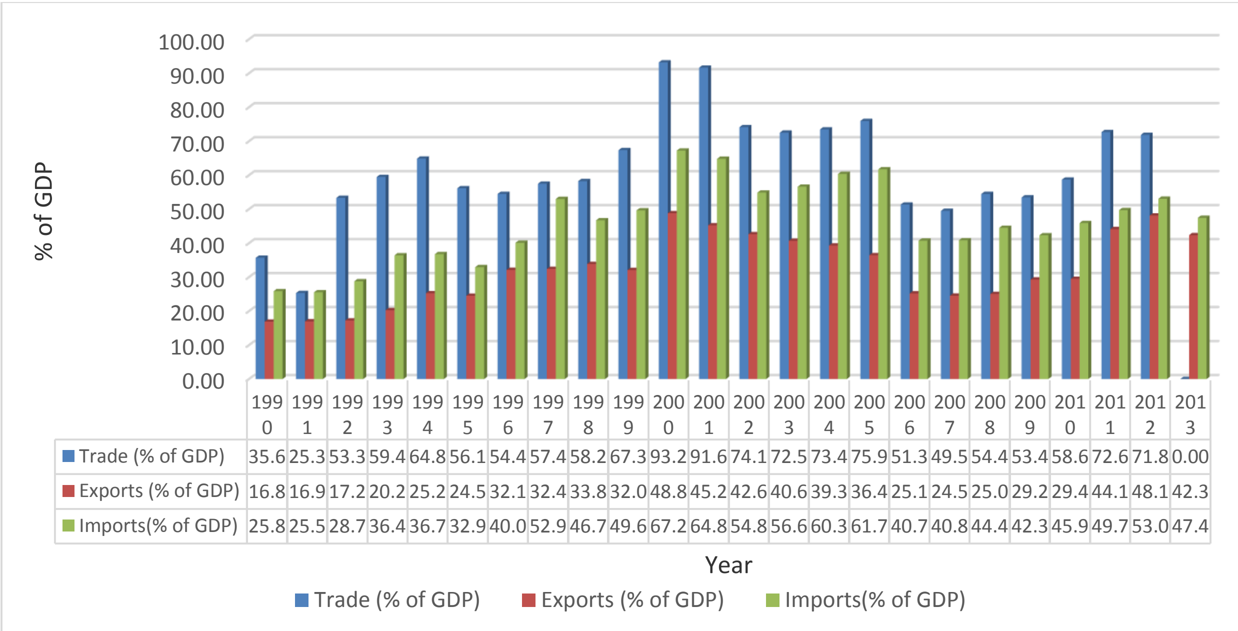


Table 24: Composition of Exports and Imports, 2011-2012

Product	Export Shares (%)		Import Shares (%)	
	2011	**2012**	**2011**	**2012**
Animal & Animal Products, Raw Hides, Skins, Leather &Fur	0.2	0.1	4.5	4.2
Vegetable products and Foodstuffs	7.4	18.9	10.4	9.4
Cocoa and Cocoa Processing	12.5	10.9	0.1	0.1
Mineral Products	40.8	25.3	3.6	5.5
Chemicals & Allied products, Rubber/Plastics	4.1	1.9	14.5	14.8
Wood & Wood Products	5.2	2.1	14.7	7.4
Textiles, Footwear/Headgear	1.6	0.6	3.1	2.8
Stone/Glass, Metals	27.4	38.9	10.2	11.8
Machinery/Electrical/Transportation	0.8	1.0	36.6	40.5
Miscellaneous and Service	0.2	0.3	2.4	3.7
All Products	**100.00**	**100.00**	**100.00**	**100.00**

Source: ITC (2014) Trademap Statistics

III. Direction of Trade

Ghana's main trading partner in terms of the destination for its exports remains the European Union, though its share of Ghana's exports declined from 52.5 percent over the period 2000-2004 to about 45 percent over

2008-2012. The low levels of exports to other SSA countries of about a tenth of total exports over the period 2000-2012 clearly indicates that sub-regional efforts to increase trade among SSA countries has not yielded much effort. China, India and other emerging and developing countries have gradually become an important destination of Ghanaian exports as these are the only destinations that have recorded increases in their share of exports from Ghana. From a share of about 14.2 percent over the period 2000-2004, these countries have recorded an increase to about 19.5 percent and 24.8 percent over the periods 2005-2007 and 2008-2012 respectively (table 25).

