**Economic Partnership Agreements**

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For the free trade scheme between two countries, see [Economic Partnership Agreement](http://en.wikipedia.org/wiki/Economic_Partnership_Agreement).

**Economic Partnership Agreements** are a scheme to create a [free trade area](http://en.wikipedia.org/wiki/Free_trade_area) (FTA) between the [European Union](http://en.wikipedia.org/wiki/European_Union) and the [African, Caribbean and Pacific Group of States (ACP)](http://en.wikipedia.org/wiki/ACP_countries). They are a response to continuing criticism that the non-reciprocal and discriminating [preferential trade agreements](http://en.wikipedia.org/wiki/Preferential_trading_area) offered by the EU are incompatible with [WTO](http://en.wikipedia.org/wiki/WTO) rules. The EPAs are a key element of the [Cotonou Agreement](http://en.wikipedia.org/wiki/Cotonou_Agreement), the latest agreement in the history of [ACP-EU Development Cooperation](http://en.wikipedia.org/wiki/ACP-EU_Development_Cooperation) and were supposed to take effect as of 2008, but as of March 2012 the negotiations are not yet completed.

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**Key elements**

**Reciprocity**

Due to the continuing [WTO](http://en.wikipedia.org/wiki/WTO) incompatibility of previous arrangements, the EPAs' key feature is their [reciprocity](http://en.wikipedia.org/wiki/Reciprocity_%28international_relations%29) and their non-discriminatory nature. They involve the phased out removal of all trade preferences which have been established between the EU and the [ACP countries](http://en.wikipedia.org/wiki/ACP_countries) since 1975 as well as the progressive removal of [trade barriers](http://en.wikipedia.org/wiki/Trade_barriers) between the partners. In order to fulfil the criterion of being a non-discriminatory agreement, the EPAs are open to all [developing countries](http://en.wikipedia.org/wiki/Developing_countries),[*[citation needed](http://en.wikipedia.org/wiki/Wikipedia%3ACitation_needed%22%20%5Co%20%22Wikipedia%3ACitation%20needed)*] thereby effectively terminating the ACP group as the main development partner of the EU.

The establishment of a reciprocal trade agreement confronts the EU with the problem of how to reconcile the special status of the ACP group with the EU’s [obligations to the WTO](http://en.wikipedia.org/wiki/Trade_pact#By_the_World_Trade_Organization). The solution proposed for this dilemma is an agreement which is only as reciprocal as necessary to fulfil WTO criteria. In reality, the ACP countries will have some room to manoeuvre and to maintain some limited protection of their most vital products. The extent to which [trade](http://en.wikipedia.org/wiki/Trade) must be liberalised under the new EPAs is still a widely debated issue and it remains to be seen whether the WTO provisions regulating regional trade agreements will be revised in favour of the EPA scheme at the end of the [Doha Round](http://en.wikipedia.org/wiki/Doha_Round).

**Regionalism**

True to the Cotonou principle of *differentiation and regionalisation* the [developing countries](http://en.wikipedia.org/wiki/Developing_countries) are encouraged to enter into the EPAs in regional groupings. So far the [ACP countries](http://en.wikipedia.org/wiki/ACP_countries) have formed seven [[1]](http://en.wikipedia.org/wiki/Economic_Partnership_Agreements#cite_note-1) regional groupings in which they intend to enter into EPAs with the European Union. These regional groupings are

* [the Economic Community of West African States](http://www.ecowas.int/)
* [la Communauté économique et monétaire de l'Afrique centrale](http://www.cemac.int/)
* [the Southern African Development Community](http://www.sadc.int/)
* [the East African Community](http://www.eac.int/)
* the Eastern and Southern Africa (ESA)
* [the Caribbean Community + Dominican Republic (CARIFORUM)](http://www.crnm.org/esp/acp_esp.htm)
* the [Pacific](http://en.wikipedia.org/wiki/Pacific) region.

**Special treatment**

The new regional grouping established due to the EPA scheme causes the problem of how to reconcile this approach with the previous special treatment of the group of [least developed countries](http://en.wikipedia.org/wiki/Least_developed_countries) (LDCs) among the [ACP countries](http://en.wikipedia.org/wiki/ACP_countries). Currently, 40 of the 79 ACP countries are defined as LDCs by the [United Nations](http://en.wikipedia.org/wiki/United_Nations). The LDCs constitute a special group among the developing countries and have usually been treated separately.

Therefore, the EPAs will provide special arrangements for this particular group. As opposed to the other ACP countries, the group of LDCs will be invited to reject the EPAs and continue trade relations under the "[Everything But Arms](http://en.wikipedia.org/wiki/Everything_But_Arms)" (EBA) regulation. Launched in 2001 by the Council of Ministers, this amendment to the EC's [Generalized System of Preferences](http://en.wikipedia.org/wiki/Generalized_System_of_Preferences) has since then regulated the trade relations between the EU and the LDCs that have chosen to use this facility, granting [duty-free](http://en.wikipedia.org/wiki/Duty-free) access to all products from LDCs without any [quantitative](http://en.wikipedia.org/wiki/Quantitative_property) restrictions – except to [arms](http://en.wikipedia.org/wiki/Weapon) and [munitions](http://en.wikipedia.org/wiki/Munition). While this provision facilitates the situation of the LDCs under the new trade scheme, it has also been criticised because the EBA initiative prevents LDCs from opening up their markets for EU products within the context of an EPA. Another weakness of the EBA initiative is that it utilises the rules of origin of the GSP which require double stage transformation for textiles and clothing. The rules of origin of the EPAs on the other hand allows single stage transformation for the exports of these sectors. This is one of the reasons why Mozambique and Lesotho (both LDCs) initialled the SADC EU Interim EPA in November 2007, and then went on to sign this agreement in July 2009. Angola (the other LDC in the SADC EPA configuration) has chosen to continue trading under EBA as their main exports to the EU are oil and diamonds which as 'wholly obtained' originating products enjoy duty and quota free entry under the EBA rules of origin.

**Predicted Impact**

Researchers at the [Overseas Development Institute](http://en.wikipedia.org/wiki/Overseas_Development_Institute) predict the impact of the EPAs, however, to be rather minimal.[[2]](http://en.wikipedia.org/wiki/Economic_Partnership_Agreements#cite_note-ODI-2) Due to the fact that most [African, Caribbean and Pacific](http://en.wikipedia.org/wiki/African%2C_Caribbean_and_Pacific_Group_of_States) (ACP) group states already enjoyed duty and tariff free access of about €1.4 billion [Cotonou Agreement](http://en.wikipedia.org/wiki/Cotonou_Agreement) that expired in 2007, there was little new that could be offered.[[2]](http://en.wikipedia.org/wiki/Economic_Partnership_Agreements#cite_note-ODI-2) The expected impact described by the ODI:[[2]](http://en.wikipedia.org/wiki/Economic_Partnership_Agreements%22%20%5Cl%20%22cite_note-ODI-2)

* The transfer of the import tax levied by the EU (€12.7 million in 2006) to parts of the ACP export supply chain, making exports more profitable.
* Accrued revenue transfer could induce ACP members to increase levels of trade between each other and increase their supply of competitive products without substantial new investment.
* Removing tariff barriers may make it economically feasible to export additional products to the EU that are already exported to other markets.
* The most significant, but not necessarily most likely effect, is that there could be increases in foreign exchange earning and positive effects for the rest of the economy.

# [Can Ghana afford not to sign the Economic Partnership Agreement when ECOWAS signs?](http://www.myjoyonline.com/opinion/2014/april-16th/can-ghana-afford-not-to-sign-the-economic-partnership-agreement-epa-when-ecowas-signs.php)

Source: Sylvanus Kwaku Afesorgbor
Date: 16-04-2014 Time: 02:04:38:am



Economists often say that put your money at where your mouth is. Concerning the EPA, the proposed reciprocal trade agreement between the European Union (EU) and ECOWAS, of course we cannot deny the fact that the EU will certainly be putting their money where its mouth is.

However, we must understand that trade between EU and ECOWAS is very relevant for global trade, and for that matter we cannot afford to derail this by creating a stalemate because of the argument of who will benefit the most from the EPA.

If there is any theory in economics that has been proven to be very robust and consistent theoretically and empirically then it should be the theory that free trade (not autarky) is welfare-improving and the best antidote to under-development and poverty. This is not to say that, all partners are going to derive a mutual and equitable benefit from it because surely, it would also create both winners and losers concomitantly. Thus, EPA cannot guarantee mutual and equitable benefits between the EU and its ECOWAS trading partners but this will contribute to a freer world ECOWAS also gain from it.

The EPA seeks to create reciprocal preferential market access that is mutual, in that, EU grants a 100% tariff-free and quota-free market access fully and immediately to ECOWAS and in return ECOWAS grants an 80% tariff-free and quota-free preferential access to imports from the EU.

By this agreement, the EPA is still less than a full reciprocal agreement because it allows some protection for the sensitive 20% of imports from EU. This implies that we can impose tariffs and quota on agricultural and simple manufacturing goods in which ECOWAS members have a comparative advantage in, thus they can still protect our local industries that are engaged in the production of these sensitive goods.

Two main arguments have been put across by Civil Society Organizations, Trade Unions and other stakeholders. First, they argue extensively that EPA would be deleterious to already precarious and dying manufacturing sector of ECOWAS countries (Ghana) because they will be out-competed by their counterpart producers in EU.

Although, this argument is very salient, it is one-sided. Simply because, there is a possibility of the EPA improving the productivity of the ECOWAS’ manufacturing firms as  they will import inputs (both capital and intermediate goods) tariff-free from the EU and this would substantially lower their production cost to make them more competitive both in the domestic and global markets.

Additionally, if we analyze the structure of trade between ECOWAS and EU, anecdotal evidence indicates our manufacturing sector do not directly compete with their counterparts in Europe. So there exists no such local producers that ECOWAS members will want to protect. The threat for our local industries is from China not EU. Trade volume currently between only Ghana and China has reached an annual average estimate of over $5 Billion. Providing details on product disaggregation for bilateral trade between ECOWAS and EU, the Figure 1 below explicitly delineates that EU is not the threat. The major products ECOWAS imports from the EU are what the region needs to rather revive its dwindling manufacturing sector.

The second argument put across vociferously is the loss in revenue to government as result of import duties. This is very correct as many of ECOWAS members substantially depend to a large extent on import duties raised from their Ports and Harbors.

Figure 1: ECOWAS AND EU Structure of Trade, 2010

This notwithstanding, in assessing the EPA, there is the need to adopt a more holistic approach. Some agents within the economy will lose and whiles other will benefit but the net welfare effect should be positive, as consumers gain by paying relatively lower prices from the competition, producers gain from economies of scale from the enlarge market for products they have comparative advantage in compare to the loss in revenue for the government.

#### Ghana

* [Home](http://www.modernghana.com/GhanaHome/references.asp?menu_id=6&sub_menu_id=491&gender=&begin=36&gender=References)
* [The Constitution](http://www.modernghana.com/GhanaHome/regions/constitution.asp?menu_id=6&menu_id2=13&sub_menu_id=309&gender=&s=a)
* [Repulic of Ghana](http://www.modernghana.com/GhanaHome/references.asp?menu_id=6&menu_id2=13&sub_menu_id=127&gender=&page=0)
* [Ghana History](http://www.modernghana.com/GhanaHome/regions/history.asp?menu_id=6&menu_id2=13&sub_menu_id=222&gender=&page=0)
* [Government and Politics](http://www.modernghana.com/GhanaHome/ghana/government.asp?menu_id=6&menu_id2=13&sub_menu_id=289&gender=&s=a)
* [Education System](http://www.modernghana.com/GhanaHome/ghana/ghana_education.asp?menu_id=6&menu_id2=13&sub_menu_id=288&gender=)
* [Leaders](http://www.modernghana.com/GhanaHome/government/?menu_id=6&menu_id2=13&sub_menu_id=220&gender=82)
* [The Economy](http://www.modernghana.com/GhanaHome/ghana/economy.asp?menu_id=6&menu_id2=13&sub_menu_id=290&gender=&s=a)
* [Schools/Colleges](http://www.modernghana.com/GhanaHome/regions/schools.asp?menu_id=6&menu_id2=13&sub_menu_id=310&gender=&s=a)
* [Festivals](http://www.modernghana.com/GhanaHome/ghana/people.asp?menu_id=6&menu_id2=13&sub_menu_id=291&gender=&s=c)
* [Languages](http://www.modernghana.com/GhanaHome/ghana/people.asp?menu_id=6&menu_id2=13&sub_menu_id=294&gender=&s=f)
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	+ [OVERVIEW OF THE CURRENT ECONOMY](http://www.modernghana.com/GhanaHome/ghana/economy.asp?menu_id=6&sub_menu_id=0&menu_id2=13&s=b)
	+ [ROLE OF THE GOVERNMENTC](http://www.modernghana.com/GhanaHome/ghana/economy.asp?menu_id=6&sub_menu_id=0&menu_id2=13&s=c)
	+ [BANKING AND CURRENCY](http://www.modernghana.com/GhanaHome/ghana/economy.asp?menu_id=6&sub_menu_id=0&menu_id2=13&s=d)
	+ [LABOR](http://www.modernghana.com/GhanaHome/ghana/economy.asp?menu_id=6&sub_menu_id=0&menu_id2=13&s=e)
	+ [AGRICULTURE](http://www.modernghana.com/GhanaHome/ghana/economy.asp?menu_id=6&sub_menu_id=0&menu_id2=13&s=f)
	+ [MINING AND OIL](http://www.modernghana.com/GhanaHome/ghana/economy.asp?menu_id=6&sub_menu_id=0&menu_id2=13&s=g)
	+ [TOURISM](http://www.modernghana.com/GhanaHome/ghana/economy.asp?menu_id=6&sub_menu_id=0&menu_id2=13&s=h)

# HISTORICAL BACKGROUND

Endowed with gold and oil palms and situated between the trans- Saharan trade routes and the African coastline visited by successive European traders, the area known today as Ghana has been involved in all phases of Africa’s economic development during the last thousand years. As the economic fortunes of African societies have waxed and waned, so, too, have Ghana’s, leaving that country in the early 1990s in a state of arrested development, unable to make the “leap” to Africa’s next, as yet uncertain, phase of economic evolution.
As early as the thirteenth century, present-day Ghana was drawn into long-distance trade, in large part because of its gold reserves. The trans-Saharan trade, one of the most wide-ranging trading networks of pre-modern times, involved an exchange of European, North African, and Saharan commodities southward in exchange for the products of the African savannas and forests, including gold, kola nuts, and slaves. Present-day Ghana, named the Gold Coast by European traders, was an important source of the gold traded across the Sahara. Centralized states such as Asante controlled prices by regulating production and marketing of this precious commodity. As European navigational techniques improved in the fifteenth century, Portuguese and later Dutch and English traders tried to circumvent the Saharan trade by sailing directly to its southernmost source on the West African coast. In 1482 the Portuguese built a fortified trading post at Elmina and began purchasing gold, ivory, and pepper from African coastal merchants.
Although Africans for centuries had exported their raw materials—ivory, gold, kola nuts—in exchange for imports ranging from salt to foreign metals, the introduction of the Atlantic slave trade in the early sixteenth century changed the nature of African export production in fundamental ways.  An increasing number of Ghanaians sought to enrich themselves by capturing fellow Africans in warfare and selling them to slave dealers from North America and South America. The slaves were transported to the coast and sold through African merchants using the same routes and connections through which gold and ivory had formerly flowed. In return, Africans often received guns as payment, which could be used to capture more slaves and, more importantly, to gain and preserve political power.

