



Ghana Country Study-Policy recommendations

Growth rates rose in 2010 and 2011 but could not be sustained. Relative macroeconomic stability and the production and export of oil played an important role in this growth surge. Agriculture's share of national output has developed a downward trend whilst the spurt in industry's share is attributable largely to the start of oil production in 2011. Manufacturing, however, appears to be on the decline. Most workers do not work in conditions that meet the criteria of decent work. This is largely because the majority of the work force is employed in the informal sector largely as own account workers. Although estimates of unemployment using official data suggest relatively low unemployment rates, youth unemployment rates are almost double these estimates and the incidence of underemployment is large. Primary products still dominate Ghana's exports although the economy is less vulnerable to fluctuations in world cocoa prices since cocoa now comprises about a third of total export revenue. Ghana thus faces the challenge of improving and sustaining its growth rates, successfully diversifying its export base from primary products and expanding employment opportunities under conditions of decent work.

The implementation of fiscal and monetary policies aimed at achieving macroeconomic stability, growth and poverty reduction is paramount. The exchange rate policy must be consistent with the export-led policy espoused in policy documents. This requires consistency of the fiscal and monetary policy objectives with exchange rate objectives. With a stable macroeconomic environment that is private sector friendly, trade and other business activities within the domestic economy as well as with bilateral trading partners should increase substantially. The creation of a business friendly regulatory environment will reduce the cost of doing business and hopefully encourage the establishment of domestic and foreign firms in the formal sector and the formalisation of informal firms. In addition constraints that firms face in accessing credit must be addressed. Small firms are particularly disadvantaged and institutions that have been established to address the access to finance constraints faced by these firms must be adequately resourced to meet their mandate.

An important area that policy needs to target to encourage private participation is infrastructure provision. The public sector is heavily involved in the provision and financing of infrastructure. However, infrastructure services, in particular electricity, are characterised by poor service delivery and an inability of public provision to match demand as the economy expands. Private sector participation in infrastructure delivery should be encouraged to promote efficiency and reliability thus providing the needed conditions for investment and employment by domestic industry. This will require the



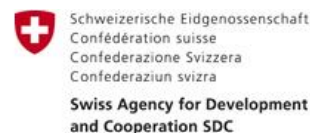
implementation of pricing policies and regulations that are informed by both equity and efficiency issues.

Further expansion in the technical and vocational education system is required to increase the quantum and quality of skilled and semi-skilled workers in the labour force. This will require investment in technical institutions and the expansion of the national apprenticeship system. Basic schools must be provided with the requisite teaching and learning materials, qualified teachers and adequate supervision to ensure that students exit basic education with the required literacy and numeracy skills. These skills are necessary not only for entry into the labour market but also to participate effectively in technical and vocational education. Strong and effective linkages are required between technical/vocational and tertiary institutions and industry to ensure that the skills of new labour market entrants meet the requirements of employers.

Production capacities of local firms must be enhanced if Ghana is to successfully diversify its exports and participate in the global value chain. Institutions that provide technical support and assistance in obtaining market information and meeting buyers' standards must be strengthened.

The geographical coverage of the conditional cash transfer scheme should be widened further to capture the very poor and indigent in its net. Effective monitoring and evaluation is required to ensure that it reaches intended beneficiaries and leakage to non-targeted groups is limited. Improved efficiency in the operation of the National Health Insurance scheme, the school feeding programme and the capitation grant is required if the objectives for which these interventions were introduced are to be achieved.

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