GHANA ‘RISING’? A SOCIOECONOMIC SNAPSHOT OF GHANA’S PLACE IN THE ‘AFRICA RISING’ NARRATIVE

By Emma Baker (BKREMM002)

MPhil Candidate, Climate Change & Sustainable Development
African Climate & Development Initiative
University of Cape Town

Submitted under the Energy Research Centre
Faculty of Engineering & the Built Environment
University of Cape Town

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GHANA ‘RISING’? A SOCIOECONOMIC SNAPSHOT OF GHANA’S PLACE IN THE ‘AFRICA RISING’ NARRATIVE

Abstract

The ‘Africa Rising’ narrative, which has gained popularity since the late 2000s, refers to the considerable economic and social gains that have been made across the continent since the start of the new millennium. Heralded as more than just GDP growth and poverty reduction, supporters of the ‘Africa Rising’ narrative also make reference to structural change, macroeconomic improvements and a growing middle class among sub-Saharan African countries. However, there are many who dispute these claims, arguing instead that recent economic growth has not been inclusive and sustainable, and many challenges still exist. This dissertation takes the case study of Ghana as a lens through which to explore the arguments in more detail and determine whether robust, reliable evidence exists to support the claims that Ghana is ‘rising’, both economically and socially. Using the headings of poverty, economic growth, and employment and equality, socioeconomic data collected from Ghana from the year 2000 onwards was analysed to assess the evidence behind the claims and counter-claims made.

Despite significant data limitations, the findings present a mixed picture of Ghana’s recent economic growth and development, with substantial progress made in poverty reduction, economic growth and income per capita, but considerable challenges remaining in terms of the current macroeconomic crisis, high youth unemployment and rising income inequality. Ghana’s current development pathway, based primarily on commodities and oil revenues, is likely to be unsustainable in the long-term, and the slow rate of structural change, especially in manufacturing, means that growth so far has not been sufficiently inclusive or equitable to benefit the majority of the population. Within the broader context of the ‘Africa Rising’ narrative, the study also brought to light two important considerations: firstly, that significant data limitations exist within national statistics, making it necessary for claims to be investigated thoroughly; and secondly, that it is important to examine the case of individual countries such as Ghana before painting a whole continent with the same brush.
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Chapter 1: Introduction

1.1 Research Context

Since the start of the new millennium, the global economic, political and social landscape has changed dramatically, most especially on the continent of Africa, which has experienced significant economic growth, as well as fundamental shifts in living standards and in the health and wealth of populations. Consequently, the dominant narrative about the continent has transformed from one of ‘afro-pessimism’ to ‘afro-optimism’, expressed by economists, politicians, journalists, investors and civil society alike. Many believe that Africa is entering a new era of prosperity and development, defined by rapid growth in Gross Domestic Product (GDP), urbanisation and technological advancement, otherwise known as the ‘African growth miracle’, ‘Africa’s take-off’ or, most commonly, ‘Africa Rising’.

This study will focus on Ghana, often regarded as the ‘poster child’ for the ‘Africa Rising’ narrative (Rexer, 2015), due to its historical legacy as the first African country to achieve independence in 1957 and its subsequent success in enacting political and economic reform (BBC, 2015). In 2006, Ghana became the first African country to meet the first Millennium Development Goal (MDG) of halving extreme poverty and hunger (Republic of Ghana, 2010) and in 2011, the country’s economic status was reclassified by the World Bank from low- to low-middle income following a reclassification of GDP. Yet despite this positive outlook, challenges remain. After experiencing the fastest economic growth in Africa in 2011, recent GDP growth has slowed, causing many to call into question the sustainability of this recent economic growth and look in more depth at the drivers behind it (ISSER, 2015).

This dissertation will use the case study of Ghana as a lens to explore the evidence behind the ‘Africa Rising’ narrative. Drawing on national statistics and institutional data since the year 2000, a number of economic and social indicators will be analysed to assess whether the data from Ghana supports the claims that the country, and continent more broadly, is ‘rising’.

1.2 Research Aim and Objectives

The overall aim of this research is to investigate the claims that Ghana is ‘rising’ through an analysis of national socioeconomic data from the year 2000 to the present. The objectives are as follows:

1. Identify what claims are being made regarding Ghana’s economic and social development, who is making them and what evidence they are based on.

2. Depending on whether adequate data can be collected, assess the extent to which Ghana’s socioeconomic data since the year 2000 supports these claims.
1.3 Justification for the Study

This research will form part of the evidence base for the Mitigation Action Plans and Scenarios (MAPS) programme under the Energy Research Centre at the University of Cape Town, which supports developing countries with transitioning to carbon efficient and climate resilient economies. After a successful roll-out across Latin America, MAPS intends to expand – funding permitting – to work with African governments, Ghana being one potential partner country. This research will thus provide a critical inquiry into the assumptions that Africa is ‘rising’ and that Ghana is one of the countries spearheading this trend, to better inform the MAPS Africa research and decision-making processes.

