

## Executive Summary: Ghana Country Strategy Note

### 1. Country Context

In the last four years, the Ghanaian economy has significantly slowed down from 9.3% real GDP growth in 2012 to 3.6% real GDP growth in 2016. In that period, the country has struggled to maintain a stable macroeconomic environment and has experienced high inflation and interest rates as well as significant fluctuations in the currency. As a result of these challenges, the country is receiving support from the IMF through a 3-year Extended Credit Facility (ECF) which took effect on 3rd April, 2015 and aims to restore debt sustainability and macroeconomic stability.

With the slowdown in economic growth, a three-year-long power crisis and an unstable macroeconomic environment, the country has experienced an increase in the rate of unemployment with urban youth unemployment estimated to be as high as 40.7% in 2013 according to the Ghana Statistical Service (GLSS 6 labour market report). In addition to this, more people in Ghana believe that corruption has increased. According to a recent report titled “People and Corruption: Africa Survey 2015 - Global Corruption Barometer”, 76% of people living in Ghana believe that corruption has increased. The report ranked Ghana as the second worst performer behind South Africa where 83% of people think corruption has increased.

In the context of the issues confronting the economy, the Presidential and Parliamentary Elections held in Ghana on December 7, 2016 led to a change of government and the new administration took office on January 7, 2017. This Country Strategy Note (CSN) outlines the main issues that would be relevant for the IGC-Ghana country programme’s research in light of the proposed policies by the new administration. It highlights the priority areas for achieving the economic objective of sustainable inclusive growth as proposed by the government and identifies some of the main questions for research in the medium term. The economy of Ghana has significant potential for strong inclusive economic growth in the medium term but this will not happen unless careful steps are taken in a well-calculated manner to trigger and nurture this growth.

### 2. IGC Ghana Country Programme

The IGC-Ghana programme is one of 11 country programmes with resident country teams in Africa and South Asia and was initiated in 2009 with full operations starting in 2010. The Ghana office is based at the University of Ghana Legon Campus 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) and made up of Dr Sam Mensah (Senior Advisor), Professor Chris Udry (Lead Academic, based at Northwestern University), Professor David Lagakoa (Lead Academic, based at the University of California, San Diego), Dr James Dzansi (Country Economist), Dr Henry Telli (Country Economist) and Mr Kodwo Akyea (Office Manager).

In the last four years, IGC-Ghana has commissioned over 30 research projects with researchers in over 20 universities in Ghana and across the world. IGC-Ghana has also organised about 14 events including hosting an Africa Growth Forum in the same period. In addition to these events, IGC-Ghana established a policy seminar series with the Ministry of Finance (MOF) through a

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Memorandum of Understanding in 2015 and has so far had about 10 successful policy seminars at the Ministry.

IGC-Ghana has had collaborations with over 20 policy stakeholder institutions in the last four years. These include government institutions, civil society organisations, development partner institutions and the local private sector. IGC-Ghana is working with the Office of the Head of Civil Service (OHCS) to improve productivity within the civil service. IGC has facilitated the work of the National Development Planning Commission (NDPC), with respect to the creation and operation of a national infrastructure database for Ghana. IGC-Ghana also organised an Africa Growth Forum in 2014 and a Mobile Money Workshop in Sierra Leone in 2016 both in collaboration with the Bank of Ghana (BOG).

### 3. Thematic Areas

The government of Ghana is keen to implement an ‘agenda for jobs’ leading to *Inclusive growth* through the following and more:

1. Improved Macroeconomic Management
2. Business and Agriculture Sector Development for Jobs
3. Efficient Government Spending
4. Local Government Development
5. Improved Energy Sector Management

Based on the broad objectives and priorities of the government, IGC-Ghana aims to support and undertake research that will contribute to shaping the plans and policies of the government. This will be achieved by providing synthesised knowledge from academic research as well as undertaking or supporting new innovative research in collaboration with policy stakeholders to co-generate knowledge and provide policy relevant evidence. In this regard, IGC-Ghana will also seek to further develop the knowledge and evidence in its existing clusters of work in *civil service and local government effectiveness* as well as *agriculture productivity and markets*.

The research of IGC is broadly grouped into four themes: *Firms, State, Cities, and Energy*. Some of the research issues of interest to IGC-Ghana are outlined below for each of the four IGC themes.