Table 25: Destination of Ghana's Exports (% Average), 2000-2012

Country/Region	Period (% Averages)		
	2000-2004	2005-2007	2008-2012
European Union	52.5	44.2	45.2
USA	8.2	6.2	5.6
Other Advanced	6.7	6.5	4.7
China	2.0	2.5	4.1
India	1.3	3.1	3.6
Other Emerging & Developing	10.9	13.9	17.1
Africa	7.8	10.3	9.4
All Others	10.3	13.3	10.3

Source: IMF Direction of Trade Statistics, Yearbooks

Although the European Union continues to record the highest share of imports, this has substantially declined from about 35 percent (2000-2004) to about 24 percent over the period 2008-2012. Over the period 2000-2013, Ghana's imports is increasingly being dominated by Chinese products mainly in the form of light manufactures. As shown in table 26, Chinese products made up about a fifth of Ghana's imports over the period 2008-2012, a substantial increase from about 9 percent over the period 2000-2004.

Table 26: Origin of Ghana's Imports (% Average), 2008-2012

Country/Region	Period (% Averages)		
	2000-2004	2005-2007	2008-2012
European Union	35.1	28.1	23.7
USA	7.0	5.1	7.1
Other Advanced	9.2	7.8	8.8
China	8.6	13.6	20.3
India	3.4	6.4	4.6
Other Emerging & Developing	10.1	12.7	12.2
Africa	25.0	24.5	22.0
All Others	1.8	1.8	1.4

Source: IMF Direction of Trade Statistics, Yearbooks

B. Trade Policy Regime

Over the past decade, Ghana’s international trade policy has been set in line with its long-term strategic vision of achieving a middle-income status by 2012 and becoming a leading agro-industrial country in Africa. Its underlying fundamental principle was to see the private sector as the main engine of growth. In that respect, the government has attempted to provide an enabling environment for the sector to thrive, through the stimulation of several private sector initiatives. More importantly, the design of the trade policies strategically fits into other key national development programs such as the Ghana Poverty Reduction Strategy and the Private Sector Development Strategy. Table 27 outlines the major trade policies between 2003 and 2013.

According to the WTO (2014) review of Ghana’s trade policy Ghana’s Trade and investment policy continues to feature prominently in Ghana's overall economic policy, as embedded in the GSGDA. As indicated in table 27, a focus of Ghana's trade policy reforms is improving export competitiveness and export diversification in terms of products and markets. Some progress has been made in terms of reducing the cost of business, investing in new infrastructure and removing barriers to trade and investment. The National Export Strategy for the Non-Traditional Export Sector, 2012-16, and National Export Development Programme provide guidelines for the implementation of Ghana's domestic and international trade agenda.

Ghana has not reversed its trade liberalization reforms. As noted by the WTO in its trade policy review of 2014, Ghana is one of the most attractive locations in sub-Saharan Africa for investment in sectors such as agro-food processing, down-stream oil, gas, and minerals processing, as well as the energy and mining-related services subsectors. As already noted elsewhere in this report, Ghana's impressive economic growth rates can be partly attributed to the significant expansion in trade. As shown in figure 4, exports, consisting essentially of three primary commodities (gold, crude oil, and unprocessed cocoa), more than doubled between 2008 and 2013 due to high world prices and increases in production, whilst imports increased from US$10.3 billion to US$17.6 billion over the same period.