When starting to research the ‘Africa Rising’ phenomenon, it was apparent that relatively few academic studies have been published directly on this theme, despite it being referred to in many media reports, blogs and online articles, and the subject of some debate. However, there are signs of a developing interest in research in this area, which has the potential to bring academic rigour to the arguments made. In addition, many authors refer in a general way to sub-Saharan Africa, rarely narrowing the analysis to individual countries. Therefore this dissertation aims to address this gap in the literature by providing an in-depth analysis of Ghana’s socioeconomic development since the year 2000, situating it within the broader narrative of ‘Africa Rising’.

1.4 Research Questions

The following research questions have been identified to address the research aim and objectives:

1. **What** are the claims being made about ‘Ghana Rising’ and **who** is making them?

2. How accessible/reliable/accurate/complete is the evidence behind these claims, based on the following definitions:
   a. Accessibility – Is the data available in the public domain (i.e. online or printed)?
   b. Reliability – Is the data consistent and verified by more than one source?
   c. Accuracy – Is the data from an “official” source? i.e. from an agency that publishes the methodologies used to collect and process the data? And has the data been reviewed and used by reputable analysts?
   d. Completeness – Is the dataset complete by years and indicators?

3. Using a number of socioeconomic indicators including GDP, structural change (i.e. level of industrialisation), poverty, employment and inequality, to what extent does the data support the claims that Ghana is ‘rising’, economically and socially, and reflect the broader narrative of a ‘rising’ Africa?
1.5 Dissertation Outline

This dissertation takes the form of eight chapters. Following the introduction, a literature review provides an overview of the ‘Africa Rising’ narrative, its origins and key arguments and authors (on both sides of the debate), before narrowing down to Ghana and the claims made regarding the country’s recent economic growth and development. The third chapter introduces the methodology, situating it within the broader theories of development economics, defining the key terms and indicators used in the analysis, and providing an insight into the data limitations experienced during this research process. The fourth chapter presents a profile of Ghana, describing the broad demographic, economic and environmental trends across the country, as a background to the socioeconomic analysis which will follow. The following three chapters analyse the data collected, under the three headings economic growth, poverty and employment, and assess the extent to which the source data supports the claims made in the literature about Ghana’s ‘rise’. The final chapter draws together the research findings and links back to the research aim and objectives, before offering concluding remarks on the connections between this dissertation’s findings from Ghana and the broader ‘Africa Rising’ narrative.
Chapter 2: ‘Africa Rising’? Differing Viewpoints

2.1 Introduction: ‘Afro-pessimism’ to ‘Afro-optimism’

Africa as a continent has long been characterised by a ‘doom and gloom’ narrative, especially with regards to economic growth and development. The failure of neoliberal policies to create and sustain economic growth in the 1980s led to a surge of interest from development economists in trying to explain the continent’s “growth failure” (Chitonge, 2015: 111). Yet the theories and paradigms that emerged from the West during this time were largely incompatible with the African situation. For example, convergence theory, which assumes that developing countries are able to grow faster than developed countries until their per capita incomes eventually converge, cannot be applied to Africa’s development experience, which has actually diverged from the developed world over the last 50 years (Chitonge, 2015). In fact, Africa’s “growth puzzle” (Moss, 2011: 91) has been so inexplicable that some began to view Africa’s underdevelopment as a “curse”, coined the ‘African dummy variable’, which assumes that simply being an African country is explanation enough for a poor growth performance (Severino & Ray, 2011: 56). However, in the late 1990s, a new narrative began to emerge, one which was completely at odds with the thinking that had come before.

The origins of the ‘Africa Rising’ narrative, also known as the ‘African Renaissance’ (Diop, 1996), the ‘African Growth Miracle’ (Young, 2012) or ‘Africa’s Take-off’ (Perry, 2012), can be traced back to a TIME Magazine cover story of 1998 entitled ‘Africa Rising’, in which the authors argued that the stereotypical image of Africa as a continent besieged by poverty, conflict and despair was gradually changing to one of optimism and hopefulness, through democratic political and economic progress, better management of resources and ‘home-grown’ prosperity and security advancements (McGeary and Michaels, 1998). However, it was not until the late 2000s that the phrase ‘Africa Rising’ gained popularity, prompted by the realisation that African economies had fared far better than expected during the global financial crisis of 2008-09 (Chitonge, 2015), with sub-Saharan Africa’s GDP growth averaging 5.7% during the decade 2000-2010, far exceeding the global economy’s 3.6% (Robertson, 2012). In 2010, the McKinsey Global Institute (MGI) released a report entitled ‘Lions on the Move’, which declared that the conditions were right for Africa’s economic ‘lions’ to rise along with the Asian ‘tigers’, both economically and socially (MGI, 2010). This ground-breaking report was closely followed by media articles heralding Africa’s ‘Rise’ from the Economist (2011; 2013), CNN (Pence, 2011), TIME Magazine (Perry, 2012), Forbes (Van Rensburg, 2012), the Financial Times (Wallis, 2013) and Thomson Reuters (Fletcher, 2013).