#### (a) State

The IGC’s State Effectiveness Programme supports research on how to increase the government’s effectiveness in supporting economic growth and development. This includes building the government’s capacity to raise the resources necessary for its functioning and to deliver the public goods necessary for firms to grow. The public sector often has limited capacity to raise revenues, and fails to spend the funds it does collect effectively, leading to failures to build institutions that support the economy and that deliver necessary public goods such as law and order, water, electricity, roads, and schools. IGC seeks to help fill some of the existing gaps in knowledge about successful approaches to improving the effectiveness of the public sector. Some of the specific issues that will be important for Ghana are:

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1. Improving Tax Administration and Tax Policy
2. Productivity and Effectiveness in the Public Sector
3. Accountability and Efficiency in Government Spending

### **(b) Firms**

Sustainable increases in jobs and income are not feasible without similar increases in the productivity of firms. At the same time, firms in developing countries have been found to be typically smaller, less productive and grow less, relative to firms in developed countries. Finding means to improve productivity both of large, formal manufacturing and service sector firms, as well as small and medium enterprises (SMEs) and farms, is therefore a key objective of the IGC's research under the Firm Capabilities theme. IGC-Ghana will therefore focus on research in the following areas to support policy discussions:

1. Formalisation of SMEs
2. Agriculture Productivity and Markets
3. Labour Market Performance
4. Improving FDI and International Trade

### **(c) Energy**

Historically, no country has ever reached high levels of economic and human development without dramatic increases in energy consumption. Energy facilitates investment in human capital, allows firms to improve productivity, and draws labour into the formal market and modern sectors. There is strong evidence that energy access is tightly linked with productivity, economic growth and poverty reduction. Despite the critical importance of energy to growth and development, there is a stark shortage of rigorous research and evidence on the topic. IGC aims to help to bridge this gap. In Ghana, IGC research will focus on:

1. Electricity Tariffs and Revenue Collection
2. Technical and Behavioural Energy Efficiency

### **(d) Cities**

If managed properly, urbanisation can be the leading driver of prosperity, growth and poverty reduction for developing countries. Through increased density and the creation of productive clusters, the massive process of urbanisation currently taking place in much of the developing world brings promises of important improvements in firm productivity, more jobs, higher living standards, and reduced poverty. At the same time, urbanisation poses significant challenges in terms of governance and delivery of services to address the downsides of density such as sprawl, informality, and lack of basic amenities. The IGC's research on *Cities* therefore aims to promote research addressing the drivers of urban growth and how to tackle the downsides of density, in order to paint a holistic picture of how developing cities can be made into productive centres of economic growth. Some of the specific issues that IGC-Ghana will focus on are:

1. Understanding and Addressing the Challenges of Large and Rapidly Growing Cities
2. Effective Decentralisation and the Promotion of Rural Development

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- Understanding how Changes in Land and Property Rights Administration influences land use, private investment and growth

### 4. Engagement Strategy and Collaborations

IGC-Ghana seeks to collaborate with the relevant government institutions to co-generate new knowledge. The programme already has active collaborations and partnerships with the Ministry of Finance, Office of the Head of Civil Service, the National Development Planning Commission and Office of the Head of Local Government Service. In light of the research issues above, the Ghana team would also seek to collaborate with other ministries, Civil Society Organisations, International Development Partners and private sector institutions to undertake more academic research that will be useful for policy.

| Theme         | Research issues   | Relevant Stakeholders and Partners   |
|---------------|---|--|
| <b>State</b>  | <ul style="list-style-type: none"> <li>Improving Tax Administration and Tax Policy</li> <li>Productivity and Effectiveness in the Public Sector</li> <li>Accountability and Efficiency in Government Spending</li> </ul>  | Ministry of Finance, Office of the Head of Civil Service, Ministry for Monitoring and Evaluation   |
| <b>Firms</b>  | <ul style="list-style-type: none"> <li>Formalisation of SMEs</li> <li>Agriculture Productivity and Markets</li> <li>Improving FDI and International Trade</li> </ul>  | Ministry of Trade and Industry, Ghana Investment Promotion Council, Ministry of Food and Agriculture, Association of Ghana Industry  |
| <b>Energy</b> | <ul style="list-style-type: none"> <li>Electricity Tariffs and Revenue Collection</li> <li>Technical and Behavioural Energy Efficiency</li> </ul>   | Ministry of Energy, Electricity Company of Ghana (ECG), Energy Commission, the African Centre for Energy Policy (ACEP)   |
| <b>Cities</b> | <ul style="list-style-type: none"> <li>Understanding and Addressing the Challenges of Large and Rapidly Growing Cities</li> <li>Effective Decentralisation and the Promotion of Rural Development</li> <li>Understanding how Changes in Land and Property Rights Administration Influences Land Use, Private Investment and Growth</li> </ul> | Ministry of Local Government and Rural Development, Office of the Head of Local Government Service (OHLGS), Ministry of Inner City and Zongo Development, National Development Planning Commission (NDPC), Greater Accra Passenger Transport Executive (GAPTE), Lands Commission |