Table 27: Trade Policy Matrix

	Key Policies	**Actions/Measures/Strategy**
2003 - 2005	1. Improve export competitiveness	1.1 Maintain competitive real interest rates 1.2 Improve import/export regime 1.3 Minimise incidence of dumping 1.4 Promote new areas of competitive Advantage
	2. Diversify export base	2.1 Take full advantage of preferential access to markets (AGOA, EU-ACP)
2006 - 2009	1. Improve import Competitiveness	1.1 Maintain competitive real exchange rates 1.2 Improve the import/export regime 1.3 Minimise the incidence of dumping
	2. Diversify and increase export base	2.1 Promote new areas of competitive advantage 2.2 Take full advantage of Preferential Access to markets such as AGOA, EU-ACP 2.3. Engage fully in Multi-lateral Trade negotiations
	3. Institute mechanisms to manage external shock	3.1 Maintain stable reserves

	4. Accelerate economic integration with other regional and/or sub-regional states	4.1 Implement the WAMZ programme 4.2 Work towards establishing a common customs union 4.3 Ensure that National Trade Policy reflects ECOWAS protocols 4.4 Strengthen links between industrial and trade policies
2010 - 2013	1. Improve export competitiveness 2. Diversify and increase exports and markets 3. Accelerate economic integration with other regional and/or sub-regional states	1.1 Maintain competitive real exchange rates 1.2 Improve the import/export regime 1.3 Establish the Ghana International Trade Commission to deal with unfair international trade practices 2.1 Promote new goods and services 2.2 Continue to take full advantage of Preferential Access to markets, such as AGOA, etc. 2.3 Continue to engage fully in Multi-lateral trade Negotiations 2.4 Negotiate the effective implementation of the ETLS with member countries 3.1 Implement the WAMZ programme 3.2 Implement the ECOWAS Community Development Programme 3.3 Ensure that National Trade Policy reflects ECOWAS protocols 3.4 Strengthen links between industrial and trade policies

Source: GPRS I, GPRS II and GSGDA I

Transit flows have almost doubled since 2008 because of improvements made to the transit system. According to the WTO (2014), Ghana has made progress in achieving low cost of registering property is low in Ghana and in reducing the cost of starting a business. The latter improvement has been achieved due to the introduction of a customer services desk at the one-stop shop.

However, Ghana still lags behind its neighbours and has stalled in progress when it comes to trading across borders comparing 2014 with 2007. For instance the cost to import a container increased from US$842 in 2007 to US$1360 in 2013 and to export a container from US$624 in 2007 to US$875 in 2013. According to the Doing Business Indicators, in particular, customs clearance and scanning procedural inefficiencies add to the time required to import.

With regards to exports, while the number of documents required to export remains at six, exporters of cocoa and gold have to surrender and convert their foreign exchange. While there are no specific requirements for those who export non-traditional goods, those exporting wildlife, timber products, precious minerals and fresh fish need export permits. Cocoa and hydro-carbons attract export taxes, but export tax on timber products has been abolished. In order to promote exports, an export processing zone scheme and a duty drawback mechanism are in place although there are delays in refunds of duty drawbacks. As part of the Gateway Project in Ghana, the Customs Excise and Preventive Services (CEPS) are improving on the efficiency of customs.

Two problems have however made it difficult for these efforts to realise their positive effects. The first problem comes from the projects own efforts to improve trade facilitation at the ports. CEPS, introduced destination inspection and transaction- based valuation of consignments and changed the way documents are processed. In addition, in an effort to reduce the importation of contraband goods, scanning processes of imports have been increased and the customs clearance system has been changed. Although these changes were meant to improve upon the efficiency of the ports, the transitional process has now worsened the delays in the already long clearance process. These delays have resulted in accrued interest charges on imports and further led to increased cost of inputs for exporters. The numerous compliance-checking agencies have slowed procedures further and add to their costs. The second problem is that there have been delays in paying duty drawbacks and VAT refunds on imported inputs. This makes exporting unattractive especially when the government has got no defined subsidy for exports.