Despite the wide range of media publications on theme, relatively few academic articles have been published interrogating the ‘Africa Rising’ narrative itself, with the few that have opting for a more cautious or sceptical approach (e.g. Ayittey, 2005; Clarke, 2012; Obeng-Odoom, 2014; Moghalu, 2014; Rodrik, 2014b). Horman Chitonge (2015) identifies three broad opinions in relation to the ‘Africa Rising’ discourse: ‘Afro-optimism’, ‘Afro-pessimism’ and a middle-ground, which neither rejects the phenomenon nor embraces it whole-heartedly. One of the reasons for this hesitancy may be the language used; it is unclear whether the terms ‘Africa Rising’ or ‘Africa’s take-off’ refer purely to economic growth or wider social development, and many authors do not specify to which they are alluding. Furthermore, there is much criticism of the evidence behind these claims, particularly the credibility of data sources and their methodologies. Finally, there are some who believe that the phrase ‘Africa Rising’ has become a buzzword, guilty of oversimplifying and exaggerating a trend.
observed in a few select countries over a certain time period, and trying to make the whole continent fit into this new story of optimism and opportunity (Rodrik, 2014a; Obeng-Odoom, 2014).

This chapter will introduce and explore the literature on the ‘Africa Rising’ narrative, looking at both sides of the debate, before moving on to the Ghanaian context and how the country’s past and present socioeconomic development path fits into the wider picture of the continent as a whole.

2.2 Africa’s ‘Rising’ Economic Growth

Africa, especially sub-Saharan Africa (SSA), has a global reputation for being poverty-stricken, prone to natural disasters and conflicts, and unable to help itself. However, since the start of the 21st century, the continent has seen a radical transformation both economically, in terms of trade, private investment and the overall wealth of nations and their citizens, and socially, through improvements in governance, political stability and access to basic services (Robertson, 2012; Severino and Ray, 2011; Radelet, 2010 etc). These changes have been reflected by the rapid growth in Gross Domestic Product (GDP), which has elevated Africa to the position of the world’s fastest growing continent in recent years (Economist, 2013). From 2000-2011, ten African countries experienced GDP growth of 7% or more, and total growth for SSA over the same period averaged 5.7%, compared with the global economy’s 3.6% (see Figure 2.1) (Robertson, 2012). This growth also translated into an estimated 30% increase in per capita income over the same period (Economist, 2013).

Figure 2.1 Africa’s Economic Growth, 2002-2016*

![Graph showing Africa's Economic Growth, 2002-2016](Source: African Development Bank et al (2015a: i) *Graph shows exclusion of Libya in 2012 as its GDP grew by 96% following the revolution in 2011, adding more than 2 percentage points to Africa’s growth in 2012.

Some authors claim that this recent ‘take-off’ is not only widespread but also long-lasting (e.g. Severino and Ray, 2011). A recent World Bank report (2014b) states that the rate of current growth is more rapid and less volatile than past episodes, and higher than corresponding growth surges in other developing countries. McKinsey describes this acceleration as a result of “hard-earned progress and promise” (MGI, 2010: 1), resulting from increased tax revenues, greater investment,
and improved integration with international trade (World Bank, 2014a). Severino and Ray agree, declaring that Africa has embarked on a “new era” of economic growth based on strong political and economic foundations, which has the potential to double living standards within 15 years (Severino and Ray, 2011: 77). Finally, the continent has gained recognition as a “new frontier” in the international economy (Moghalu, 2014: vii), with the potential to become a new “global growth pole” (UNECA, 2012: 1) and “a strategic piece on the great planetary chessboard” (Severino and Ray, 2011: 233).

However, since 2015 there has been a marked economic slowdown across Africa, with the latest estimates putting SSA’s 2015 GDP growth at 3.4%, down from 4.6% in 2014 (World Bank, 2016a). Lower oil and commodity prices, slowed growth of trading partners (especially China) and increasing borrowing costs were the main factors responsible, with power shortages, rising political instability and terrorism also playing a role (World Bank, 2016a). Nevertheless, Africa’s economic growth has been robust and future projections are optimistic, with SSA’s GDP growth expected to rise to 4.2% in 2016 and 4.7% in 2017 (World Bank, 2016a).

**Future Growth Projections**

Many authors have compared Africa’s current economic rise with Asia’s in the early 1980s, predicting that the continent’s growth rate will therefore have the potential to continue to accelerate as Asian economies did, well into the 2040s (Robertson, 2012). Others have observed similarities with India, in particular, a country that underwent economic transformation from agriculture to services without large-scale industrialisation, taking advantage of globalisation processes to expand its private sector and entrepreneurial opportunities for its booming population (Cilliers et al, 2011). As Africa’s population is also projected to expand rapidly, especially the youth demographic, the emphasis will be on harnessing this potential resource to achieve even higher economic growth (AfDB, 2012). Africa is also in a unique position to ‘leapfrog’ basic infrastructure and technology and employ modern, hi-tech equipment and expertise, especially with the advancement of internet and mobile phone technology across the continent (Mahajan, 2009) and the opportunities for low-carbon energy generation (Africa Progress Panel, 2015).