An estimated ten million Africans, at least half a million from the Gold Coast, left the continent in this manner. Some economists have argued that the slave trade increased African economic resources and therefore did not necessarily impede development, but others, notably historian Walter Rodney, have argued that by removing the continent’s most valuable resource—humans—the slave trade robbed Africa of unknown invention, innovation, and production. Rodney further argues that the slave trade fueled a process of underdevelopment, whereby African societies came to rely on the export of resources crucial to their own economic growth, thereby precluding local development of those resources. Although some scholars maintain that the subsequent economic history of this region supports Rodney’s interpretation, no consensus exists on this point. Indeed, in recent years, some historians not only have rejected Rodney’s interpretation but also have advanced the notion that it is the Africans themselves rather than an array of external forces that are to blame for the continent’s economic plight.

When the slave trade ended in the early years of the nineteenth century, the local economy became the focus of the so-called legitimate trade, which the emerging industrial powers of Europe encouraged as a source of materials and markets to aid their own production and sales.  The British, in particular, gained increasing control over the region throughout the nineteenth century and promoted the production of palm oil and timber as well as the continuation of gold production. In return, Africans were inundated with imports of consumer goods that, unlike the luxuries or locally unavailable imports of the trans-Saharan trade, quickly displaced African products, especially textiles.

In 1878 cacao trees were introduced from the Americas. Cocoa quickly became the colony’s major export; Ghana produced more than half the global yield by the 1920s. African farmers used kinship networks like business corporations to spread cocoa cultivation throughout large areas of southern Ghana. Legitimate trade restored the overall productivity of Ghana’s economy; however, the influx of European goods began to displace indigenous industries, and farmers focused more on cash crops than on essential food crops for local consumption.

When Ghana gained its independence from Britain in 1957, the economy appeared stable and prosperous. Ghana was the world’s leading producer of cocoa, boasted a well-developed infrastructure to service trade, and enjoyed a relatively advanced education system. At independence, President Kwame Nkrumah sought to use the apparent stability of the Ghanaian economy as a springboard for economic diversification and expansion. He began process of moving Ghana from a primarily agricultural economy to a mixed agricultural-industrial one.  Using cocoa revenues as security, Nkrumah took out loans to establish industries that would produce import substitutes as well as process many of Ghana’s exports. Nkrumah’s plans were ambitious and grounded in the desire to reduce Ghana’s vulnerability to world trade. Unfortunately, the price of cocoa collapsed in the mid-1960s, destroying the fundamental stability of the economy and making it nearly impossible for Nkrumah to continue his plans. Pervasive corruption exacerbated these problems. In 1966 a group of military officers overthrew Nkrumah and inherited a nearly bankrupt country.

Since then, Ghana has been caught in a cycle of debt, weak commodity demand, and currency overvaluation, which has resulted in the decay of productive capacities and a crippling foreign debt. Once the price of cocoa fell in the mid-1960s, Ghana obtained less of the foreign currency necessary to repay loans, the value of which jumped almost ten times between 1960 and 1966. Some economists recommended that Ghana devalue its currency—the cedi—to make its cocoa price more attractive on the world market, but devaluation of the cedi would also have rendered loan repayment in United States dollars much more difficult.  Moreover, such a devaluation would have increased the costs of imports, both for consumers and nascent industries.
Until the early 1980s, successive governments refused to devalue the currency (with the exception of the government of Kofi A. Busia, which devalued the cedi in 1971 and was promptly overthrown). Cocoa prices languished, discouraging cocoa production altogether and leading to smuggling of existing cocoa crops to neighboring countries, where francs rather than cedis could be obtained in payment. As production and official exports collapsed, revenue necessary for the survival of the economy was obtained through the procurement of further loans, thereby intensifying a self-destructive cycle driven by debt and reliance on vulnerable world commodity markets.

By the early 1980s, Ghana’s economy was in an advanced state of collapse. Per capita gross domestic product ( GDP) showed negative growth throughout the 1960s and fell by 3.2 percent per year from 1970 to 1981. Most important was the decline in cocoa production, which fell by half between the mid-1960s and the late 1970s, drastically reducing Ghana’s share of the world market from about one-third in the early 1970s to only one-eighth in 1982-83. At the same time, mineral production fell by 32 percent; gold production declined by 47 percent, diamonds by 67 percent, manganese by 43 percent, and bauxite by 46 percent. Inflation averaged more than 50 percent a year between 1976 and 1981, hitting 116.5 percent in 1981. Real minimum wages dropped from an index of 75 in 1975 to one of 15.4 in 1981. Tax revenue fell from 17 percent of GDP in 1973 to only 5 percent in 1983, and actual imports by volume in 1982 were only 43 percent of average 1975-76 levels. Productivity, the standard of living, and the government’s resources had plummeted dramatically.

In 1981 a military government under the leadership of Flight Lieutenant Jerry John Rawlings came to power. Calling itself the Provisional National Defence Council (PNDC), the Rawlings regime initially blamed the nation’s economic problems on the corruption of previous governments. Rawlings soon discovered, however, that Ghana’s problems were the result of forces more complicated than economic abuse.  Following a severe drought in 1983, the government accepted stringent International Monetary Fund ( IMF) and World Bank loan conditions and instituted the Economic Recovery Program (ERP).
Signaling a dramatic shift in policies, the ERP fundamentally changed the government’s social, political, and economic orientation. Aimed primarily at enabling Ghana to repay its foreign debts, the ERP exemplified the structural adjustment policies formulated by international banking and donor institutions in the 1980s. The program emphasized the promotion of the export sector and an enforced fiscal stringency, which together aimed to eradicate budget deficits. The PNDC followed the ERP faithfully and gained the support of the international financial community. The effects of the ERP on the domestic economy, however, led to a lowered standard of living for most Ghanaians.