To ensure that Ghana benefits from the discovery and production of oil and gas along its coastline, two sovereign petroleum wealth funds have been set up to manage petroleum revenues in a responsible, transparent, accountable, and sustainable manner for the benefits of the citizens. A new "Local Content and Local Participation bill has been passed into law that provides the Policy direction in Petroleum Activities. This bill stipulates that Ghanaian citizens should be prioritised in terms of employment in the petroleum industry, and should benefit from the country's resources. The bill seeks to "promote the maximisation of value-addition and job creation through the use of local expertise, goods and services, business and financing in the petroleum industry value chain and their retention in the country. An important part of the bill's requirements is the clause that "there shall be at least a five percent equity participation of an indigenous Ghanaian company other than the corporation to be qualified to enter into petroleum agreement or a petroleum licence

Ghana's tariff structure consists of four bands (i.e. zero, 5%, 10%, and 20%) with the last two applicable to more than 40% of tariff lines according to the WTO (2014). The share of bound tariffs under the GATT/WTO increased from 14.7% to 16.3% of total tariff lines after Ghana adopted the HS 2012 tariff classification.[31].

The export promotion package contains several measures to promote diversification. These include market access facilitation for export companies, technical advisory services on export product development, trade information services, and export-related human resources development. The Ghana Export Promotion Authority (GEPA) works in close cooperation with the UNCTAD/WTO International Trade Centre in Geneva to identify and support exports of new products. The Association of Ghanaian Industries is one

[31] Imports must be accompanied by: the original bill of lading or airway bill; an invoice attested by the exporter (customs form C.61); a packing list; an import declaration form (IDF); a final classification and valuation report (FCVR) issued by a destination inspection company; a tax clearance certificate (issued by the Internal Revenue Service)31; a taxpayers identification number; and an import permit, if appropriate.

other example of an association that facilitates trade. It is a private leading voice of the manufacturing and some service industries comprising about 1200 members. Its roles include supporting policies that promote growth of industries, mediation between its members and public institutions when the former is in distress, and trade promotion through organizing trade fairs both within and outside Ghana to allow its members to exhibit their products

C. Public and Private Sector Coordination to Link Firms to Global Value Chain

A global value chain (GVC) involves a variety of activities undertaken by firms from different geographical locations, from production to the point where the good reaches the final consumer. The fact that firms involved in GVC have to take up specific roles in the chain puts fewer burdens on the individual firms. This allows firms in developing countries to actively partake in trade across borders without having to worry about developing the other stages fully (Sturgeon and Memedovic, 2010). Despite this opportunity presented by GVC, firms in developing countries would have to meet some criteria to be able to actively benefit from this. Irrespective of the stage the firm finds itself in the value chain, it must meet some minimum quality, cost and reliability requirements (Bamber et. al, 2014). According to Bamber et.al (2014), having met these requirements, the firms' ability to remain competitive in the value chain process will be affected by the local institutional context within which they operate. These local factors include the productive capacity of firms, business environment, specific infrastructure and services, and industry institutionalization.

I. Strengthening the Productive Capacity of firms

To strengthen the production capacity of firms, labour should be relatively cheap and of good quality, standards and certification should be improved and there should be a national system of innovation (Bamber et.al, 2014). Within this context, a lot has been done in Ghana. One of the things that the government did was to set up an autonomous body, the Ghana Export Promotion Authority (GEPA). GEPA's focus was mainly on non-traditional exports as it was felt that the country was relying too much on its traditional exports. GEPA trains exporters and staff from companies that export to upgrade their export market skills[32]. Together with the Ministry of Trade and Industry, the GEPA also provides many export incentives to Ghanaian exporters, such as refunding corporate tax, offering competitive forex rates to exporters to change all the proceeds from the export, and giving them back a customs duty of up to 100 percent on imported materials that are used to produce the export product[33]. These are done to promote the growth of the supply base, hence, boosting their productive capacity.