**2.3 ‘Rising’ Social Development?**

Africa’s ‘rise’ has also been observed in the sphere of social development over recent years. For example, household surveys undertaken by the World Bank found that the share of people living below the poverty line (less than $1.90 a day) fell from 56% in 1990 to 43% in 2012¹ (Beegle et al, 2016). The last decade saw poverty rates decline by 1% per year – the “most rapid decline ever seen on the continent”, according to Radelet (2010: 5). The latest UN report on the progress of the MDGs confirmed that significant strides have been made in reducing extreme poverty, hunger and child mortality, increasing primary school enrolment, and improving basic health conditions, including the provision of clean water and sanitation facilities (UN, 2015). As Ellen Johnson Sirleaf (previous president of Liberia) remarks, “the differences between the despair and misery of the 1980s and the hope and energy of today are like night and day” (Radelet, 2010: 5).

¹ Nonetheless, the absolute number of people in poverty increased from 280 million in 1990 to 330 million in 2012 due to population growth (Beegle et al, 2016).
Africa's Rising Middle Class

Mahajan emphatically states, “The rise of Africa is hidden in plain sight” (Mahajan, 2009: 23). According to Mahajan (2009), Africa has more than 900 million consumers and if it were a single country, it would be richer than India on the basis of Gross National Income (GNI). The number of countries ranked as ‘middle-income’ in Africa has grown from 6 in 1995 to 23 in 2013, and as many as 38 could reach this status by 2025 (World Bank, 2014a). By 2050, as much as half of the continent’s population could be categorised as middle class, and an estimated two thirds will probably be living in cities (Mills and Herbst, 2012). These trends have the potential to instigate significant “economic, political and social upheavals” (Severino and Ray, 2011: 93), especially when coupled with the demographic dividend of a youthful population.

2.4 Reasons behind ‘Africa Rising’ claims

Africa’s recent economic ‘take-off’ has been attributed to a variety of factors, both internal and external to the continent. Some commentators, such as Perry (2012), cite external factors as being the most important contributors to recent economic growth, including foreign-debt cancellations, overseas aid, and the rise of external private sector investment. The rise in commodity prices since 2000, sustained by a booming Chinese economy and other emerging markets, also played a significant role in boosting the economies of resource-rich African states (AfDB, 2012). Trade with other emerging economies has risen substantially; overall trade with China has risen from $11bn to $166bn over the past decade alone (Economist, 2013). In addition, new oil discoveries have increased Africa’s share of global oil resources to 10%, a volume sufficient to cover China’s entire import needs (Robertson, 2012).

However, many other authors argue that it has been internal factors that have played a bigger role in Africa’s rise, and that a transformation in economic management and governance has been occurring across the continent over the last couple of decades (Radelet, 2010). According to McKinsey, natural resources only account for a third of Africa’s recent economic growth, and it has been the domestic economy that has seen the most dramatic advancement, through improvements in macroeconomic conditions, political stability, quality of governance and more attractive business climates (MGI, 2010). A reduction in the number of armed conflicts, greater efforts to curb corruption and the “inevitable march” of democratisation also helped to create more stable conditions for economic growth to occur (Robertson, 2012: 9).

It has been argued that these efforts have brought about structural change across the continent, in terms of a shift in employment from agriculture to manufacturing and services - sectors with a higher productivity and therefore more potential to reduce poverty rates (McMillan and Harttgen, 2014). Robertson (2012) notes that the services sector was responsible for 53% of SSA’s economic growth from 2000-2009, with the financial and telecommunications services making significant contributions (UNECA, 2012). In addition, entrepreneurship has flourished – partly due to the fast rate of technology transfer – along with the development of consumer markets, a powerful driver of long-term progress, according to Mahajan (2009). As a result, a growing ‘middle class’ has emerged across the continent, making Africa ever more attractive to both foreign and domestic investors (AfDB, 2012). Some argue that this permeating demographic change, along with social changes such as urbanisation and a growing labour force, will sustain the continent’s economic growth well into the future (MGI, 2010).
2.5 Criticisms of the ‘Africa Rising’ Narrative

Whose Africa?

Not everyone has subscribed to this new narrative of a ‘rising’ Africa, and there are a number of academics and economists who have voiced their concerns and criticisms of accounts of this new ‘growth miracle’. Kingsley Chiedu Moghalu, a Nigerian economist, points out that few of the authors making claims about ‘Africa Rising’ are Africans themselves, and therefore fail to put into perspective the continent’s standing in the world economy, or fully appreciate the challenges facing the region (Moghalu, 2014). Whilst Rickett (2013) questions whether the narrative of a ‘rising’ Africa is in fact another product of the West’s ‘White Saviour complex’, Moghalu, among others, believes that the answer lies more in Africa’s natural assets, asking the critical question: “Is Africa assessing its own progress against benchmarks it has set for itself, or is it its ‘rise’ the received wisdom from global institutions and the ambassadors of global capital seeking new frontiers of profit?” (Moghalu, 2014: 6). Obeng-Odoom (2014) agrees: “the entire ‘Africa on the rise’ discourse is not only to showcase Africa as also a ‘good continent’ but also to set it up for further accumulation, exploitation and expropriation” (Obeng-Odoom, 2014: 13). The interest of foreign powers in Africa’s resources has been discussed at length by many authors seeking to expose a ‘New Scramble for Africa’ (e.g. Southall and Melber, 2009; Carmody, 2011).