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Ghana - The EconomyGHANA'S ECONOMY HAS LEFT an indelible imprint on the country's social and political structures. Just as the presence of gold gave rise to the Asante confederacy and empire and attracted European traders and colonial rulers, so, too, were modern day politicians moved to try to protect the country's wealth by establishing the first socialist regime in twentieth-century Africa. As the ambitious plans initiated by Ghana's first president, Kwame Nkrumah, unraveled, however, military officers seized control of the country and promised to overturn what they perceived as a corrupt ruling class enriching itself from the nation's coffers. In the 1980s, military and civilian officials failed to revive the economy through stringent anti-corruption measures and embarked instead upon a restructuring of the economy. The transformation of Ghana's economy undertaken in the 1980s was considered a test case for "structural adjustment" prescriptions advocated by international banking institutions. Faced with growing impoverishment in Africa as well as in much of the so-called developing world, the World Bank and the International Monetary Fund proposed radical programs to revive troubled economies and to restore their productivity. The government of Jerry John Rawlings turned to these agencies in 1983 and accepted their recommendations in exchange for assistance packages to ease Ghana's economic and social transformation. Foremost among the changes enacted in Ghana were the disengagement of the government from an active role in the economy and the encouragement of free-market forces to promote the efficient and productive development of local resources. The reformers cut government budgets, privatized state enterprises, devalued the currency, and rebuilt industrial infrastructure by means of assistance programs. As in other countries of Africa in the 1980s, government was identified as the problem, and free-market forces were seen as the solution. By the 1990s, the effects of structural adjustment in Ghana were beginning to be assessed. According to the World Bank and other western financial institutions, the economy had become much more stable, and production was on a more solid footing than it had been a decade earlier. Exports were up, government deficits had been reduced, and inflation was down. Many Ghanaians, however, questioned whether the structural adjustment benefited all Ghanaians or just a few sectors of the economy. Critics of the World Bank charged, moreover, that it concentrated on infrastructure such as airports, roads, and other macro-economic projects that did little to improve the lives of the average Ghanaian. Under the sway of free-market forces, production had increased in Ghana's traditionally strong sectors, cocoa and gold, thereby reverting to the pre-independence economic structure; still, a more broadly based economy had not developed. In addition, substantial loans had been incurred by the government to promote those sectors- -at the expense of recurrent budget expenditures such as health and education--without a compensatory increase in government revenues. Ironically, the tax breaks prescribed to encourage these sectors worked against increased government revenues, so that by 1992, tax revenues began to drop. In addition, jobs not only had been cut from the once bloated public sector but also had not expanded in the more successful export sectors. Although the government claimed its finances were much healthier in the 1990s than in the 1980s, the long-term economic and social impact of structural adjustment was uncertain. Relying heavily on the exploitation of some non-renewable and even endangered resources, Ghana's economic recovery will have to expand to create a broader and better balanced economy. In addition to cocoa, Ghana's leading export commodities are gold, a nonrenewable resource, and timber, the harvesting of which has included more than eighteen endangered species of trees and has led to alarming deforestation. Furthermore, Ghana's ocean waters are seriously overfished, leading the government to ban the catching of shellfish. According to the Ghanaian government, these resources could be used to develop local manufacturing, the goal Nkrumah tried to reach through direct state intervention thirty years ago. Local manufacturing could create jobs, cut the import bill, and provide a more diversified economic base. The question for Ghana is whether free-market forces will be more successful in promoting healthy economic expansion than the failed policies of direct state intervention.Ghana - The Economy - HISTORICAL BACKGROUNDEndowed with gold and oil palms and situated between the trans- Saharan trade routes and the African coastline visited by successive European traders, the area known today as Ghana has been involved in all phases of Africa's economic development during the last thousand years. As the economic fortunes of African societies have waxed and waned, so, too, have Ghana's, leaving that country in the early 1990s in a state of arrested development, unable to make the "leap" to Africa's next, as yet uncertain, phase of economic evolution. As early as the thirteenth century, present-day Ghana was drawn into long-distance trade, in large part because of its gold reserves. 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When the slave trade ended in the early years of the nineteenth century, the local economy became the focus of the so-called legitimate trade, which the emerging industrial powers of Europe encouraged as a source of materials and markets to aid their own production and sales. The British, in particular, gained increasing control over the region throughout the nineteenth century and promoted the production of palm oil and timber as well as the continuation of gold production. In return, Africans were inundated with imports of consumer goods that, unlike the luxuries or locally unavailable imports of the trans-Saharan trade, quickly displaced African products, especially textiles. In 1878 cacao trees were introduced from the Americas. Cocoa quickly became the colony's major export; Ghana produced more than half the global yield by the 1920s. African farmers used kinship networks like business corporations to spread cocoa cultivation throughout large areas of southern Ghana. Legitimate trade restored the overall productivity of Ghana's economy; however, the influx of European goods began to displace indigenous industries, and farmers focused more on cash crops than on essential food crops for local consumption. When Ghana gained its independence from Britain in 1957, the economy appeared stable and prosperous. Ghana was the world's leading producer of cocoa, boasted a well-developed infrastructure to service trade, and enjoyed a relatively advanced education system. At independence, President Kwame Nkrumah sought to use the apparent stability of the Ghanaian economy as a springboard for economic diversification and expansion. He began process of moving Ghana from a primarily agricultural economy to a mixed agricultural-industrial one. Using cocoa revenues as security, Nkrumah took out loans to establish industries that would produce import substitutes as well as process many of Ghana's exports. Nkrumah's plans were ambitious and grounded in the desire to reduce Ghana's vulnerability to world trade. Unfortunately, the price of cocoa collapsed in the mid-1960s, destroying the fundamental stability of the economy and making it nearly impossible for Nkrumah to continue his plans. Pervasive corruption exacerbated these problems. In 1966 a group of military officers overthrew Nkrumah and inherited a nearly bankrupt country. Since then, Ghana has been caught in a cycle of debt, weak commodity demand, and currency overvaluation, which has resulted in the decay of productive capacities and a crippling foreign debt. Once the price of cocoa fell in the mid-1960s, Ghana obtained less of the foreign currency necessary to repay loans, the value of which jumped almost ten times between 1960 and 1966. Some economists recommended that Ghana devalue its currency--the cedi-- to make its cocoa price more attractive on the world market, but devaluation of the cedi would also have rendered loan repayment in United States dollars much more difficult. Moreover, such a devaluation would have increased the costs of imports, both for consumers and nascent industries. Until the early 1980s, successive governments refused to devalue the currency (with the exception of the government of Kofi A. Busia, which devalued the cedi in 1971 and was promptly overthrown). Cocoa prices languished, discouraging cocoa production altogether and leading to smuggling of existing cocoa crops to neighboring countries, where francs rather than cedis could be obtained in payment. As production and official exports collapsed, revenue necessary for the survival of the economy was obtained through the procurement of further loans, thereby intensifying a self-destructive cycle driven by debt and reliance on vulnerable world commodity markets. By the early 1980s, Ghana's economy was in an advanced state of collapse. Per capita gross domestic product ( GDP) showed negative growth throughout the 1960s and fell by 3.2 percent per year from 1970 to 1981. Most important was the decline in cocoa production, which fell by half between the mid-1960s and the late 1970s, drastically reducing Ghana's share of the world market from about one-third in the early 1970s to only one-eighth in 1982-83. At the same time, mineral production fell by 32 percent; gold production declined by 47 percent, diamonds by 67 percent, manganese by 43 percent, and bauxite by 46 percent. Inflation averaged more than 50 percent a year between 1976 and 1981, hitting 116.5 percent in 1981. Real minimum wages dropped from an index of 75 in 1975 to one of 15.4 in 1981. Tax revenue fell from 17 percent of GDP in 1973 to only 5 percent in 1983, and actual imports by volume in 1982 were only 43 percent of average 1975-76 levels. Productivity, the standard of living, and the government's resources had plummeted dramatically. In 1981 a military government under the leadership of Flight Lieutenant Jerry John Rawlings came to power. Calling itself the Provisional National Defence Council (PNDC), the Rawlings regime initially blamed the nation's economic problems on the corruption of previous governments. Rawlings soon discovered, however, that Ghana's problems were the result of forces more complicated than economic abuse. Following a severe drought in 1983, the government accepted stringent International Monetary Fund ( IMF) and World Bank loan conditions and instituted the Economic Recovery Program (ERP). Signaling a dramatic shift in policies, the ERP fundamentally changed the government's social, political, and economic orientation. Aimed primarily at enabling Ghana to repay its foreign debts, the ERP exemplified the structural adjustment policies formulated by international banking and donor institutions in the 1980s. The program emphasized the promotion of the export sector and an enforced fiscal stringency, which together aimed to eradicate budget deficits. The PNDC followed the ERP faithfully and gained the support of the international financial community. The effects of the ERP on the domestic economy, however, led to a lowered standard of living for most Ghanaians.Ghana - OVERVIEW OF THE CURRENT ECONOMYIn the early 1990s, Ghana's economic recovery still appeared uneven and was geared primarily to the export rather than domestic market. GDP had risen by an average of 5 percent per year since 1984, inflation had been reduced to about 20 percent, and export earnings had reached US$1 billion. Most production came from the export sector, and by the 1992-93 crop year, cocoa production surpassed 300,000 tons, placing Ghana third in the world. In 1990 exports of minerals--primarily gold but also diamonds, manganese, and bauxite--brought in US$234 million, an increase of 23.2 percent from the year before. Nevertheless, salaries were low, and because the cost of public services continued to rise, Ghana's poor bore the brunt of the negative effects of the austerity program. Despite devaluations by the Rawlings regime and rising exports, the government has been unable to fulfill a key stabilization goal of reducing the trade and current account deficits. To stimulate production in various sectors, the government has incurred loans to finance imports of necessary inputs such as machinery, fertilizer, and petroleum. As a result, the country's foreign debt exceeded US$4 billion in 1991. According to World Bank estimates, the country's debt continued to rise in 1992, and was equivalent to almost 63 percent of Gross National Product (GNP). In 1992 the debt service ratio (debt service as a proportion of exports) was 27 percent, an improvement on late 1980s levels, which averaged as high as 62.5 percent. To cover the deficits that result from loans and increased imports, the government came to rely on rising levels of foreign aid, with net aid disbursements increasing to an estimated US$550 million by 1990. Unfortunately, foreign investment, compared with aid, was weak except in the mining sector, and domestic savings were insufficient to finance the country's ambitious development projects. Government policies have produced mixed results in terms of productivity and debt, and they have also incurred significant social costs through job elimination and reduced public expenditure policies. The government has addressed this problem by launching a special initiative to create 40,000 jobs providing services to the poorest groups. Spending on health and education also has increased as a proportion of GDP, but the central government believes that major poverty alleviation can come only with even faster and higher economic growth.Ghana - STRUCTURE OF THE ECONOMYMost government efforts to restore the productivity of the Ghanaian economy have been directed toward boosting the country's exports. These policies, however, have had numerous consequences. Following the initiation of the ERP in 1983 and the devastating drought of 1983, Ghana's GDP has registered steady growth, most of it attributable to the export sector, including cocoa and minerals and, to some extent, timber processing. The cost of this growth is apparent, however, in Ghana's growing external debts, which have financed rehabilitation of the export sector, and in the country's steady rate of inflation that has curbed consumer imports. The government has tried with limited success to avoid some of the country's historical pitfalls by broadening the range of both exports and trading partners. Nevertheless, prices for the goods that most Ghanaians purchase have been rising faster than the wages they receive for their work.Ghana - Gross Domestic ProductIn current prices, Ghana's GDP rose from ¢511 billion in 1986 to ¢3 trillion in 1992. In constant 1987 prices, these GDP figures amounted to ¢713 billion (US$4.62 billion) in 1986 and ¢934 billion (US$6.06 billion) in 1992. During the 1980s, Ghana's economy registered strong growth of approximately 6 percent per year because of a reversal in the steadily declining production of the previous decade. Ghana's worst years were 1982 and 1983, when the country was hit with the worst drought in fifty years, bush fires that destroyed crops, and the lowest cocoa prices of the postwar period. Growth throughout the remainder of the decade reflected the pace of the economic recovery, but output remained weak in comparison with 1970 production levels. The same was true of consumption, minimum wages, and social services. Growth fell off considerably in 1990 when another drought caused real GDP growth to decline by nearly two percentage points. Government estimates claimed that real GDP growth in 1993 was 6.1 percent, which reflected a recovery in cocoa output and an increase in gold production. At the same time, gross domestic fixed investment rose from 3.5 percent of the total in 1982 to 12.9 percent in 1992. The share of public consumption in GDP fell from a peak of 11.1 percent in 1986 to 9.9 percent in 1988, but appeared to have risen again to 13.3 percent in 1992. Significant changes have taken place in the structure of GDP since the ERP began. Agriculture continues to be the bedrock of Ghana's economy, accounting for more than 48 percent of GDP in 1991. Agriculture's long-term importance has declined, however, in favor of that of industry, the contribution of which to GDP more than doubled from 1988 to 1991 when it constituted almost 16 percent of GDP, and in favor of services, the contribution of which was 35.3 percent in 1991. Notable changes have also occurred within the broader sectors: cocoa's share rose from 5.6 percent in 1983 to 9.5 percent in 1991; manufacturing's contribution increased from 3.9 percent to 8.7 percent; and construction output from 1.5 percent to 3.5 percent.Ghana - Debt and InflationERP policies during the 1980s resulted in increased external debts as well as in relatively high inflation rates. Most ERP projects were funded by foreign loans, notably from the IMF. At the same time, the government repeatedly devalued the country's currency to raise producer prices for exports and to encourage production, but devaluation also led to price rises on all other goods as well. ERP attempts to promote production have, at least in the short term, resulted in higher debts and inflation. World Bank figures show that Ghana's total external debt exceeded US$4 billion by 1991; this figure rose to nearly US$4.3 billion in 1992. The external deficit and requirements for repayments on principal were met through additional loans. The debt figures revealed a strong reliance on official creditors, who accounted for about 92 percent of public disbursed debt, and on concessional funding, which approached 60 percent of total external debt in 1992. In addition, Ghana began to borrow on international capital markets in 1991. Nevertheless, the country's debt service ratio fell at an annual average of 25 percent in 1991 and 1992, reflecting repayment of large IMF obligations and the ending of the government's use of IMF funding at the end of 1991. An additional factor was debt cancellation by a number of leading bilateral creditors totaling US$1.5 billion since 1989. In the early 1990s, the government was unable to reduce high inflation significantly. Although down from the staggering levels of the early 1980s when inflation hit 123 percent because of drought, inflation in the following six years averaged almost 30 percent. Recovery in agricultural output in 1984 and 1985 helped shrink inflation rates, but a marginal decline in food production in 1986 was accompanied by an upward trend in inflation. For the next four years, ever higher food prices, driven by devaluation, contributed greatly to high inflation. By late 1994, the country's inflation rate stood at about 28 percent.Ghana - TradeThe promotion of Ghana's foreign trade has been central to all government plans to revive the economy since 1983. Under the ERP, export-producing industries received the most direct support; they also received the most indirect support through the improvement of their proximate infrastructure. By promoting exports, the government sought to obtain foreign exchange essential to repay debts and to ease the country's restrictions on imports. Imports, of course, are also necessary to upgrade many of the export industries hamstrung for lack of equipment. Prior to 1983, economic conditions conspired to erode the terms of trade to such an extent that Ghanaians had reverted to smuggling goods across the borders as well as to trading on the black market on a significant scale. Ghanaians who had anything to sell could multiply their earnings by selling their goods in French-speaking countries, especially neighboring Côte d'Ivoire, and then changing the resultant francs into cedis at black market rates. Smuggling cut down the amount of foreign exchange available