

Executive Summary: Ghana Country Strategy Note

Economic and Political Context

Over the past 10 years (2010-2019) the economy of Ghana has seen an average annual GDP growth of about 7.1% with per capita incomes rising from USD\$1,190 to USD\$2,220 in that period. Nevertheless, the economy experienced some major challenges which heavily restrained growth in some years. These include: a 3-year-long power crisis caused by serious shortfalls in electricity supply; significant macroeconomic instability partly driven by large fiscal slippages, especially in election years; and a large clean-up in the financial sector which involved the closure of over 450 insolvent financial institutions, mostly in the microfinance sector. Throughout this period, tackling high youth unemployment and transforming the informal sector have remained difficult constraints to overcome. Politically, Ghana has remained a stable democracy with very active political competition albeit with high partisanship.

COVID-19 has had a damaging impact on the economy of Ghana. It has caused the country's first recession on record in 37 years, after the economy contracted in the second and third quarters of 2020. The shortfall in government revenues accompanied by a sharp rise in government expenditure is a threat to fiscal stability and debt sustainability, with the country's debt-to-GDP ratio reaching 74.4 percent as of November 2020. It is worth noting that a second wave of the pandemic starting in January 2021 has taken on a more devastating character in terms of the health impact. This poses further threats to the government's plans for fiscal consolidation.

Prior to the pandemic, the economy was on a relatively strong growth path from 2017 to 2019 with the government focused on implementing a number of key policies that are of interest for academic research. These include: the "1 District 1 Factory" to boost value addition in manufacturing; a Free Senior High School policy to improve the quality of the country's basic human capital; the Nation Builders Corps to provide work experience to unemployed graduates; the establishment of the Ghana Commodities Exchange (GCX) to formalise and improve trade in agriculture commodities; and finally, the ratification of the Africa Continental Free Trade Agreement (AfCTA) with Accra as its Head Office.

The general outlook for the economy in 2021 and the next two years is highly uncertain due to the ongoing COVID-19 pandemic. The government seems focused on delivering its post-COVID recovery plans under the COVID-19 Alleviation & Revitalisation of Enterprises Support (CARES) programme. The government also understands a need to significantly enhance revenue mobilisation as well as make expenditure more efficient, to restore fiscal and macroeconomic stability.

Country Programme:

Overview

The Ghana Programme was initiated in 2009 with full operations starting in 2010. The Ghana office is based at the University of Ghana, Legon and hosted by the Institute for Statistical Social and Economic Research (ISSER). The country team is currently led by Dr Nii Kwaku Sowa (Country Director), Dr Sam Mensah (Senior Advisor), Professor Chris Udry (Lead Academic, based at Northwestern University), and Professor David Lagakos (Lead Academic, based at the Boston University). The Country Leadership Team (CLT) is supported in-country

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by Dr James Dzansi (Country Economist), Dr Henry Telli (Country Economist) and Mr Kwadwo Akyea (Office Manager).

IGC Ghana: Recent Work and Impact

Over the past 5 years, IGC Ghana has had close collaboration with over 20 policy stakeholder institutions in Ghana including multiple government ministries, departments and agencies (MDAs), civil society organisations, development partner institutions and the local private sector. IGC Ghana has, in collaboration with the Ministry of Finance (MOF), established a vibrant *Policy Seminar Series* at the ministry as a platform for academic researchers and policymakers to nurture and encourage evidenced based policymaking on a regular basis. During this period the programme has undertaken research projects and contributed to policy across the four IGC research themes: **Firms, State, Cities, and Energy**. Between 2014-2019, IGC Ghana undertook 54 research projects and 26 events. The research has contributed to the following:

- **Informing and shaping reforms within Ghana's Civil Service** – through several projects undertaken by IGC researchers in collaboration with the Office of the Head of Civil Service and the Civil Service Training Centre.
- **Improving local government revenue mobilisation and property tax administration** – through a number of projects undertaken in partnership with the Office of the Local Government Service.
- **The establishment of the Ghana Commodity Exchange** – IGC researchers based at New York University's Centre for Technology and Economic Development (CTED) championed the establishment of the Ghana Commodities Exchange through a number of IGC projects that piloted as well as demonstrated the usefulness and feasibility of operation an Agriculture Commodities Exchange in Ghana.
- **Understanding how power outages affect electricity bill payments** – through a project undertaken by IGC researchers in collaboration with the Electricity of Company of Ghana.
- **Measuring the impact of a Basic Bus Rapid Transit (BRT) service implemented in Accra** – IGC researchers worked in collaboration with the Greater Accra Passenger Transport Executive (GAPTE) to evaluate the impact of the Aayalolo Bus Service that was piloted in Accra.

IGC Ghana: Outlook

IGC Ghana have identified a number of strategic issues and areas for research in consultation with policy stakeholders in Ghana, to effectively support policies for inclusive and sustainable growth. IGC Ghana intends to engage under all four of IGC's thematic areas, as described in more detail below.