Africa’s ‘Statistical Tragedy’

Other economists have looked deeper into the economic development statistics themselves, and concluded that the evidence is not robust enough to warrant the impressive claims being made. Duncan Clarke, for example, suggests that the new optimism surrounding the ‘Africa Rising’ narrative is misplaced, and that economic forecasts which extrapolate decade-long “golden periods” are misleading and “risk leading to fantasy” as the kind of growth rates predicted for Africa over the next 40 years have never before been achieved in either GDP or per capita income (Clarke, 2012: 220). Indeed, past economic growth across the continent has been characterised by cycles of ‘boom and bust’, most commonly as a result of fluctuating commodity prices and demand, leading some commentators to assume that Africa’s current growth is merely a continuation of this trend (Somerville, 2013). In addition, Somerville (2013) argues that previous growth episodes have done little to improve poverty rates or bring about lasting economic transformation, so thus remains sceptical of the optimism surrounding Africa’s current ‘rise’.

Furthermore, authors such as Moghalu (2014) and Obeng-Odoom (2013) concur that the ‘Africa Rising’ narrative itself is highly dependent on the parameters used and who does the measuring. Many believe that indicators such as GDP and per capita income fail to represent the lived experiences of people on the ground, especially in countries with high inequality, and in some cases, data is made to fit into a particular hypothesis, even if there is no obvious linkage (Chitonge, 2015). Thus, it is problematic to make assumptions and generalisations about the African continent as a whole, based on only a narrow set of indicators and data from only a few countries (Obeng-Odoom, 2013). Clarke is also extremely critical of the official parameters within which Africa’s burgeoning middle class is measured – a per capita income of $2-20 per day – arguing that, “at current levels, Africa’s middle class today might approximate to the working class poor of Europe a century ago” (Clarke, 2010: 236). By having such a low threshold for the ‘middle class’ category, Clarke argues that “the continent’s image has been repainted with an airbrush” (Clarke, 2010: 217).
There are also many criticisms of African national statistics themselves, as well as the methodologies used to collect data. Jerven (2013) argues that many African states have a weak statistical capacity due to a lack of resources or information available, causing gaps in the data. Furthermore, Devarajan (2011) highlights the lack of consistency in data collection, due to the varied methods used. Only 35% of Africa’s population live in countries that use the UN’s most up-to-date system (from 1993), and some are using systems dating back to the 1960s (Devarajan, 2011). This can have profound implications for national statistical and economic analysis. A prime example of this was Ghana’s decision, in 2011, to update its economic data collection to the 1993 system (thereby re-basing its GDP), and finding that GDP was actually 62% higher than previously thought, causing it to be immediately reclassified by the World Bank as lower-middle income (Devarajan, 2011). Herein lies a prime example of the ‘statistical tragedy’ of economic development statistics; despite being regularly cited and used as evidence for claims that African economies are ‘taking-off’, the underlying data is often neither complete nor robust (Devarajan, 2011), leading to denunciations of the ‘Africa Rising’ narrative as “emotive and one-dimensional” (Heinrich Böll Stiftung, 2014: 5).

Moreover, some economists argue that GDP should not be used as the sole indicator of a country’s wealth and development. The metric has been described as “a statistical mirage” as it is simply a measure of market consumption, so therefore cannot take into account economic ‘losses’ such as non-renewable resource depletion following extraction (Heinrich Böll Stiftung, 2014: 6). Jerven takes this argument further, arguing that GDP is not objective but a result of “arbitrary and controversial assumptions” and should therefore be used with “the utmost care” (Jerven, 2013: 121). Moreover, the authors Sandefur and Glassman (2014) uncovered that in some cases, national statistics such as GDP or development indices are exaggerated or misrepresented as a result of incentives from donors or government policies, not merely due to error or a lack of capacity. Finally, GDP also cannot represent the nature of economic growth, causing some to question whether growth without structural transformation can really be called a ‘take-off’ (Clarke, 2010). Rowden (2013) argues that Africa’s recent economic growth, which has been occurring without a significant increase in manufacturing, can therefore not compare with growth in East Asia, where manufacturing has been used to raise millions of people out of poverty.

**Growth in Context**

A number of authors have sought to emphasise a degree of caution when making sweeping claims about Africa’s ‘take-off’, especially when considering the continent as a whole. Taylor, for example, agrees that Africa’s GDP is rising, but argues that this growth needs to be seen in context – the level of growth seen so far is not enough to seriously tackle widespread poverty, for instance (Taylor, 2014). Similarly, as Chitonge (2015) points out, economic growth must be analysed alongside population statistics, to get a full picture of GDP per capita. According to Chitonge (2015), whilst many countries across the continent were experiencing record GDP growth rates during the decade 2001-2010, a total of seven countries recorded negative per capita growth rates, due to the fact that their population was growing faster than the national GDP. Similarly, Rodrik (2014) highlights the need to view current growth trends within their historical context. He contends that, “as welcome as recent growth has been, the depth of the economic decline prior to the last decade means that many African countries still have not caught up with post-independence income levels” (Rodrik, 2014: 1).