Efforts in building the productive capacity of firms have also been made by some private bodies. More recently, the African Cashew Nuts Initiative Funded by the German Federal Ministry for Economic Cooperation and Development (BMZ), the Bill & Melinda Gates Foundation as well as private companies and public partners, has been set up to increase the incomes of farmers. As part of their programme, they have been able to train farmers on good agricultural practices and provided improved seedlings. Also, the

[32] Ghana Export Promotion Council website
[33] Ghana Export Promotion Council website

UNIDO State Secretariat for Economic Affairs (SECO) which was established in 2007, and funded by the Swiss Confederation through the State Secretariat for Economic Affairs (SECO) specifically sought to address Ghanaian producers' inability to meet international standards. The objective of the project was to increase Ghana's export performance. This goal was to be achieved through linking Ghana's export products to the international markets, improve the country's institutions to ensure that products meet international requirements, obtain internationally recognized accreditation and use internationally recognized practices which will improve the supply chain of horticulture commodity. The UNIDO project has brought several benefits that will enhance the competitiveness of firms globally.

First, through this intervention, the Ghana Standards Authority has reorganized its structure and built in a conformity assessment and standardization service to exporting enterprises. This has allowed small and medium enterprises in Ghana to increase their quality and safety of their products in a sustained manner. Producers now have the skill to assess the standard of their products to ensure that they conform to international standards (Bamber et.al, 2014). Second, the Ghana Standards Authority is now an accredited certification body that can serve the West African sub-region.

The UNIDO project has promoted the establishment of a national traceability system and strengthened its laboratories to provide reliable results for its priority export products. This was meant to strengthen the country's food value chain and guarantee the safety of the products. Ghana has now been able to acquire the tools needed for the traceability system to work and some staff has been trained to undertake this job.
The government has played a crucial role in building the productive capacity of firms. The Export Development and Agricultural Investment Fund (EDAIF) which was set up by the government in October, 2000, partners some institutions to provide technical support and even reach a marketing deal for its projects.

Cocoa Abrabopa[34] is a private initiative meant to improve the livelihoods and income of cocoa farmers through sustainable cocoa production. Members of this association are given practical scientific knowledge on cocoa farming and good agricultural practices; certification to ensure sustainable cocoa production; tailor made input packages such as fertilizers, fungicides and insecticides on credit; good governance and structure; state of the art warehousing solutions and access to a Cocoa Abrabopa Pension Scheme.

II. Infrastructural Development

As far as infrastructure is concerned, there should be improved transportation (especially because production processes are done in different places), improved ICT facilities which will aid the transmission of codified designs and create a medium for cross-border service export, and improved energy and water systems if firms are to remain competitive. As much as some effort is being put in place to create better infrastructure for firms to operate smoothly, a lot more still needs to be done. Good quality trunk roads are required to facilitate the transportation of goods from the hinterland to the city where markets are located. However, as indicated in section D II, the fact that the government is now concentrating on the construction of urban roads, and constructing less trunk roads, means that road transportation remains a challenge to the value chain process. Also, electricity and water supply needed to facilitate the value chain process still

[34] Cocoa Abrabopa means Cocoa for a better life.

remains a challenge[35].Thus, infrastructural problems have limited Ghana's involvement in the value chain process.

III. Business Environment

Another factor emphasised by Bamber et al (2014) that will enhance value chain process is to provide a conducive business environment. In providing a good business atmosphere, the macroeconomic indicators should be stable and the institutional and governance system within the economy must work effectively. In addition, the extent of bureaucracy, time and cost needed to process business documents for a new business to start should be minimal, and, these businesses should be able to access financial resources easily. Ghana in 2014 was ranked 67 among 189 countries in a World Bank ranking of doing business. However, in 2013, Ghana was ranked 62 out of the 189 countries. The introduction of the computerization system and customer service desk has reduced long procedures in registering businesses. These reforms have led to an increase in the number of registered businesses from the informal sector. With regards to finance, in addition to the numerous commercial banks that exist in the country, (EDAIF) provides financial resources to support and promote the non-traditional export sub-sector. This fund offers direct financial assistance to the firms. Specifically, the fund is intended to strengthen capacity, help in market research and develop infrastructure of firm activities that are geared towards exports. As a result, by 2010, it had committed GH¢11.7 million to a mango project in the savannah regions. About 10 percent of EDAIF's fund is from net proceeds received from divestiture carried out by the Divestiture Implementation Committee; 0.5 percent charge on imports of non-petroleum products and any other money the Minister of Finance in consultation with the Minister of Trade and Industry approves.