for official transactions, leading to a reduction in imports, which hit manufacturing enterprises dependent upon imported equipment and raw materials especially hard. As a result, many consumer goods were no longer available in Ghana, which further boosted smuggling across borders of those countries where such goods could be obtained. By 1982 the World Bank estimated that transactions on the parallel, or black, market constituted 32.4 percent of all domestic trade. Since the start of the ERP in 1983, the government has introduced several policies to adjust the pattern of Ghana's trade structure. These include devaluing the currency as well as raising producer prices for crucial exports such as cocoa to offset the advantages of smuggling such goods across borders. In addition, the government introduced an interbank foreign exchange market to facilitate currency exchange. To ease the importation of essential capital goods, but not necessarily consumer goods, the government revised and reduced numerous import duties and trade taxes. By the early 1990s, government efforts had resulted in the restoration of many of Ghana's historical trade relationships. Exports were again dominated by cocoa, which earned US$280 million in 1993. Other significant export commodities in 1993 were gold (US$416 million) and timber (US$140 million), followed by electricity, diamonds, and bauxite. Ghana's nontraditional exports, such as furniture, cola nuts, and pineapples, have also increased significantly. On the import side, fuel and energy, mainly oil, accounted for 16 percent of 1990 imports; followed by capital goods, 43 percent; intermediate goods, 28 percent; and consumer goods, 10 percent, according to the World Bank. In addition to supporting traditional export industries such as cocoa and gold, the government also attempted to diversify the content of Ghana's exports. To encourage nontraditional exports in the fishing and agriculture sectors, the government offered to refund 95 percent of import duties on goods destined for reexport and even to cancel sales taxes on manufactured goods sold abroad. In addition, the government devised a scale of tax rebates ranging from 20 percent to 50 percent determined by the volume of total production that was exported. These incentives generated considerable response. By 1988 more than 700 exporters were dealing in 123 export products, the major items being pineapples, marine and fish products (especially tuna), wood products, aluminum products, and salt. By 1990, the last year for which figures were available, the value of nontraditional exports had risen to US$62 million. In 1992 the government's Ghana Export Promotion Council announced a plan to raise nontraditional exports to US$335 million by 1997 through increased market research, trade missions, trade fairs and exhibitions, and training. Among its most ambitious specific targets were increases in tuna and shrimp sales to US$45 million and US$32 million, respectively, by 1995, and increases in pineapple sales to US$12.5 million. In the manufacturing sector, wood products, aluminum goods, and processed rubber were targeted to yield US$44 million, US$42 million, and US$23 million, respectively. Earnings from salt were projected to rise to US$20 million. In the early 1990s, Ghana continued to trade primarily with the European Community, particularly Britain and Germany. Britain continued to be the principal market for Ghanaian cocoa beans, absorbing approximately 50 percent of all cocoa beans exported. In 1992, Germany was the single most important destination of Ghana's exports, accounting for some 19 percent of all exports. Britain was next, accounting for about 12 percent; followed by the United States, 9 percent; and Japan, 5 percent. The same year, Britain supplied approximately 20 percent of Ghana's imports, followed by Nigeria, which provided 11 percent. The United States and Germany were third and fourth, respectively. Ghana also belongs to the sixteen-member Economic Community of West African States (ECOWAS), founded in 1975 with headquarters in Abuja, Nigeria. ECOWAS is designed to promote the cultural, economic, and social development of its component states. To achieve these ends, ECOWAS seeks to foster regional cooperation in several areas, including removal of barriers to the movement of peoples and trade, harmonization of agricultural policies, improvements in infrastructure, and, as of 1991, renewed commitment to democratic political processes and non-aggression against member states. Ghana also has a number of barter trade agreements with several East European countries, China, and Cuba. Under the agreements, imports of goods and services are paid for mainly by cocoa from Ghana. A major change occurred in 1991 when the German Democratic Republic (GDR, or East Germany) abrogated its barter trade agreement with Ghana following the union of the two Germanies. In spite of this, agreement was reached between the two countries to honor existing commitments. In late 1991, the Ghanaian government showed renewed interest in trade with the countries of Eastern Europe following the adoption of free-market systems in the wake of political upheavals in those countries. Ghanaian trade officials expect that the barter trade system will give way to open market operations.Ghana - Economy - ROLE OF THE GOVERNMENTIn the 1990s, the government continued to play a decisive role in the direction and pace of economic development in Ghana. Under the Economic Recovery Program initiated in 1983, the Rawlings government tried to shift the burden of economic growth from government to the private sector through a dual strategy of cutting government spending and promoting private production. In particular, the government tried to boost export production through currency devaluations, tax incentives, and government-funded development projects. At the same time, budget deficits were almost entirely wiped out. These measures caused drastic cutbacks in recurrent government spending coupled with widespread privatization, while the government incurred further loans (and thereby debt) to balance the country's budget.Ghana - The Economic Recovery ProgramIn 1983 the government launched the Economic Recovery Program (ERP) under the guidance of the World Bank and the IMF. The overriding purpose of the ERP was to reduce Ghana's debts and to improve its trading position in the global economy. The stated objectives of the program focused on restoring economic productivity at minimum cost to the government and included the following policies: lowering inflation through stringent fiscal, monetary, and trade policies; increasing the flow of foreign exchange into Ghana and directing it to priority sectors; restructuring the country's economic institutions; restoring production incentives; rehabilitating infrastructure to enhance conditions for the production and export of goods; and, finally, increasing the availability of essential consumer goods. In short, the government hoped to create an economic climate conducive to the generation of capital. The ERP was carried out in roughly three phases. Beginning in 1983, the government focused on reducing its expenditures while creating incentives for private production. Initial expenditure cuts and improved tax collection brought the budget deficit down from 6.3 percent of GDP in 1982 to 0.1 percent by 1986, relieving government pressure on the banking system, while a series of cedi devaluations boosted export activity. During the second phase, which lasted from 1987 to 1989, the government moved to divest itself of many assets through privatization and to institute radical foreign exchange reforms to devalue the cedi further. Although privatization was sluggish, the hard-currency black market was nearly eliminated with the introduction of foreign exchange bureaus in 1988. In the ERP's third phase, the government intensified monetary reforms and reduced private corporate taxes to boost private-sector growth. By the end of 1991, ERP efforts had improved the country's international financial reputation because of its ability to make loan repayments (although not wipe out foreign debt) and its first entry onto the international capital market in almost two decades. Critics maintained, however, that the ERP had failed to bring about a fundamental transformation of the economy, which still relied on income earned from cocoa and other agricultural commodities. Critics also contended that many Ghanaians had seem few, if any, benefits from the program. In addition to its focus on stabilizing the country's financial structure, the ERP also aimed to promote production, especially in the export sectors. In 1986 the government began to rebuild infrastructure through a US$4.2 billion program, more than half of which was provided by external sources. This amount was divided roughly equally among infrastructure repair, energy imports (oil for machinery), and export industries. Increased imports financed by the IMF, the World Bank, and other sources made possible the rehabilitation and repair of some key parts of the infrastructure through the supply of spare parts and inputs for industry, mining, utilities, and agriculture. Although the ERP was geared primarily toward restoring the country's international economic standing, it came under popular criticism inside Ghana for ignoring the plight of those not involved in the export sector. The overwhelming shift in resources was toward cocoa rehabilitation and other export sectors, not toward food production. Government employees, especially those in state enterprises, were actively targeted, and many lost their jobs. Farmers suffered as the percentage of the total budget devoted to agriculture fell from 10 percent in 1983 to 4.2 percent in 1986 and to 3.5 percent in 1988, excluding foreign aid projects. Although cocoa contributed less to Ghana's GDP than food crops, cocoa nonetheless received 9 percent of capital expenditures in the late 1980s; at the same time it received roughly 67 percent of recurrent agricultural expenditures because of its export value. In response to criticism of such policies, the government initiated the US$85 million Program of Action to Mitigate the Social Costs of Adjustment (PAMSCAD). Beginning in 1988, the program sought to create 40,000 jobs over a two-year period. It was aimed at the poorest individuals, small-scale miners and artisans in particular, and communities were to be helped to implement labor intensive self-help projects. As part of PAMSCAD, ¢10 billion was slated in the 1993 budget for the rehabilitation and development of rural and urban social infrastructure. The new program, organized through PAMSCAD and the new district assemblies, was designed to focus on improving water supply, sanitation, primary education, and health care. An additional ¢51 billion was set aside for redeployment and end-of- service benefits for those who had lost their jobs in civil service and parastatal reorganizations. In the early 1990s, the government was committed to continuing the policies of the ERP. New agreements were concluded with the World Bank to continue credit arrangements on condition that Ghana review and revise its various economic laws and regulations and support private sector development. In particular, the government agreed to revise or to repeal existing laws and regulations affecting private investment that undermine the spirit of deregulation, economic liberalization, and exchange rate reforms. The government also agreed to develop and to strengthen the institutional framework that would facilitate private investment. Key priorities for 1992 and afterward included giving new impetus to state enterprise reform, broadening the scope of banking-sector reforms, liberalizing the administrative framework, and strengthening public-sector management. Basic education and primary health-care services were to receive attention over the long term as well.Ghana - State EnterprisesState-owned enterprises in Ghana date to the colonial period and especially to the post-World War II era. For example, the British organized a number of public utilities, such as water, electricity, postal and telegraph services, rail and road networks, and bus services. To foster exports of coffee, palm kernels, and cocoa, the Agricultural Produce Marketing Board was founded in 1949. In addition, the colonial government established the Industrial Development Corporation and the Agricultural Development Corporation to promote industries and agriculture. In the mid1970s , the National Redemption Council under I. K. Acheampong also emphasized state enterprises. The Acheampong government established a number of new enterprises and partly or wholly nationalized a number of foreign-owned companies, including the Ashanti Goldfields Corporation and Consolidated African Selection Trust. Intermittent efforts to improve performance and efficiency often led to the transferral of duties and functions to alternative state bodies but not to the wholesale privatization of ownership rights and assets. By the 1980s, state enterprises were suffering along with most businesses in Ghana, but they were also held to blame for the economy's general condition. In particular, many were heavily subsidized and were draining much of the country's domestic loan capital. Under pressure from the World Bank and in accordance with the principles of the ERP, in 1984 the government began to sell state enterprises to private investors, and it initiated the StateOwned Enterprise Reform Program in 1988. In 1984 there were 235 state enterprises in Ghana. The government announced that twenty-two sensitive enterprises would not be sold, including major utilities as well as transport, cocoa, and mining enterprises. In 1988 thirty-two were put up for sale, followed by a further forty-four in 1990 under what was termed the Divestiture Implementation Committee. By December 1990, thirty-four enterprises had been either partially or totally divested. Four were sold outright, a further eight were partially sold through share issues, and twenty-two were liquidated. Divestiture of fifteen additional enterprises was also underway, and by 1992 plans were afoot to privatize some of the nation's banks. Joint ventures were set up for four enterprises, including two state mining companies, Prestea Goldfields and Ghana Consolidated Diamonds. In 1992 the Divestiture Implementation Committee considered resource-pooling programs to enable smaller domestic investors to buy up state enterprises. Such pooling would accelerate the program, but more importantly, it would enable the Provisional National Defence Council (PNDC) to deflect charges that it was auctioning off the nation's assets to foreigners. The government also introduced a performance monitoring and evaluation system to improve state enterprise productivity and efficiency as well as to provide incentives for strong performers and disincentives for weak performers. By 1989 fifteen enterprises had responded positively, turning a combined pre-tax loss of ¢418 million from the previous year into pre-tax profits of ¢19 billion, following a 9 percent cut in costs and a 30 percent increase in sales. In early 1992, the chairman of the State Enterprises Commission announced that the government would pass legislation requiring state-owned enterprises to register as limited liability companies by 1993 to stimulate competition and to improve their performances.Ghana - BudgetsMajor policies of the ERP and conditions of IMF funding were that the budget deficit be reduced and that resources be directed from recurrent to capital spending. Consequently, the government achieved a budget surplus each year between 1986 and 1989 and simultaneously boosted the percentage of spending for development projects. During the mid-1980s, budget deficits as a percentage of GDP consistently declined, falling from 4.7 percent in 1982 to 2.7 percent in 1983 to 0.3 percent in 1987. To accomplish this, the government cut spending and reversed its budgetary priorities, raising capital investment at the expense of increased current consumption in order to promote future growth. The government allocated 62 percent of the budget to physical infrastructure and about 33 percent to the country's productive sector. At the same time, spending on social programs, including health, education, and welfare, declined drastically to between 4.7 and 5 percent. As a percentage of GDP, expenditures on health care fell from 1.2 percent in 1970 to 0.26 percent in 1980-83; during the same period, spending on education dropped from 3.9 percent to 0.85 percent. The 1993 budget, consistent with ERP policies and objectives, aimed to stimulate private-sector growth through lowering taxes on commerce and corporations and by internally balancing accounts. The previous budget reduced the tax rate for commerce, printing, and publishing businesses from 50 percent to 35 percent, bringing these sectors into line with agriculture, manufacturing, real estate, construction, and services, the taxes on which were cut in 1991. Relief for the financial sector was less generous. The tax rate was reduced from 50 percent to 45 percent to encourage more lending and better terms for borrowers and to reduce the 8 percent to 9 percent gap between deposit and lending rates of interest. The government also reduced the withholding tax on dividends from 15 percent to 10 percent, in line with 1991 cuts from 30 percent. The annual standard personal exemption for individual taxpayers was set at ¢150,000 (US$380), up from the previous ¢126,000. This figure reflected a 19 percent increase, 1 percent above Ghanaian inflation the previous year. The top marginal rate of tax was raised from 25 percent to 35 percent, payable on earnings over ¢14 million, compared with the previous level of ¢3 million. Finally, import taxes were reduced or abolished, including duties and sales taxes on all building materials. The super sales tax on luxury goods, introduced in 1990, was also abolished. A maximum rate of 10 percent was set on such imports. Tax evasion and corruption, both of which are rampant throughout Ghana, severely affected the government's ability to collect taxes in all categories. In December 1993, the Ghanaian parliament passed the Serious Fraud Office Bill. This act empowered the fraud office to investigate fraud and embezzlement crimes against the state. Despite this action, it is unlikely that the authorities will be able to stop tax evasion or other white collar crimes anytime soon. (Country Report 1, 92)) Reform of the tax base and prudent fiscal management contributed to budget surpluses and dramatically reduced government recourse to the banking sector. By the early 1990s, nonetheless, Ghana still relied heavily on external grants to achieve its twin goals of running balanced budgets and increasing necessary capital expenditures. Moreover, compared with the rest of sub-Saharan Africa, total government revenue as a proportion of GDP continued to be relatively low. It was less than 16 percent in 1990 (including grants), compared with an average of 19 percent for sub-Saharan Africa as a whole. In 1993, revenue raising efforts aimed to secure income equivalent to 22.2 percent of GDP. By 1992 the government's financial position had weakened. From 1986 to 1991, government finances were in surplus. In 1992, however, tax receipts from all sources of revenue were below projected levels, and with national elections in view, the government relaxed its tight controls on spending. Despite inclusion of foreign funding as a source of revenue, the deficit for 1992 was estimated at ¢177 billion but fell to ¢119 billion in 1993. To rectify the situation, the government proposed to raise taxes on gasoline, kerosene, diesel fuel, and liquefied petroleum gas by as much as 60 percent.Ghana - BANKING AND CURRENCYControl of money-supply growth and liquidity management have been among the ERP's most difficult tasks, and expansion has generally exceeded targets for most of the 1980s. The initial phase of monetary