Moreover, in comparison to other developing countries in Asia and Latin America, Africa’s ‘rise’ does not seem so miraculous after all. According to Hauge (2014), despite impressive GDP growth rates,
Africa is actually trailing behind the rest of the developing world in terms of poverty reduction and development. Comparing East Asia’s per capita income with Africa’s, for instance, shows that over the last 20 years, East Asia’s has been growing at 7.3%, four times higher than Africa’s 1.8% (Hauge, 2014). And despite claims of a dramatic reduction in extreme poverty across Africa (people earning less than $1.25 per day), when analysed over a longer time period, it is clear that the rate has hardly improved since the 1980s, and is still lingering at around 40% (see Figure 2.2) (Hauge, 2014). Whilst the proportion of people earning less than $2 a day reduced marginally in Africa, from 72-70%, in East Asia and the Pacific, the figure was reduced by two thirds (Hauge, 2014). Hence, when considering Africa’s development in the context of the rest of the world, the continent’s share of global poverty has actually increased and will continue to increase, unless drastic steps are taken (Hauge, 2014).

Figure 2.2 Extreme Poverty Rates (<US$1.25 a day in 2005 PPP)


Sustainability

The current economic slowdown across Africa has largely been caused by external factors in the global economy, including a fall in commodity prices, a slowdown in China’s economy and tighter financial controls (Sy & Talvi, 2016), giving rise to the belief that SSA’s recent GDP growth may not be sustainable in the long term. Despite large-scale debt relief during the 1990s, debt levels are currently rising across the continent and fiscal environments weakening (Taylor, 2016). Trade is a significant driver of Africa’s economic growth, yet prospective trade with Europe has been described as “lacklustre at best” (CEPA, 2015: 2). It has been found that SSA’s dependence on commodities increased during the 2000s, particularly on fuels and mining2 (Taylor, 2016), leaving resource-rich countries highly vulnerable to exogenous shocks in the global economy (Moghalu, 2014). As Taylor argues, Africa’s ‘rise’ has been largely based on “trade in resources, not production”, which is crucial for not only igniting growth, but also for sustaining it in the long-term (Taylor, 2016: 18).

2 At present, 11 out of 49 countries in SSA rely on a single commodity for 50% of their export earnings and nearly three quarters rely on three commodities for 50% or more of their export earnings (Taylor, 2016).
further implications for countries’ economies, which can easily fall into the trap of the ‘resource curse’ (see below) and its associated problems for the macroeconomic environment. With the value of all commodities predicted to fall over the next decade, many, including Taylor (2016), have begun to question whether Africa’s ‘rise’ can continue under these conditions, or whether diversification from commodities and natural resources must be increasingly prioritised.

2.6 Challenges Remain

Resource Curse

As mentioned above, with much of Africa’s recent economic growth deriving from natural resources, there is considerable risk of some countries falling into the trap of the ‘resource curse’, a situation where “riches enclose whole societies in a political economy of capture or predation rather than production” (Severino and Ray, 2011: 152). In many cases across Africa, resource wealth, instead of bringing broad-based growth and prosperity, has caused a significant decline in inclusive growth and human development, through poor governance and higher rates of corruption (Lawson-Remer and Greenstein, 2012). Foreign investors and the local political elite often reap the gains at the expense of local communities and their environments (Heinrich Böll Stiftung, 2014). Overall economic development also suffers as a result; Auty (2000) has found that since the 1960s, countries with abundant natural resources have recorded slower economic growth than countries with little or no resources. This is often either a result of the ‘Dutch disease’ – whereby high-value natural resources drive up the real exchange rate, damaging the competitiveness of other export industries – or ‘financial manic depression’ – where volatility of commodity prices translates into volatile public revenues, leading to fragile economic growth (Severino and Ray, 2011). Such conditions are frequently the pre-cursor to conflicts (Collier, 2008), which also have a profound impact on long-term economic growth.

Economic Transformation

Whilst some authors (e.g. Henley, 2012), make the case for agricultural-led economic development, the predominant view among economists is that industrial development, especially manufacturing, is crucial to drive the kind of growth needed to bridge the gap between rich and poor on the continent-wide scale (UNECA, 2015; Page, 2012; Rodrik, 2014). In the newly industrialised East Asian economies, late industrialisation initiated structural change from the primary sector3 to the manufacturing sector, as well as an increase in technological and capital-intensive activities, which in turn boosted productivity and competitiveness across all sectors of the economy (Akyüz & Gore, 2001). Africa, on the other hand, has been experiencing ‘premature deindustrialisation’ since the 1980s; between 1980 and 2013, the share of manufacturing in Africa’s total GDP declined from 12% to 11%, the lowest share of all developing regions (The Economist, 2015). As Rodrik argues, “the traditional engines behind rapid growth and convergence, structural change and industrialization, are operating at less than full power” (Rodrik, 2014: 15).