IV. Industry Institutionalization

With regards to industry institutionalization, there should be cooperation among private sector, government and industry stakeholders in order to remain competitive within the value chain. The Government of Ghana policy recognizes this importance and works with development partners such as UNIDO, SECO, USAID etc. Thus, as part of government's current plan to make firms producing non-traditional products competitive and promote their integration into the domestic and international markets, Ghana launched the Trade Sector Support Programme (TSSP) in 2005 which is the implementation plan for the National Trade Policy. The TSSP was designed to give specific details of the policy prescriptions embedded in the National Trade Policy that was to be undertaken every year. The projects mainly focused on improving structures of international trade negotiations, formulating and implementing trade negotiation strategies, ensuring fairness for all economic operators by having a transparent tariff regime, providing incentives to help boost domestic production, ensuring that goods are cleared quickly, making facilities at the port modern, efficient and adequate, creating a free port in Ghana. This project was to have come to an end in 2010. Yet, most of the objectives outlined have not been realized as at now.

Specific to agriculture, Ghana formulated and implemented the Food and Agricultural Sector Policy (FASDEP) which had started in 2002. In 2007, the Ministry of Food and Agriculture came up with FASDEP II. Since FASDEP II was in itself a plan, the next thing that had to be done to realize policy objectives was to have the Medium Term Agricultural Sector Plan (METASIP). METASIP was to provide a 2011-2015 investment guidelines for promoting the agricultural sector through a value chain approach.

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[35] Refer to section DII and DV of this document for more information.

In implementing METASIP, a great deal of attention has been focused on reviewing seed laws to help the private sector market improved inputs. Also, patent laws are being considered to help reward agricultural scientists who come up with new ideas. These efforts made have increased the production of certified seeds and planting materials (Ghana Country Report, 2013). Improved laboratory services by the Ghana Standards Authority have ensured that Ghanaian mangoes and bananas enter new markets such as Lebanon and South Africa. METASIP is being implemented alongside initiatives that government and some international donors have undertaken to reinforce the integration of firms into the international market.

Following METASIP, the government signed a Comprehensive Africa Agricultural Development Program (CAADP)[36] compact in 2009. After the CAADP was signed, a review was conducted by the Ministry of Food and Agriculture and other stakeholders. This review suggested that the principles of the METASIP and CAADP were similar, and thus, it became easier to align the former with the latter. In 2010, CAADP for instance played a large role in reviewing the plan and aligning donor support. One major outcome is the African Cashew Initiative (ACI). The ACI is an intervention funded by the German Federal Ministry for Economic Cooperation and Development, Bill and Melinda Gates Foundation and some private and public companies. The purpose of this initiative was to increase incomes of farmers and ultimately reduce rural poverty. As part of its plans, it provided training for about 37500 farmers on Good Agricultural Practices (GAP) and, quality control of cashew nuts in 2012, and increased the existing processing capacity of 4,000 metric tons in 2009 to 8,900 metric tons in 2012 (ACI country report, 2013).

7.Conclusion

This paper provides a broad overview of developments in Ghana's economy particularly over the last two decades and is intended to provide the back drop for further study on technological upgrading and foreign direct investment on the one hand and connecting local firms to the global economy on the other and the link of each of these issues to employment.

The reforms and policies begun in 1983 have aimed at improving output and efficiency and attaining greater integration in the global economy. Ghana's integration into the global economy has increased since the start of the reforms but the nature of its links has not changed – it is still heavily dependent on the export of primary products. Its economic complexity has not improved very much despite the increasing openness of the economy. It would have been expected that greater trading links and foreign direct inflows would increase the opportunities for technological spillover and upgrading. Technological upgrading however is not determined only by links with foreign firms through investment and trade but also by the quality of the work force, state of local infrastructure and the incentives that the general macroeconomic context provides for this to happen. The link between technological upgrading and employment are the issues that will be investigated in the next phase of this project.

[36] CAADP is an African- led initiative set up by the African Unions NEPAD programme to raise the amount of foods and make exports more profitable.

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