policy (1983-86) focused on reducing government borrowing from the domestic banking system and on using quantitative controls via credit ceilings. Although these succeeded in reducing domestic credit growth, larger than expected foreign earnings and the money market's inability to process them efficiently contributed to a rapid expansion in the broad money supply until the late 1980s. The subsequent introduction of more dynamic monetary policies in 1989 involved a phase-in of indirect controls and market-based policy instruments. A further series of measures was introduced in 1990 to strengthen the responsiveness of interest rates to changes in liquidity conditions. There followed a phased increase in the Bank of Ghana's rediscount rate from 26 percent to 35 percent by mid-1991, the introduction of three- and five-year instruments later that year, and a widening of access to Bank of Ghana financial instruments in favor of the non-bank financial sector. The policies were quite effective. Money supply growth was brought convincingly under control in 1990 and 1991; however, a decline in interest rates and in monetary control, compounded by salary increases in the public sector, prompted monetary growth in 1992. In January 1994, the Bank of Ghana relaxed its monetary policy. As a result, the government's 91-day treasury bill discount rate was lowered five percentage points to 27 percent. The interest rate equivalent of the discount rate fell from 34.78 percent to 28.95 percent. Savings deposit rates also fell in December 1993 from 17.5-22 percent to 15-22 percent. The wider range suggests competition for funds in the banking market. The range for longerterm money (two-year) declined from 22-32 percent to 25.2-28 percent.Ghana - BankingGhana has a well-developed banking system that was used extensively by previous governments to finance attempts to develop the local economy. By the late 1980s, the banks had suffered substantial losses from a number of bad loans in their portfolios. In addition, cedi depreciation had raised the banks' external liabilities. In order to strengthen the banking sector, the government in 1988 initiated comprehensive reforms. In particular, the amended banking law of August 1989 required banks to maintain a minimum capital base equivalent to 6 percent of net assets adjusted for risk and to establish uniform accounting and auditing standards. The law also introduced limits on risk exposure to single borrowers and sectors. These measures strengthened central bank supervision, improved the regulatory framework, and gradually improved resource mobilization and credit allocation. Other efforts were made to ease the accumulated burden of bad loans on the banks in the late 1980s. In 1989 the Bank of Ghana issued temporary promissory notes to replace non-performing loans and other government-guaranteed obligations to state-owned enterprises as of the end of 1988 and on private-sector loans in 1989. The latter were then replaced by interest-bearing bonds from the Bank of Ghana or were offset against debts to the bank. Effectively, the government stepped in and repaid the loans. By late 1989, some ¢62 billion worth of non-performing assets had been offset or replaced by central bank bonds totaling about ¢47 billion. In the early 1990s, the banking system included the central bank (the Bank of Ghana), three large commercial banks (Ghana Commercial Bank, Barclays Bank of Ghana, and Standard Chartered Bank of Ghana), and seven secondary banks. Three merchant banks specialized in corporate finance, advisory services, and money and capital market activities: Merchant Bank, Ecobank Ghana, and Continental Acceptances; the latter two were both established in 1990. These and the commercial banks placed short-term deposits with two discount houses set up to enhance the development of Ghana's domestic money market: Consolidated Discount House and Securities Discount House, established in November 1987 and June 1991, respectively. At the bottom of the tier were 100 rural banks, which accounted for only 5 percent of the banking system's total assets. By the end of 1990, banks were able to meet the new capital adequacy requirements. In addition, the government announced the establishment of the First Finance Company in 1991 to help distressed but potentially viable companies to recapitalize. The company was established as part of the financial sector adjustment program in response to requests for easier access to credit for companies hit by ERP policies. The company was a joint venture between the Bank of Ghana and the Social Security and National Insurance Trust. Despite offering some of the highest lending rates in West Africa, Ghana's banks enjoyed increased business in the early 1990s because of high deposit rates. The Bank of Ghana raised its rediscount rate in stages to around 35 percent by mid-1991, driving money market and commercial bank interest rates well above the rate of inflation, thus making real interest rates substantially positive. As inflation decelerated over the year, the rediscount rate was lowered in stages to 20 percent, bringing lending rates down accordingly. At the same time, more money moved into the banking system in 1991 than in 1990; time and savings deposits grew by 45 percent to ¢94.6 billion and demand deposits rose to ¢118.7 billion. Loans also rose, with banks' claims on the private sector up by 24.1 percent, to ¢117.4 billion. Banks' claims on the central government continued to shrink in 1991, falling to a mere ¢860 million from ¢2.95 billion in 1990, a reflection of continued budget surpluses. Claims on nonfinancial public enterprises rose by 12.6 percent to ¢27.1 billion. Foreign bank accounts, which were frozen shortly after the PNDC came to power, have been permitted since mid-1985, in a move to increase local supplies of foreign exchange. Foreign currency accounts may be held in any of seven authorized banks, with interest exempt from Ghanaian tax and with transfers abroad free from foreign exchange control restrictions. Foreign exchange earnings from exports, however, are specifically excluded from these arrangements. The Ghana Stock Exchange began operations in November 1990, with twelve companies considered to be the best performers in the country. Although there were stringent minimum investment criteria for registration on the exchange, the government hoped that share ownership would encourage the formation of new companies and would increase savings and investment. After only one month in operation, however, the exchange lost a major French affiliate, which reduced the starting market capitalization to about US$92.5 million. By the end of 1990, the aggregate effect of price and volume movements had resulted in a further 10.8 percent decrease in market capitalization. Trading steadily increased, however, and by midJuly 1992, 2.8 million shares were being traded with a value of ¢233 million, up from 1.7 million shares with a value of ¢145 million in November 1991. The market continued to be small, listing only thirteen companies, more than half in retailing and brewing. In June 1993, Accra removed exchange control restrictions and gave permission to non-resident Ghanaians and foreigners to invest on the exchange without prior approval from the Bank of Ghana. In April 1994, the exchange received a considerable boost after the government sold part of its holdings in Ashanti Goldfields Corporation.Ghana - CurrencyOne of the most pressing economic problems faced by all postindependence Ghanaian governments was the overvaluation of the currency. The unit of currency is the cedi, which is divided into 100 pesewas. In 1961 Ghana broke with the British pound sterling and pegged the value of the cedi to the US dollar. As Ghana's terms of trade worsened in the 1960s, the real value of the cedi fell; however, successive governments feared either to float the cedi or to adjust its value, thereby raising the cost of imports and consumer prices. The overthrow of the Busia regime in 1971, following the introduction of a devaluation package, reinforced the unpopularity of such a move. The Acheampong government reversed course and revalued the cedi. It also increased the money supply to pay Ghana's debts, leading to a sharp divergence between the official and the real rates of exchange. The overvalued cedi, on the one hand, and low, regulated prices for commodities, on the other, led to a robust smuggling industry and to an extensive black market in currency. It became common practice for Ghanaians, especially those living along the country's border, to smuggle Ghanaian produce such as cocoa and minerals into neighboring francophone countries. After selling on the local market, Ghanaians would then return home and trade their hardcurrency Central African francs for cedis on the black market, making handsome profits. Smuggling and illegal currency operations had become so extensive by 1981 that the black market rate for cedis was 9.6 times higher than the official rate, up from 1.3 in 1972. At the same time, reliable estimates placed transactions in the parallel economy at fully one-third of Ghana's GDP. Fifteen months after the PNDC came to power, in April 1983, the government began efforts to devalue the cedi. Rawlings introduced a system of surcharges on imports and bonuses on exports that effectively devalued the currency, because the surcharges on imports amounted to 750 percent of the amount being spent, and the discounts on exports amounted to 990 percent. Further, an official devaluation began in October 1983 in which the exchange rate reached ¢90 to US$1 by March 1986. By 1993 ¢720 equaled US$1, and by late 1994, ¢1,023 equaled US$1. In September 1986, the government sought alternative methods for establishing the value of the cedi. At that time, the government relinquished its direct role in determining the exchange rate. The rate was instead determined at regular currency auctions under the pressure of market forces on the basis of a two-tier exchange-rate system, with one rate for essentials and another for non-essentials. In April 1987, the two auctions were unified. In subsequent reforms also designed to diminish smuggling and illegal currency dealings, private foreign-exchange bureaus were permitted to trade in foreign currencies beginning at the end of March 1988. By July 1989, there were 148 such bureaus operating, ninety-nine in Accra and thirty in Ashanti Region, with the remainder in other urban centers. In 1987 US$207 million was allocated through the auction; and in 1988, US$267 million. By comparison, the foreign-exchange bureaus in the first year of operation, ending in March 1989, traded US$77 million worth of foreign currency, or about one-fourth the amount of foreign exchange allocated through the auction. Initially, prices at the auction and those at the foreign-exchange bureaus differed greatly. Efforts to reduce the difference, however, brought the gap from 29 percent in March 1988 to approximately 6 percent by February 1991. In early 1992, the auction was closed, although no official announcement was given. Purchasers were referred to the Bank of Ghana, which used an exchange rate determined largely on the basis of market forces. The government also successfully slowed growth in the money supply. In the late 1980s, the average annual growth rate reached 61 percent. By 1990 it had dropped to 13.3 percent but then accelerated slightly to 16.7 percent, standing at ¢317 million the following year. In 1991 the Bank of Ghana introduced a ¢1,000 note, the highest denomination issued since independence in 1957. Previously, the highest denomination had been ¢500. A total of ¢50 billion of the new notes was printed.Ghana - LABORDespite the revival of the export sector, most Ghanaians continued to find employment with the government or to rely on informal employment for their livelihood. An increasing number of Ghanaians also turned to smuggling or to crime to earn a living. Reductions in the number of government workers had not been absorbed in the export sector by the early 1990s. At the same time, wages had not kept up with the cost of living. The government also sought to reform the education system, because increased education often led to better jobs and higher wages. However, because students were expected to bear an increasing portion of the cost of their education, it was unlikely that the poorest Ghanaians would be able to take full advantage of the school system.**National Requirements** Although the Ghanaian labor force grew throughout the 1980s, the structure of employment remained relatively stable. Between 1981 and 1988, the official number of workers grew by almost 100,000. Despite efforts under the ERP to stimulate private production, public-sector jobs still accounted for more than 80 percent of total employment over the decade. Employment in the public sector rose every year between 1981 and 1985 (from 175,700 to 397,100), but thereafter fell three years in a row, standing at 251,500 in 1988. By 1992 the number of public sector workers had grown to an estimated 595,000, although some 55,000 had been made redundant. Considering the relative importance of public-sector employment, ERP policies to reduce the scope of state enterprises had a profound impact on patterns of unemployment. In the mid1980s , cutbacks at Ghana Cocoa Board (20,000 jobs), Ghana National Trading Corporation (2,000 jobs), and the shipping enterprise, the Black Star Line (1,000 jobs), contributed to nearly 30,000 job losses in the parastatal sector alone by the end of 1986. The civil service lost an estimated 15,000 jobs in the same period. In 1990 fifteen of the remaining state-owned enterprises reduced their payrolls by about 13,000 employees; no figures were available for losses resulting from the liquidation of an additional twenty-two state enterprises that year. Although ERP policies resulted in the loss of many jobs for Ghanaians, their implementation met relatively minor resistance from organized labor. The most serious challenge came in 1986 on the issue of income rather than that of layoffs. The unions threatened action in response to the government's decision (under pressure from the IMF) to abolish leave allowances, a crucial benefit that substantially supplemented low public-sector wages. In response, the government reversed its decision and revised the 1986 budget. After that, the government stepped up taxes on allowances and, in some cases, consolidated them into wages and salaries. Meanwhile, the unemployed continued to express concern over the slow materialization of end-of-service payments. In response, the 1992 budget contained proposals for packages comprising down payments, shares in profitable state-owned enterprises, and interest on deferred payments.**Income and Wages** During the 1980s, per capita income rose slightly but was overshadowed by the increased cost of living. Per capita income climbed from the decade low of US$340 in 1983 to US$400 by 1988 because of the devaluation of the cedi and rising producer prices. The same factors, however, worked to increase consumer prices fourfold from 1985 to 1988. This trend continued throughout the early 1990s as consumer prices rose from 393.2 in 1990 to 634.7 in 1993 based on a 1985 price index of 100. Real wages and salaries are estimated to have fallen by an enormous 83 percent between 1975 and 1983 and to have continued to fall through 1989, forcing many workers to seek additional sources of income. The level of real wages reached in 1988 was less than half that attained in the mid-1970s; nevertheless, the government was committed under the ERP to holding down inflation and hence, wages. In the 1990 budget, the government linked pay increases to productivity, inflation, and companies' ability to pay. With some exceptions, notably a one-time allowance for civil servants to compensate for increased fuel and transport costs in 1990, publicsector wages increased roughly in line with projected inflation in 1989, 1990, and 1991; however, in 1992, the government, which had scheduled elections late in the year, granted a salary increase to public-sector workers. Although no recent data were available for the private sector, wage increases under collective bargaining arrangements appeared to have been relatively modest. Although increases in the minimum daily wage under the PNDC appear spectacular, they are linked to the steady devaluation of the cedi and have not overcome a constant erosion of worker purchasing power. Beginning in April 1984, the government increased the minimum daily wage to ¢35, then to ¢70 in January 1985, ¢90 in January 1986, and ¢122 in 1987. In March 1990, the minimum wage was raised to ¢218, and by August 1991, it had risen to ¢460, an increase of 111 percent as agreed to by the government, the Trade Union Congress, and the Ghana Employers Association. In the face of popular elections and increasing strikes, the government agreed to massive pay raises at the end of 1992, including a 70 percent increase for nurses. Overall, civil service pay raises added more than ¢50 billion to the wage bill, reaching ¢175 billion in 1992, or 50 percent of government revenue. At the same time, the government moved to contain the wage bill by freezing staff recruitment in public-sector organizations as well as state salaries that exceeded those in the civil service.Ghana - AGRICULTUREAgriculture is Ghana's most important economic sector, employing more than half the population on a formal and informal basis and accounting for almost half of GDP and export earnings. The country produces a variety of crops in various climatic zones which range from dry savanna to wet forest and which run in eastwest bands across the country. Agricultural crops, including yams, grains, cocoa, oil palms, kola nuts, and timber, form the base of Ghana's economy. Although Nkrumah attempted to use agricultural wealth as a springboard for the country's overall economic development, Ghanaian agricultural output has consistently fallen since the 1960s. Beginning with the drop in commodity prices in the late 1960s, farmers have been faced with fewer incentives to produce as well as with a general deterioration of necessary infrastructure and services. Farmers have also had to deal with increasingly expensive inputs, such as fertilizer, because of overvaluation of the cedi. Food production has fallen as well, with a decline in the food self-sufficiency ratio from 83 percent in 1961-66 to 71 percent in 1978-80, coupled with a four-fold increase in food imports in the decade prior to 1982. By 1983, when drought hit the region, food shortages were widespread, and export crop production reached an all-time low. When the Rawlings government initiated the first phase of the ERP in 1984, agriculture was identified as the economic sector that could rescue Ghana from financial ruin. Accordingly, since that time, the government has invested significant funds in the rehabilitation of agriculture. Primarily through the use of loans and grants, the government has directed capital toward repairing and improving the transportation and distribution infrastructure serving export crops. In addition, specific projects aimed at increasing cocoa yields and at developing the timber industry have been initiated. Except for specific development programs, however, the government has tried to allow the free market to promote higher producer prices and to increase efficiency. Although the government was criticized for focusing on exports rather than on food crops under the ERP, by the early 1990s the PNDC had begun to address the need to increase local production of food. In early 1991, the government announced that one goal of the Medium Term Agricultural Development Program 1991-2000 was to attain food self-sufficiency and security by the year 2000. To this end, the government sought to improve extension services for farmers and to improve crop-disease research. Despite the statements concerning the importance of food crops, however, the plan was still heavily oriented toward market production, improvement of Ghana's balance-of-payments position, and provision of materials for local industrial production. Furthermore, following World Bank guidelines, the government planned to rely more heavily on the private sector for needed services and to reduce the role of the public sector, a clear disadvantage for subsistence producers. In particular, industrial tree crops such as cocoa, coffee, and oil palm seedlings were singled out for assistance. Clearly, agricultural sectors that could not produce foreign exchange earnings were assigned a lower priority under the ERP. The government attempted to reduce its role in marketing and assistance to farmers in several ways. In particular, the Cocoa Marketing Board steadily relinquished its powers over pricing and marketing. The government, furthermore, established a new farmers' organization, the Ghana National Association of Farmers and Fishermen, in early 1991 to replace the Ghana Federation of Agricultural Cooperatives. The new organization was to be funded by the farmers themselves to operate as a cooperative venture at the district, regional, and national levels. Although the government argued that it did not want to be accused of manipulating farmers, the lack of government financial support again put subsistence producers at a disadvantage.