Economic transformation also has profound implications for the structure of employment and quality of jobs. Youth unemployment in Africa reached 20% in 2011, twice the global average (Moghalu, 2014), and many authors cite the stagnation of the manufacturing sector across Africa as one of the principal reasons for this trend (This is Africa, 2014). Currently, only 6% of all jobs in

3 Agriculture and extractive industries (AfDB et al, 2013)
Africa are in the manufacturing sector, a figure hardly changed since the 1980s (The Economist, 2015). Furthermore, SSA’s manufacturing sector is largely made up of small, informal firms that are unable to create significant numbers of jobs or the productivity level required to drive large-scale economic growth (Rodrik, 2014). Although SSA’s services sector is flourishing, productivity is scarcely higher than traditional agriculture, and the skills required in technical sectors such as IT make it difficult for people previously employed in agriculture to find jobs in services (Rodrik, 2014). Thus without considerable structural change, “the historic process of underdevelopment is in danger of being further entrenched” (Taylor, 2014: 10).

Inequality

Inequality is a hotly discussed issue in the ‘Africa Rising’ narrative as recent economic growth has been highly uneven across countries, cities, towns and communities, and, according to Moghalu, has done nothing to improve the living standards of “Africa’s masses” (Moghalu, 2014: 76). Despite a decade of widespread GDP growth, Africa’s Gini coefficient – the principal measure of inequality – has widened, from 0.52 in 1993 to 0.56 in 2008, a level hardly better than in 1980 (AfDB, 2012). Currently, 7 out of 10 of the world’s most unequal countries are found in Africa (Beegle et al, 2016). Indeed, some of the largest economies, with the most impressive GDP growth, have found their socioeconomic development to be stagnating, or even declining (This is Africa, 2014). For example, Nigeria recorded average annual GDP growth of 7% during the period 2004-2010, yet also experienced an increase in its poverty rate, so that now nearly 60% of the country’s population lives in extreme poverty (This is Africa, 2014). Thus, Chitonge concludes, “if Africa is rising, there are strong indications that it is rising with only 20% of its population” (Chitonge, 2015: 250).

High inequality persists in access to basic services such as education and health, with African women experiencing significant levels of discrimination in traditionally male-dominated societies (AfDB et al, 2015a). Africa’s ‘middle class’ also remains extremely fragile; an estimated 80% of the 310 million people in this category fit into the informally labelled category, the ‘floating class’, earning less than $4 per day (This is Africa, 2014). Vázquez and Summer (2012) argue that such categorisations are out-dated and unhelpful, such as the terms ‘low income country’ (LIC) and ‘middle income country’ (MIC), as the majority of the world’s poor are no longer found in LICs, but MICs. According to Heintz, the only way to tackle inequality in Africa is through expanding employment opportunities, as “labour is the one factor of production which poor and low-income households typically command in abundance” (Heintz, 2010: 200). Perry (2012) agrees, suggesting that lessons can be learnt from Asia’s emerging economies, especially China and India, which have both suffered vast inequality.

Energy and Infrastructure Development

Although infrastructure development in sub-Saharan Africa has expanded during the years since independence, high population growth has largely exceeded progress made, leaving gaps in access to electricity and clean water (Robertson, 2012). Two thirds of Africa’s population, or nearly 600 million people, live without access to electricity, and 90% of rural areas lack any kind of electrification at all (AfDB, 2013). More than thirty countries across Africa currently suffer from power shortages (Robertson, 2012) and by present estimates it could take up to 2080 to provide electricity to every African citizen (Africa Progress Panel, 2015). The reasons behind the current energy crisis include spiralling demand and a lagging supply (Severino and Ray, 2011), as well as a lack of investment from African governments; according to the AfDB (2013), only 4% of Africa’s collective GDP is spent on infrastructure development, compared with 14% in China. Yet, infrastructure is a critical element in
both human development and economic growth (Robertson, 2012), and with Africa’s rapidly growing population and increasing urbanisation, the continent’s demand for modern energy services is set to increase dramatically over the next fifty years (Severino and Ray, 2011).

Nevertheless, there are substantial opportunities for African economies to take advantage of their abundance of renewable energy resources – especially solar and hydropower – and falling low-carbon technology prices, in order to “leapfrog into a new era of power generation” (Africa Progress Panel, 2015: 68). Nearly 85% of Africa’s rural population still rely on burning biomass for energy, which is extremely harmful to both human health and the environment. Yet according to the AfDB (2013), untapped hydropower resources in Congo, Cameroon and Ethiopia have the potential to provide all of Africa’s energy needs. A clean energy future could also bring about a “triple win” in terms of an improvement in agricultural productivity, increased resilience to the effects of climate change, and a reduction in greenhouse gas emissions (Africa Progress Panel, 2015: 13). Robertson (2012) believes the time is ripe for an African infrastructure and energy boom similar to the East and South Asian take-off in the early 1990s, and is the pivotal means by which Africa can unlock similar economic growth rates.

Limits to Growth

With so much focus on economic growth, relatively few analysts have considered the environmental impacts such growth would have on a large scale, and how this type of growth may be limited by environmental factors or depleting resources. Robertson (2012) adds a mere sentence as an afterthought to his forceful arguments for unrelenting economic growth policies, admitting that the only potential barrier in the long term is the possibility that the earth itself will not be able to absorb another 900 million consumers in an increasingly richer society. The AfDB (2012) cites environmental degradation as an urgent and growing challenge for the African continent, especially as nearly two thirds of Africa’s population rely on the environment for their primary source of income (Severino and Ray, 2011). Africa is also the continent predicted to suffer the most from climate change, due to a high vulnerability in the agricultural sector and a weak capacity of individuals to respond (AfDB, 2015; Severino and Ray, 2011). Instead, Obeng-Odoo (2014) argues that what is needed is an alternative to the current growth-centred paradigm for economic development, one which de-emphasises growth and re-emphasises broader ideals such as the well-being of people and the environment. The AfDB (2012) points out that it is not too late for this, as Africa’s low level of infrastructure development means that the continent is in a unique position to develop in a sustainable way, should its leaders choose to.