Economic Governance

IGC Ghana aims to support the government of Ghana with research that will strengthen *Economic Governance* particularly with respect to the efficient mobilisation and allocation of resources. The programme calls for studies that focus on:

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1. Improving taxation and revenue mobilisation both at the central and local government levels
2. Improving efficiency in government spending
3. Improving public service delivery as well as the performance of state institutions
4. Improving the state's capacity for making and implementing good policies

Trade and Productivity

Under the *Trade and Productivity* theme, IGC Ghana seeks to support research projects that focus on:

1. Increasing formalisation of the informal sector
2. Supporting the growth and productivity of businesses
3. Transforming the labour market and making it more efficient, inclusive, and effective
4. Harnessing and enhancing the gains from international trade and FDI

Energy and Environment

IGC Ghana aims to generate knowledge that will support the government of Ghana in its effort to provide reliable, affordable and sustainable access to energy which is distributed in an efficient manner. Under the *Energy and Environment* theme, the programme calls for studies focus on:

1. Improving both the electricity tariff structure and tariff recovery
2. Improving efficiency and reducing losses in the power sector
3. Increasing use of clean energy (especially for cooking) and reducing pollution
4. Improving natural resource governance as well as managing the environmental impacts of natural resource exploitation (e.g. Galamsey mining)
5. Exploring the use of carbon taxes for controlling CO₂ emissions and behaviour

Cities and Infrastructure

Under the *Cities and Infrastructure* theme, IGC Ghana seeks research studies that focus on:

1. Addressing the challenges of urbanisation and high population density in cities
2. Addressing issues related to urban governance, especially coordination among multiple local governments in large urban areas
3. Examining the environmental and climate change related issues in urban areas, including plastic waste management and sustainable finance/green bonds for funding environmentally friendly urban infrastructure

Country Team's Inclusive Growth Strategy

While Ghana's strong GDP growth over the past 20 years has led to significant reductions in poverty, the benefits of growth have not been equally shared. The economic growth has largely been driven by (i) a growing service sector that is largely informal and contains micro enterprises that are not growing fast enough to absorb the growing labour force; and (ii) the growing construction, mining and crude oil sub-sectors which are more capital intensive and do not generate jobs at a fast rate. Overall, this has led to an increasing informal sector, high

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unemployment and underemployment rates, as well as rising inequality. Inclusive growth is therefore central to the IGC Ghana’s strategy and will be central to the evaluation of research projects that are supported by the programme. IGC Ghana expects to pay particular attention to supporting poverty reduction, pro-poor growth policies, and social assistance/insurance for the poor, vulnerable and marginalized.

Partnerships, Policy Engagements and Collaborations

IGC Ghana always seeks to collaborate with relevant government institutions to co-generate innovative projects and research to inform inclusive growth policies. The programme currently has active collaborations and partnerships with a number of key stakeholders, listed below. The team engages policymakers through research partnerships and collaborations, dissemination events and meetings, as well as consultative meetings and discussions.

Theme	Stakeholder and Partners
State	The Ministry of Finance (MOF) Office of the Head of Civil Service (OHCS) Office of the Head of Local Government Service (OHLGS) The National Development Planning Commission (NDPC) Bank of Ghana (BOG) Births and Deaths Registry Controller and Accountant General’s Department (CAGD) Social Security and National Insurance Trust (SSNIT) Ghana Health Service
Firms	Ministry of Trade and Industry The Ghana Commodities Exchange (GCX) Private Enterprise Federation Trade Union Congress (TUC) Youth Employment Agency
Energy	The Energy Commission Electricity Company of Ghana (ECG) Ministry of Lands and Natural Resources Public Utilities Regulatory Commission
Cities	Ministry of Local Government and Rural Development The Greater Accra Passenger Transport Executive (GAPTE) Accra Metropolitan Assembly La Nkwantanan Madina Municipal Assembly Ga East Municipal Assembly
Others	Institute of Financial and Economic Journalist (IFEJ) Innovations for Poverty Action

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Country Covid-19 Strategy: Response and Recovery

Response Strategy

The public health measures used to contain the spread of COVID-19 in Ghana, such as lockdowns, led to severe contractions in the industry and services sectors, with over 42,000 job losses in the second quarter of 2020 alone. To mitigate this impact on individuals and support the economic recovery, the government of Ghana responded with several expansionary monetary and fiscal measures. Monetary policies included a 150 basis point reduction in the policy rate, a reduction in the mandatory primary reserve requirement from 10 percent to 8 percent, a reduction of the prudential capital adequacy requirement from 13 percent to 11.5 percent, as well as a reduction and suspension of charges for some electronic and mobile money transactions. On fiscal policy, an equivalent of USD\$100 million was spent to enhance Ghana's COVID-19 preparedness and response plan as well as a GH¢1.2 billion (USD\$200 million) Coronavirus Alleviation Programme to support households and businesses. The latter covers a 3-month water and electricity subsidy for all, food for the poor, a motivation package for health workers, and a GH¢600million soft loan support package to MSMEs. The government is also implementing the Ghana CARES programme which aims at (a) stabilizing the economy and (b) revitalizing and transforming the economy. As part of this, the government is establishing a national unemployment insurance scheme.

IGC Ghana continues to support the government with research in their efforts in dealing with the impact of the pandemic. The programme rapidly commissioned three projects in the second quarter of 2020 to provide useful data and insights for informing government policy:

- (i) *Measuring the economic situation in Ghana in real time during COVID-19* – to provide monthly data on employment and electricity consumption for industrial, commercial and domestic purposes to the Ministry of Finance; the Bank of Ghana and the Economic Management Team at the Office of the President.
- (ii) *Cash and compliance with social distancing: experimental evidence from Ghana* – to examine whether the provision of social protection in the form of cash to the poor can help improve compliance with social distancing and other COVID-19 national directives.
- (iii) *Tracking multi-sectoral firm performance and responses through the COVID-19 pandemic* – to examine how firms are coping with lockdown measures.

Recovery Strategy

Overall, IGC Ghana is committed to supporting the government of Ghana with research that can inform the design and implementation of policy in response to the pandemic. IGC Ghana are eager to bring together research teams to work in partnership with policymakers to understand the impact of current policies as well as inform future policy. For example, IGC Ghana seeks to undertake studies that will track firms that have received support from the government and assess the effectiveness of these interventions. Studies that can inform the design and implementation of the national unemployment insurance scheme are welcome.

The research areas described above on taxation, municipal finance, informality, labour market efficiency and social protection will also be especially relevant to aid the government's plans for recovery under the Ghana CARES programme.