<>Cocoa<>Other Commercial Crops<>Food Crops and Livestock<>Forestry<>FishingGhana - CocoaCocoa production occurs in the forested areas of the country-- Ashanti Region, Brong-Ahafo Region, Central Region, Eastern Region, Western Region, and Volta Region--where rainfall is 1,000-1,500 millimeters per year. The crop year begins in October, when purchases of the main crop begin, while the smaller mid-crop cycle starts in July. All cocoa, except that which is smuggled out of the country, is sold at fixed prices to the Cocoa Marketing Board. Although most cocoa production is carried out by peasant farmers on plots of less than 3 hectares, a small number of farmers appear to dominate the trade. Indeed, some studies show that about one-fourth of all cocoa farmers receive just over half of total cocoa income. In 1979 the government initiated reform of the cocoa sector, focusing on the government's role in controlling the industry through the Cocoa Marketing Board. The board was dissolved and reconstituted as the Ghana Cocoa Board (Cocobod). In 1984 it underwent further institutional reform aimed at subjecting the cocoa sector to market forces. Cocobod's role was reduced, and 40 percent of its staff, or at least 35,000 employees, were dismissed. Furthermore, the government shifted responsibility for crop transport to the private sector. Subsidies for production inputs (fertilizers, insecticides, fungicides, and equipment) were removed, and there was a measure of privatization of the processing sector through at least one joint venture. In addition, a new payment system known as the Akuafo Check System was introduced in 1982 at the point of purchase of dried beans. Formerly, producebuying clerks had often held back cash payments, abused funds, and paid farmer with false checks. Under the Akuafo system, a farmer was given a check signed by the produce clerk and the treasurer that he could cash at a bank of his choice. Plantation divestiture proceeded slowly, however, with only seven of fifty-two plantations sold by the end of 1990. Although Ghana was the world's largest cocoa producer in the early 1960s, by the early 1980s Ghanaian production had dwindled almost to the point of insignificance. The drop from an average of more than 450,000 tons per year to a low of 159,000 tons in 1983-84 has been attributed to aging trees, widespread disease, bad weather, and low producer prices. In addition, bush fires in 1983 destroyed some 60,000 hectares of cocoa farms, so that the 1983-84 crop was barely 28 percent of the 557,000 tons recorded in 1964-65. Output then recovered to 228,000 tons in 1986-87. Revised figures show that production amounted to 301,000 tons in 1988-89, 293,000 tons in 1990-91, and 305,000 tons in 1992-93. After declining to 255,000 tons in 1993-94, the crop was projected to return to the 300,000 ton range in 1994-95. In the early 1990s, Cocobod continued to liberalize and to privatize cocoa marketing. The board raised prices to producers and introduced a new system providing greater incentives for private traders. In particular, Cocobod agreed to pay traders a minimum producer price as well as an additional fee to cover the buyers' operating and transportation costs and to provide some profit. Cocobod still handled overseas shipment and export of cocoa to ensure quality control. In addition to instituting marketing reforms, the government also attempted to restructure cocoa production. In 1983 farmers were provided with seedlings to replace trees lost in the drought and trees more than thirty years old (about one-fourth of the total number of trees in 1984). Until the early 1990s, an estimated 40 hectares continued to be added to the total area of 800,000 hectares under cocoa production each year. In addition, a major program to upgrade existing roads and to construct 3,000 kilometers of new feeder roads was launched to ease the transportation and sale of cocoa from some of the more neglected but very fertile growing areas on the border with Côte d'Ivoire. Furthermore, the government tried to increase Ghana's productivity from 300 kilograms per hectare to compete with Southeast Asian productivity of almost 1,000 kilograms per hectare. New emphasis was placed on extension services, drought and disease research, and the use of fertilizers and insecticides. The results of these measures were to be seem in rising cocoa production in the early 1990s.Ghana - Other Commercial CropsThe main industrial crops are palm oil, cotton, rubber, sugar cane, tobacco, and kenaf, the latter used in the production of fiber bags. None is of strategic economic importance, and all, apart from oil palms, have suffered as a result of the country's economic difficulties. Despite claims that such crops could assist local industrialization efforts, the government has not focused the same attention on this sector as on export crops. For example, sugar cane output has diminished with the closure of the country's two sugar mills, which produced 237,000 tons per year in 1974-76, but only 110,000 tons in 1989. The government has actually encouraged the export rather than the local processing of rubber, rehabilitating more than 3,000 hectares of plantations specifically for export production rather than revitalizing the local Bonsa Tire Company, which could produce only 400 tires per day in 1988 despite its installed capacity for 1,500 per day. By the 1990s, the tobacco sector was expanding and moving toward higher export production. Ghana's dark-fired leaf probably grows too fast and requires too rich a soil to compete effectively with rival crops, but the potential for flue-cured and Burley varieties is good. Pricing difficulties had reduced tobacco production from 3,400 tons in the early 1970s to an estimated 1,433 tons in 1989. Output began to improve in 1990, however, reaching 2,080 tons. The Leaf Development Company was established in 1988 to produce tobacco leaf for the local market and to lay the basis for a future export industry. In 1991, the company's first commercial crop amounted to 300 tons of flue-cured, 50 tons of Burley, and 50 tons of dark-fired tobacco (all green leaf weights), of which 250 tons were exported, earning US$380,000. In 1991 Rothmans, the British tobacco company, acquired a 49.5 percent stake in the company and took over management of the Meridian Tobacco Company in partnership with the state-owned Social Security and National Insurance Trust. Another firm, the Pioneer Tobacco Company, announced a 92 percent increase in post-tax profits of more than ¢1 billion for 1991. The company declared dividends worth ¢360 million, double the amount paid out in 1990. Cotton production expanded rapidly in the early and mid-1970s, reaching 24,000 tons in 1977, but it fell back to one-third of this figure in 1989. Since the reorganization of the Ghana Cotton Development Board into the Ghana Cotton Company, cotton production has steadily increased from 4 percent of the country's national requirement to 50 percent in 1990. Between 1986 and 1989, Ghana saved US$6 million through local lint cotton production. The company expected that between 1991 and 1995, about 20,000 hectares of land would be put under cotton cultivation, enabling Ghana to produce 95 percent of the national requirement.Ghana - Food Crops and LivestockThe main food crops are corn, yams, cassava, and other root crops. Despite government efforts to encourage farmers to switch to production of staples, total food production fell by an average of 2.7 percent per year between 1971-73 and 1981-83. By 1983 Ghana was self-sufficient in only one staple food crop--plantains. Food imports rose from 43,000 tons in 1973 to 152,000 tons in 1981. Those were various reasons for this poor performance, including growing urbanization and a shift in consumer preference from starchy home-grown staples to rice and corn. However, farmers also suffered from shortages of production inputs, difficulties in transporting produce to market, and competition from imported foods that were underpriced because of the vastly overvalued cedi. Weather also played a major part, particularly in 1983, when drought cut cereal production from 518,000 tons in 1982 to only 450,000 tons at a time when an extra million people had to be fed after the expulsion of Ghanaians from Nigeria. Food imports in 1982-83 amounted to 115,000 tons (40 percent as food aid), with the 1983-84 shortfall estimated at 370,000 tons (of which food aid commitments covered 91,000 tons). There was a spectacular improvement beginning in 1984, mainly because of recovery from the prior year's drought. By 1988 the agricultural sector had vastly expanded, with food crops responsible for the bulk of the increase. Drought conditions returned in 1990, bringing massive falls in the production of all food crops apart from rice, but better weather and improved production brought prices down in 1991. In August 1990, the government moved to liberalize the agricultural sector, announcing the end of minimum crop prices. The measure's impact was difficult to gauge because higher production meant more food was available at better prices anyway. The government's medium-term plan, outlined in 1990, sought to raise average crop yields and to increase food security, with special attention to improved producer incentives and storage facilities. Livestock production is severely limited by the incidence of tsetse fly in Ghana's forested regions and by poor grazing vegetation elsewhere. It is of major importance only in the relatively arid north and has not been earmarked for special treatment in Ghana's recovery program. In 1989 there were an estimated 1.2 million cattle, 2.2 million sheep, 2 million goats, 550,000 pigs, and 8 million chickens in Ghana.Ghana - ForestryForests cover about one-third of Ghana's total area, with commercial forestry concentrated in the southern parts of the country. This sector accounted for 4.2 percent of GDP in 1990; timber was the country's third largest foreign exchange earner. Since 1983 forestry has benefited from more than US$120 million in aid and commercial credits and has undergone substantial changes, resulting in doubled earnings between 1985 and 1990. In 1993 timber and wood products earnings totalled US$140 million against a targeted level of US$130 million. Between January and November 1994, exports amounted to 919,000 tons and earned US$212 million. Until the 1980s, forestry production suffered because of the overvalued cedi and deterioration of the transportation infrastructure. Log production declined by 66 percent during 1970- 81 and sawed timber by 47 percent. Exports fell from US$130 million in 1973 to US$15 million in 1983, and four nationalized firms went bankrupt during that period. The forestry sector was given a large boost in 1986, mainly because of the World Bank's US$24 million timber rehabilitation credit, which financed imports of logging equipment. As a consequence, log production rose 65 percent in 1984-87, and export revenues rose 665 percent in 1983-88. Furthermore, the old Ghana Timber Marketing Board was disbanded and replaced by two bodies, the Timber Export Development Board--responsible for marketing and pricing, and the Forest Products Inspection Bureau--responsible for monitoring contracts, maintaining quality standards, grading products, and acting as a watchdog for illegal transactions. Some of the external financing underwrote these institutional changes, while much of the rest financed forestry management and research as well as equipment for logging, saw milling, and manufacturing. The sector, however, faced several problems. The most important was severe deforestation. A century ago, Ghana's tropical hardwood forest extended from about the middle of the country southward to the sea. Moreover, nearly half the country was covered with forests, which included 680 species of trees and several varieties of mahoganies. Most of this wood has been cut. By the early 1990s, only about one-third of the country was still forested, and not all of this was of commercial value. This situation has forced the government to make difficult choices between desperately needed hard currency earnings and conservation. The Forest Resource Management Project, part of the ERP, was initiated in 1988, and in 1989 the government banned log exports of eighteen species. The government later extended the list and imposed high duties on other species, planning to phase out log and air-dried timber exports altogether by 1994. Instead, the government hoped to increase sales of wood products to replace earnings from logs. Government figures showed that one cubic meter of lumber and plywood was worth more than twice as much as the same amount of logs; veneers earned five times as much; and other products, such as furniture and floorings, earned six times the price of an equivalent volume of logs. Improvements in the processing sector caused wood products (excluding lumber) to rise to about 20 percent of export earnings in 1991, accounting for 6.9 percent of volume exports. By comparison, wood products represented 11 percent of earnings and 5.5 percent of volume in 1985. The fall in the proportion of volume sales accounted for by logs was accompanied by a dramatic fall in their share in earnings, from 50-60 percent in the mid-1980s to 23 percent in 1990. By the early 1990s, there were approximately 220 lumber processors in Ghana, but the industry operated under several constraints. Most overseas demand is for kiln-dried products, and Ghanaian manufacturers lack sufficient kilns to meet that demand. The cheap air-dried processing method is not satisfactory because air-dried wood tends to destabilize over time. Foreign investment incentives are not so attractive in this sector as in others, for example, mining. Furthermore, infrastructure in the Western Region where lumber processing is located continues to be relatively neglected compared with mining and cocoa production regions. Other difficulties include lack of expertise at technological and managerial levels. Scandals have been reported in Ghana's forestry industry since 1986, and they erupted again in early 1992. The most notable case involved African Timber and Plywood, once Ghana's largest exporter of round logs. In the mid-1980s, the government embarked on a US$36 million rehabilitation project to boost the company's production. In 1992 as much as US$2.3 million was alleged to have been siphoned off from the project through various malpractices, and a number of officials were arrested. Furthermore, the environmental group, Friends of the Earth, alleged that there had been additional thefts by numerous foreign companies totaling almost US$50 million in hard currency during the 1980s. In 1992 the government began investigating the activities of hundreds of companies, both foreign and local, that were alleged to have entered into a range of illegal dealings including smuggling, fraudulent invoicing, violation of local currency regulations, corruption, bribery, and nonpayment of royalties. The corruption is so wide spread, however, that it is unlikely that the Ghanaian authorities will stop timber-related crimes anytime soon.Ghana - FishingFishing increased considerably in the late 1960s, from 105,100 tons of marine fish caught in 1967 to 230,100 tons in 1971. In 1982 the yield was 234,100 tons, composed of 199,100 tons of marine varieties and 35,000 tons of freshwater fish from Lake Volta. The industry was hit by fuel shortages, inadequate storage facilities, and the general economic difficulties of the 1970s and the 1980s. Nevertheless, by 1988 the fish catch was 302,900 tons; by 1991 it amounted to 289,675 tons, down from more than 319,000 tons in 1990. Large-scale poaching by foreign vessels has severely depleted fish stocks in Ghana's 200-nautical-mile maritime Exclusive Economic Zone, causing major government concern. The most affected stocks are sea bottom-feeding fish. Tuna stocks reportedly remain unaffected. A 1992 Ministry of Food and Agriculture report recommended that the government accelerate mobilization of surveillance and enforcement units and step up regulation of trawler fleets. That same year, the government passed a fisheries law to curb overfishing and to help protect the marine environment. Fishermen were banned from catching specified shellfish, and all fishing vessel operators were required to obtain licenses. The law provided for a regulatory body--the Fisheries Monitoring, Control, Surveillance, and Enforcement Unit--as well as a fisheries advisory council. These organizations, however, both of which are underfunded and undermanned, are unlikely to stop illegal fishing activities anytime soon.Ghana - MINING AND OILGhana's mineral sector had started to recover by the early 1990s after its severe decline throughout the 1970s. One indicator of the scale of decline was that by 1987, only four gold mines were operating in Ghana, compared with eighty in 1938. Throughout the 1970s, the output of gold, as well as bauxite, manganese, and diamonds, fell steadily. Foreign exchange shortages inhibited mine maintenance, new exploration, and development investment. The overvalued cedi and spiraling inflation exacerbated mining companies' problems, as did smuggling and the deteriorating infrastructure. Energy supplies failed to meet the industry's growing needs; foreign exchange shortages constrained oil imports, and domestically generated hydroelectricity was unable to make up the shortfall. After 1983, however, the government implemented a series of measures to enhance the sector's appeal. In 1986 new mining legislation for the gold and diamond sectors replaced the previous complex and obsolete regulations, and a generous incentives system was established that allowed for external foreign exchange retention accounts, capital allowances, and a flexible royalties payment system. Since then the sector has benefited from a wave of fresh investment totaling US$540 million since 1986, and by the early 1990s mining was the country's second highest foreign exchange earner. Under legislation passed after 1983, the government liberalized and regularized the mining industry. For the first time, the government made small claim-holding feasible, with the result that individual miners sold increasing amounts of gold and diamonds to the state-operated Precious Minerals Marketing Company. In 1990 the company bought 490,000 carats of diamonds and 20,000 ounces of gold and earned a total of US$20.4 million through sales, 70 percent of it from diamond sales and 30 percent from gold bought from smallscale operators. Diamond output totaled 688,000 carats in 1991 and 694,000 carats in 1992, while gold production amounted to 843,000 fine ounces in 1991 and 1,004,000 fine ounces in 1992. Furthermore, the government succeeded in attracting significant foreign investment into the sector and, by early 1991, had signed over sixty mining licenses granting prospecting rights to international companies. To forestall domestic criticism of large-scale foreign control of the sector, the government announced in mid-1991 the establishment of a state-controlled holding company to buy shares in mines on behalf of private, that is, foreign, investors.Ghana - GoldGhana has produced and exported gold for centuries. In precolonial times, present-day Ghana was one source of the gold that reached Europe via trans-Saharan trade routes. In the fifteenth century, Portuguese sailors tried to locate and to control gold mining from the coast but soon turned to more easily obtained slaves for the Atlantic slave trade. Most gold mining before the mid-nineteenth century was alluvial, miners recovering the gold from streams. Modern gold mining that plumbs the rich ore deposits below the earth's surface began about 1860, when European concessionaires imported heavy machinery and began working in the western areas of present-day Ghana. The richest deposit, the Obuasi mine, was discovered by a group of Europeans who sold their rights to E.A. Cade, the founder of Ashanti Goldfields Corporation (AGC). Since the beginning of the twentieth century, modern mining in the Gold Coast has been pursued as a large-scale venture, necessitating significant capital investment from European investors. Under British colonial rule, the government controlled gold mining to protect the profits of European companies. The colonial government also restricted possession of gold as well as of mercury, essential in recovering gold from the ore in which it is embedded. Following independence, foreign control of the sector was tempered by increasing government involvement under the Nkrumah regime; however, production began to decline in the late 1960s and did not recover for almost twenty years. In the mid-1960s, many mines began to hit poorer gold reefs. Despite the floating of the international gold price in the late 1960s, few investors were willing to invest, and the government failed to provide the capital necessary to expand production into new reefs. Of the two major gold mining enterprises, neither the State Gold Mining Corporation nor AGC (40 percent controlled by the government) expanded or even maintained production. Under the ERP, the mining sector was targeted as a potential source of foreign exchange, and since 1984, the government has successfully encouraged the rejuvenation of gold mining. To offer incentives to the mining industry, the Minerals and Mining Law was passed in 1986. Among its provisions were generous capital allowances and reduced income taxes. The corporate tax rate was set at 45 percent, and mining companies could write off 75 percent of capital investment against taxes in the first year and 50 percent of the remainder thereafter. The government permitted companies to use offshore bank accounts for service of loans, dividend payments, and expatriate staff remuneration. Companies are permitted to retain a minimum of 25 percent of gross foreign exchange earnings from minerals sales in the accounts, a level that can be negotiated up to 45 percent. Reconnaissance licenses are issued for one-year renewable periods, prospecting licenses are valid for three years, and mining licenses are in force for up to thirty years. The government has the right to 10 percent participation in all prospecting and to extend its share if commercial quantities of a mineral are discovered. In response, between 1985 and 1990 eleven companies became active with foreign participation, representing investments totaling US$541 million. Since 1986 there has been a gradual recovery in overall production. More than 90 percent of gold production in the early 1990s came from underground mines in western Ashanti Region, with the remainder coming from river beds in Ashanti Region and Central Region. AGC, the country's largest producer, mined 62,100 fine ounces in January 1992, the highest monthly production ever recorded since the company began operation in 1897. The company also lowered its costs in relation to production during the last quarter of 1991 from 0.26 percent in October to 0.24 percent in December. Production during the company's fiscal year of October 1990 to September 1991 was 569,475 fine ounces, 42 percent more than the previous year's figure of 400,757 fine ounces and the largest amount ever produced by the mine. The second largest amount produced was 533,000 fine ounces, produced in 1972. AGC planned major expansions in the early 1990s funded by World Bank loans. In early 1991, the corporation announced the discovery of new reserves estimated at more than 8 million ounces, in addition to its known reserves of 22.3 million ounces. The new reserves include lower-grade and remnant ores that the corporation had been unwilling to mine because of high costs. AGC planned to lower costs through capital-intensive operations and a sharp reduction of labor costs. It also planned then to raise output from a projected 670,000 fine ounces for 1992 to more than 1 million fine ounces a year in 1995. The expansion was to be funded by an International Finance Corporation loan package totaling US$140 million. AGC was to put up the balance, estimated to exceed US$200 million. AGC was not the only company to benefit from an upsurge in production. Despite its increased production, the company's overall share of the domestic gold market declined from 80 percent to 60 percent in the same period that other operators entered the industry. Provisional figures for 1991 showed that two new mines, Teberebie and Billiton Bogoso, produced 100,000 fine ounces each, while other companies, including State Gold Mining Corporation, Southern Cross Mining Company, Goldenrae, Bonte, and Okumpreko, were stepping up production. Several other enterprises were on the drawing board or were about to open by mid-1992. The British company Cluff Resources had raised US$10.2 million to finance a new mine at Ayanfuri. The company had been involved in exploration since 1987 and planned to produce as much as 50,000 ounces of gold annually. A CanadianGhanaian joint-venture gold mine and associated processing facilities was commissioned in mid-1991 in Bogoso, western Ghana. Finally, in May 1992, a joint-venture company was created to prospect for gold in the Aowin Suamang district in Western Region. Shareholders in the new company included the Chinese government (32.68 percent), private investors in Hong Kong (32 percent), the Ghanaian government (10 percent) and private Ghanaian interests. In 1992, Ghana's gold production surpassed 1 million fine ounces, up from 327,000 fine ounces in 1987. In March 1994, the Ghanaian government announced that it would sell half of its 55 percent stake in AGC for an estimated US$250 million, which would then be spent on development projects. The authorities also plan to use some of the capital from the stock sale to promote local business and to boost national reserves. The minister of mines and energy dispelled fears that the stock sale would result in foreign ownership of the country's gold mines by saying that the government would have final say in all major stock acquisitions.Ghana - DiamondsThe government also is trying to expand Ghana's diamond mining industry, which has produced primarily industrial grade gems from alluvial gravels since the 1920s Diamond Jewelry. More than 11 million carats of proven and probable reserves are located about seventy miles northwest of Accra. The main producer is the state-owned Ghana Consolidated Diamonds (GCD), which operates in the Birim River Basin. In the 1960s, the company mined 2 million carats of diamonds a year, but annual production in 1991 amounted to only 146,000 carats. This downturn resulted from technical problems and GCD's weak financial position. Production from all mines came to 688,000 carats in 1991 and to 694,000 carats in 1992. In the early 1990s, the government announced plans to privatize its diamond-mining operations and to expand production. At Accra's invitation, De Beers of South Africa agreed to undertake an eighteen-month feasibility study to determine the extent of the Birim River Basin diamond reserves. The survey was to cost US$1 million. A De Beers subsidiary will be the operator and manager of GCD, while Lazare Kaplan International, a New York-based diamond polishing and trading company, will produce and market the diamonds. In 1989 the government established the Precious Minerals Marketing Corporation (PMMC) to purchase minerals from small producers in an effort to stem diamond smuggling. Estimates suggested that as much as 70 percent of Ghana's diamonds were being smuggled out of the country in the mid-1980s. In its first sixteen months of operation, the PMMC bought 382,423 carats of diamonds and 20,365 ounces of gold and sold 230,000 carats of diamonds worth US$8 million. The corporation also earned ¢130 million in 1991 on its jewelry operations, up 48 percent from the previous year, and it planned to establish joint marketing ventures with foreign firms to boost sales abroad. Nevertheless, because of new complaints over raw gem sales, the government in March 1992 ordered an investigation into the operations of the state agency and suspended its managing director.Ghana - ManganeseGhana is one of the world's leading exporters of manganese; however, only 279,000 tons were produced in 1992, compared with the all-time high of 638,000 tons in 1974-75. Ghana has reserves exceeding 60 million tons, and considerable rehabilitation of the sector took place in the 1980s. Ghana National Manganese Corporation's mine and the surrounding infrastructure were repaired, helping to raise production from a low of 159,000 tons in 1983 to 284,000 tons in 1989 and 247,000 tons in 1990. The corporation earned US$20 million from its exports in 1991, up from US$11.6 million in 1989 and US$14.2 million in 1990. Approximately US$85 million was also invested by private investors at the newly explored Kwesikrom deposit.Ghana - Oil ExplorationAlthough commercial quantities of offshore oil reserves were discovered in the 1970s, by 1990 production was still negligible. In 1983 the government established the Ghana National Petroleum Corporation (GNPC) to promote exploration and production, and the company reached agreements with a number of foreign firms. The most important of these permitted US-based Amoco to prospect in ten offshore blocks between Ada and the western border with Togo. Petro Canada International has prospected in the Tano River Basin, and Diamond Shamrock in the Keta Basin. In 1989 three companies, two American and one Dutch, spent US$30 million drilling wells in the Tano basin. On June 21, 1992, an offshore Tano basin well produced about 6,900 barrels of oil daily. In the early 1990s, GNPC reviewed all earlier oil and gas discoveries to determine whether a predominantly local operation might make exploitation more commercially viable. GNPC wanted to set up a floating system for production, storage, off-loading, processing, and gas-turbine electricity generation, hoping to produce 22 billion cubic feet per day, from which 135 megawatts of power could be generated and fed into the national and regional grid. GNPC also won a contract in 1992 with Angola's state oil company, Sonangol, that provides for drilling and, ultimately, production at two of Sonangol's offshore oilfields. GNPC will be paid with a share of the oil. The country's refinery at Tema underwent the first phase of a major rehabilitation in 1989. The second phase began in April 1990 at an estimated cost of US$36 million. Once rehabilitation is completed, distribution of liquified petroleum gas will be improved, and the quantity supplied will rise from 28,000 to 34,000 barrels a day. Construction on the new Tema/Akosombo oil products pipeline, designed to improve the distribution system further, began in January 1992. The pipeline will carry refined products from Tema to Akosombo Port, where they will be transported across Lake Volta to northern regions. Distribution continues to be uneven, however. Other measures to improve the situation include a US$28 million project to set up a national network of storage depots in all regions. The Tema Lube Oil Company commissioned its new oil blending plant, designed to produce 25,000 tons of oil per year, in 1992. The plant will satisfy all of Ghana's requirements for motor and gear lubricants and 60 percent of the country's need for industrial lubricants, or, in all, 90 percent of Ghana's demand for lubricant products. Shareholders include Mobil, Shell, and British Petroleum (together accounting for 48 percent of equity), Ghana National Petroleum Corporation, and the Social Security and National Insurance Trust.Ghana - ManufacturingAt independence in 1957, the Nkrumah government launched an industrialization drive that increased manufacturing's share of GDP from 10 percent in 1960 to 14 percent in 1970. This expansion resulted in the creation of a relatively wide range of industrial enterprises, the largest including the Volta Aluminum Company (Valco) smelter, saw mills and timber processing plants, cocoa processing plants, breweries, cement manufacturing, oil refining, textile manufacturing operations, and vehicle assembly plants. Many of these enterprises, however, survived only through protection. The overvalued cedi, shortages of hard-currency for raw materials and spare parts, and poor management in the state sector led to stagnation from 1970 to 1977 and then to a decline from 1977 to 1982. Thereafter, the manufacturing sector never fully recovered, and performance remained weak into the 1990s. Underutilization of industrial capacity, which had been endemic since the 1960s, increased alarmingly in the 1970s, with average capacity utilization in large- and medium-scale factories falling to 21 percent in 1982. Once the ERP began, the supply of foreign exchange for imported machinery and fuel substantially improved, and capacity utilization climbed steadily to about 40 percent in 1989. Nevertheless, by 1987 production from the manufacturing sector was 35 percent lower than in 1975 and 26 percent lower than in 1980. Ghana's record with industrialization projects since independence is exemplified by its experience with aluminum, the country's most conspicuous effort to promote capital-intensive industry. This venture began in the mid-1960s with the construction of a 1,186-megawatt hydroelectric dam on the lower Volta River at Akosombo. Built with assistance from Britain, the United States, and the World Bank, the Akosombo Dam was the centerpiece of the Volta River Project (VRP), which the Nkrumah government envisioned as the key to developing an integrated aluminum industry based on the exploitation of Ghana's sizable bauxite reserves and its hydroelectric potential. Foreign capital for the construction of an aluminum smelter in Tema was obtained from US-based Kaiser Aluminum, which acquired a 90 percent share in Valco, and from USbased Reynolds Aluminum, which held a 10 percent share. Valco became the principal consumer of VRP hydroelectricity, using 60 percent of VRP-generated power and producing up to 200,000 tons of aluminum annually during the 1970s. Changing global economic conditions and severe drought dramatically affected the Ghanaian aluminum industry during the 1980s. The discovery of vast bauxite reserves in Australia and Brazil created a global oversupply of the mineral and induced a prolonged recession in the aluminum trade. Under these conditions, Valco found it far more economical to import semi-processed alumina from Jamaica and South Korea than to rely on local supplies, despite the discovery in the early 1970s of sizable new deposits at Kibi. Valco's refusal to build an aluminum production facility brought Kaiser and Reynolds into bitter conflict with the government. Severe drought compounded the effects of unfavorable market conditions by reducing the electricity generating capacity of the Akosombo Dam and by forcing a temporary shutdown of the smelter from 1983 to 1985. Aluminum production was slow to recover in the wake of the shutdown. In the early 1990s, aluminum production and exports continued to be negligible. Drastic currency devaluation after 1983 made it exceptionally expensive to purchase inputs and difficult to obtain bank credit, which hurt businessmen in the manufacturing sector. Furthermore, the ERP's tight monetary policies created liquidity crises for manufacturers, while liberalization of trade meant that some enterprises could not compete with cheaper imports. These policies hurt industries beset by long recession, hyperinflation, outmoded equipment, weak demand, and requirements that they pay 100 percent advances for their own inputs. Local press reports have estimated the closure of at least 120 factories since 1988, mainly because of competitive imports. The garment, leather, electrical, electronics, and pharmaceuticals sectors have been particularly hard hit. In 1990, even the New Match Company, the only safety match company in the country, closed. ERP strategies made it difficult for the government to assist local enterprises. Committed to privatization and the rule of freemarket forces, the government was constrained from offering direct assistance or even from moderating some policies that had an obviously detrimental impact on local manufacturers. Nevertheless, the Rawlings government initiated programs to promote local manufacturing. In 1986 the government established the Ghana Investment Center to assist in creating new enterprises. Between 1986 and 1990, the vast majority of projects approved--444 of 621--were in the manufacturing sector. Projected investment for the approved ventures was estimated at US$138 million in 1989 and at US$136 million in 1990. In the initial phase, timber was the leading sector, giving way in 1990 to chemicals. In 1991 the government established an office to deal with industrial distress in response to complaints that "unrestrained imports" of foreign products were undermining local enterprises. The 1992 budget included assistance for local industrialists; ¢2 billion was set aside as financial support for "deserving enterprises." The dominant trends in manufacturing, nonetheless, were the involvement of foreign capital and the initiation of joint ventures. Significant new enterprises included a US$8 million Taiwanese-owned factory, capable of turning out ten tons of iron and steel products per hour, which began trials at Tema in 1989. Although approximately 500 projects had been approved since the investment code came into force in 1985, almost half had still not been launched by the end of 1989. Between 90 and 95 percent of the approved projects were joint ventures between foreign and local partners, 80 percent of which were in the wood industry. Restructuring of the sector was proceeding through divestiture, import liberalization, and promotion of small-scale industries.Ghana - TourismUnder Ghana's 1985 investment code, tourism is a priority sector with incentives and benefits for investors. The government hopes to triple its foreign exchange earnings from tourism under a five-year tourism plan, based on a projection that between 1991 and 1995, the number of tourists visiting Ghana every year will double from the 1991 base of 145,000. Jobs in the tourism industry are projected to reach 270,000, with more created in other sectors that derive business from the tourist trade. There are also incentives for star-rated hotels, approved tourist villages and beaches, and holiday recreational resorts. Investors are involved in the development of other tourist attractions, such as waterfalls, beaches, forts, castles, and historical sites, and even in specialized restaurants, tourist coaches, and buses. Incentives in this sector include tax and rate exemptions on building properties for three years in addition to investment and depreciation allowances. |

# TUC issues statement on the general economic situation in Ghana

February 6, 2014 | Filed under: [Latest news](http://vibeghana.com/category/headlines/latest-news/) | Posted by: [VibeGhana](http://vibeghana.com/author/vibeghanaeditor2006/)

The Ghana Trades Union Congress on Wednesday issued a statement signed by its Secretary-General, Mr Kofi Asamoah on the general economic situation of the country.

**See full statement below:**

“In July 2013, the Trades Union Congress (TUC) issued a statement on the state of the Ghanaian economy. In that statement we raised serious concerns about the health of the economy and its implications for the working people of Ghana and their families.

We expressed grave concern about the nature of economic policies and the quality of economic management.

This followed an earlier statement, issued in June 2012, calling attention to the rapid depreciation of the Ghana cedi against the major international currencies.

Since 2005, the TUC and other civil society organizations have made annual submissions on economic and social policies for the consideration of the Minister of Finance in the Annual Budget Statement and Economic Policy of Ghana.

In these submissions, we have offered some recommendations on what we think are the solutions to the socio-economic challenges Ghana is facing.

At the heart of all our submissions has been a call for a national dialogue and consensus building on the nature of economic policy and economic management that can create employment and reduce poverty which has afflicted millions of Ghanaians.

Sadly, the managers of our national economy have chosen to ignore the advice of the TUC and many other brilliant suggestions that have been put forward by other civil society organizations.

Instead, those in charge of our economy have chosen to rely on the economic policy advice of ‘experts’ at the International Monetary Fund (IMF) and the World Bank.

Therefore, in the last three decades, our economic policy have been heavily neo-liberal in character – privatization of strategic national assets, unbridled liberalization of international trade, and the ruthless deployment of market forces as evidenced by the removal of subsidies on utilities and fuel.

These bad economic policy choices have been exacerbated by pervasive corruption, cronyism, incompetence, and extreme partisanship.

The chickens have now home to roost. After religiously sticking to this economic management philosophy for over thirty odd years, the jury is still out there. Views are converging that the economy is failing or has failed and times are really hard for ordinary citizens.

The economic indicators, as robust as we are told they are, have failed to make any significant impact in the lives of Ghanaians.

Good jobs are disappearing faster than they are being created even as the economy registers what is claimed to be ‘impressive’ growth rates. Incomes are falling in real terms for most Ghanaians as inflation rises.

The trade deficit has been growing at an alarming rate as imports saturate our markets and stores and as we continue to export our natural resources in their raw form.

The national debt has ballooned and continues to soar. The cedi has now found itself in the slaughterhouse having fallen in value against all the major international currencies. And it continues to fall.

Out of desperation Government has now resorted to increases in VAT which is well-known to be regressive form of taxation.

Road tolls have gone up by more than a thousand percent in the last five years. And more roads are being tolled even as our road network deteriorates.

At the beginning of this year, nearly all government charges and fees have been increased.

There is a now a 17.5 percent VAT on bank transactions and utility consumption. Fuel subsidies have been abolished; government is fully taxing fuel products now.

Government has abolished the payment of allowances to Teacher and Nursing Trainees at the time Ghana need more teachers and health professionals to take care of 25 million Ghanaians.

Public services are deteriorating. Many schools are operating at the margins because government bursaries are in arrears.

Hospitals are stretched to their limits. Private hospitals may soon have to close down because of the huge indebtedness of the National Health Insurance (NHIS).

All this have occurred in the context of additional resources from the commercial production of oil, which has added about half a billion Dollar annually to the national purse since 2011.

But as we noted in our July 2013 statement, we are gravely “concerned that government and its agencies are not efficiently managing the oil resources for the benefits of Ghanaians.

For instance, in 2012, an amount of GH¢ 232,403,269 out of the oil revenues was committed to road infrastructure.

But we are yet to be told exactly which roads the funds were applied. Again, in 2012 while an amount of GH¢72,471,824 (14 per cent) was committed to agricultural modernization we used GH¢111,959,738 for so-called capacity building.

In its 2012 annual report, the Public Interest and Accountability Committee (PIAC), the committee charged with monitoring compliance with the Petroleum Revenue Management Act, called on government to indicate how the funding for capacity building was utilized.

We still hold the view that the economic and social challenges that we face as a country are rooted in the nature of economic policies and the manner in which we have chosen to conduct national affairs.

The economic woes we are facing can be attributed to the hands-off neoliberal economic policies and failure on the part of the leadership to do the right things for the country.

The policy of unbridled trade liberalization or more appropriately import liberalization has compelled us, as a nation, to live virtually on imports.

We import practically everything as the manufacturing sector gradually, but surely, grinds to a halt. Our increasing appetite for imports means that our demand for foreign currency particularly the US Dollar is growing exponentially.

More than two-thirds of our exports revenues are generated from Gold, Cocoa, Oil and Timber. And we continue to export these in their raw forms earning very little.

Policymakers have failed to address the monumental challenges that confront domestic industry compelling many exporters to convert their factories into warehouses as they join the lucrative import trade.

The problem has been compounded by the over-liberalization of our external payment system allowing for transfer of foreign currency of any amounts out of the country by foreign companies operating in Ghana.

The legal limits on transfers out of the country are rarely enforced. There are reports of people and companies transferring millions of Dollars in sacks through our porous borders.

In 2012, the Bank of Ghana reportedly sunk about a billion dollars into the economy in an effort to halt the depreciation of the Cedi (Business & Financial Times, 11th April 2012). But this failed to stem the slide of the cedi.

Foreign-owned companies, particularly those in the services sector such as the Telecoms, dealing in non-tradables and generating so much cedi-denominated revenues are a major part of the constant pressure on the Ghana Cedi.

These companies hardly bring in any foreign currency beyond their initial capital investments. At the same time we place our reserves, built through the sweat of our cocoa farmers and the borrowings from the IMF (with all the conditionalities), at their disposal.

As the Bank of Ghana injects more Dollars into the economy, these companies quickly buy them for onward transfer out of the country. Their shareholders in South Africa, United Kingdom, United States and elsewhere receive their dividends not in Cedis but in Dollars and Pounds.

The US$20 million that the Bank of Ghana says it has injected into the economy is roughly equivalent to what one telecom company will have to transfer out of the country in a month.

The TUC shares the view that the dollarization of the economy is partly to blame for the current messy situation. But Government itself is most guilty on this.

We are in a country where custom duties charged by government are dollar-indexed. State agencies, like the Tema Development Corporation (TDC), sell land at Dollar-indexed prices.

The Ghana Institute of Management and Public Administration (GIMPA), along with other public educational institutions, have indexed their fees to the US Dollar.

In such an environment, one can only expect rational economic actors to procure dollars ahead of time to shield themselves from exchange rate losses. Yet, Government turns round to blame innocent Ghanaians for dollarizing the economy.

With the value of the Cedi declining on a daily basis, the domestic prices of imports keep rising and this has adverse implications for the living conditions of workers whose salaries are fixed throughout the year. And it is not just imported items that experience price increases. Landlords adjust their rents to be able to cope. Lorry fares continue their upward trend.

In general, Ghanaians are facing difficult times as nearly all prices are going up.

Government functionaries are in the state of denial and are descending heavily and crudely on people who echo the general sentiments of Ghanaians.

This may be understandable given that such functionaries live on state resources and they do not have to worry about soaring prices. But the truth of the matter is that the rest of Ghanaians are facing severe social and economic hardships.

And it is important that Government and its functionaries wake up to the realities and do something about the plight of Ghanaians.

The TUC admits that there are no easy solutions to the current situation. The country requires immediate short-term remedial measures to ameliorate the plight of Ghanaians.

First, it is important that government rolls back some of the many taxes it has imposed on the people including the downward review of charges and fees. Second, government

must consider re-introducing subsidies on utilities and fuel because the rate at which government is raising fuel prices and utilities is neither sustainable nor socially desirable for the country.

Third, government must check and rid itself of corruption and corrupt elements to ensure that government services and programmes reach their intended beneficiaries in a timely manner.

In the long-term, a radical overhaul of economic and social policy is warranted. First, there is need to strengthen the state and its agencies to allow for effective conduct of government and state policies and programmes.

This means that while market forces are recognized as important in mediating economic exchanges, the state represented by efficient government institutions must retain the right and possibilities to intervene in a strategic way to achieve national objectives.

Second, economic policies must emphasize the centrality of adding value to natural resources and being able, as a country, to produce some of the basic necessities of life.

We cannot make any headway in reducing poverty and improving living conditions by living on imports. We need policies and programmes that reward domestic production and penalizes imports.

Third, Ghana must offer unalloyed support to Ghanaian businesses. State power must be leveraged to promote domestic industry. The fruitless attempt to destroy businesses perceived to be politically unfriendly must end.Fourth, a review of our capital accounts and external payment system is necessary.

Ghana cannot afford to continue to allow foreigners and foreign-owned companies to transfer any amount of foreign currency out of the country.

The Americans and the Chinese with all their economic might do not allow that. Finally, government must initiate a national dialogue on the economy to tap into the best brains and ideas on the way forward for our country, Ghana.

Given the hardship facing the working people of Ghana it is unthinkable that Government can even contemplate wage freeze in the public sector.

We expect Government to convene a meeting of the National Tripartite Committee to discuss our proposal for upward adjustment of the National Daily Minimum Wage without further delay.

Once the consultation on the National Minimum Wage is concluded the negotiation for the review of the Base Pay and relativity on the Single Spine Salary Structure will commence.

A significant upward adjustment of wages is required to cushion workers from the economic current economic hardship.

Workers of Ghana have been stretched to the limit. We cannot contain any further burden imposed on workers due to economic mismanagement. GNA