2.7 Ghana Rising?

Ghana is commonly regarded as the poster child for the ‘Africa Rising’ narrative, having achieved significant economic progress and poverty reduction within a stable democratic environment (Rexer, 2015). The first African colony to gain independence in 1957, Ghana was initially considered an “economic frontrunner”, on a par with countries such as South Korea and Indonesia in terms of per capita income (Breisinger et al, 2011: xi). Yet two decades of political instability, authoritarian rule and economic mismanagement resulted in soaring inflation, vast reductions in employment and income per capita, and a significant increase in poverty in the 1970s and 80s (Killick, 2010). The establishment of multiparty democracy in 1992 brought with it substantial new investments, particularly in gold mining, which have helped to sustain GDP growth at an average of 5% a year,
raising per capita incomes by 40% over the same period (Radelet, 2010). The years 2005-08 were regarded as a “Golden Age” for Ghana, as the country became “one of the most active reformers in Africa”, such that by 2007, Ghana was ranked first in West Africa on the World Bank’s ‘ease of doing business’ scale (Killick, 2010: 413). Also in 2007, the discovery of oil inspired high hopes for continued economic success in Ghana, with the Institute of Statistical, Social and Economic Research citing strong investment in the oil and gas sectors and favourable commodity prices as the factors capable of sustaining Ghana’s growth into the future (ISSER, 2015).

**Economic Success**

Between 2001 and 2012, Ghana recorded GDP growth of 6.8%, higher than the average for SSA (see Figure 2.3), and more than halved its unemployment rate, from 10.4% in 2000 to 4.2% in 2010 (ILO, 2014). According to Killick, Ghana’s economic growth has not been solely reliant on its major primary commodities of gold and cocoa, but rather has been “broad-based, with most sectors participating, including agriculture for once” (Killick, 2010: 416). The main driver of this has been a significant improvement in macroeconomic management since 2000, including policies to increase investment and raise tax revenues, which now account for between a third and a quarter of GDP, much higher than the average for sub-Saharan Africa (Severino and Ray, 2011). In addition, foreign debt relief under the Highly Indebted Poor Countries (HIPC) initiative increased international aid, and remittances from the Ghanaian diaspora have also helped to maintain the conditions for stable economic growth (Severino and Ray, 2011). In July 2011, after a rebasing of its national accounts, Ghana was re-classified by the World Bank as a ‘lower-middle income country’ (MIC), well before its own 2020 target (Ewusi, 2013). For many, this proves that Ghana is “confidently advancing today on the track of economic catching-up... [and] serves as a model for several of its neighbours” (Severino and Ray, 2011: 165).

![Figure 2.3 Ghana’s Real GDP growth (%), 1991-2012*](source.png)

**‘Rising’ Social Development**

Ghana’s economic growth has been accompanied by a dramatic fall in poverty rates, from 51.7% in 1991/2 to 24.2% in 2012/3, making Ghana the first African country to achieve the MDG of halving extreme poverty and hunger, well before the 2015 deadline (AfDB et al, 2015b). Significant strides
have been made in other areas too; primary school enrolment has risen by a third and life expectancy reached 60 years in 2008 (Radelet, 2010), partly due to a new government health insurance policy, which had covered over a third of the population by 2007 (Severino and Ray, 2011). Thus, it has been said that “to a considerable extent the poor have benefitted from the impressive growth performance of the economy” (Ackah & Aryeetey, 2012: 47). Furthermore, Ghana’s current demographic transition is expected to help sustain the country’s rising GDP, through declining fertility rates, which are leading to a drop in the dependency ratio (Breisinger et al, 2011). The proportion of working age people in the population reached 57% in 2005 and is continuing to increase, whilst the share of young people aged 0-14 is decreasing, from 45% in 1983 to 39% in 2005 (Breisinger et al, 2011).

Reasons behind ‘Ghana Rising’ Claims

According to the World Bank (2015c), the principal drivers behind the rising economic and social conditions in Ghana over the last two decades can been related to changes in the structure of the economy and employment. From 1991 to 2012, there has been a notable shift away from agriculture towards other sectors of the economy, predominantly the services sector. Since 1991, the share of agriculture in GDP declined by nearly 40%, to 23% in 2012, despite remaining the largest sector of employment (World Bank, 2015c). The services sector grew significantly over the same period, with its share of the workforce increasing from 28.8% to 42%, and the share of the workforce employed in industry also increased from 10.7% to 14.9% (World Bank, 2015c). Furthermore, between 1991-2012, the labour force became better educated, with an approximate 50% increase in those with primary schooling (World Bank, 2015c).

Scepticism of ‘Ghana Rising’ Claims

In contrast, a number of commentators argue that Ghana’s economic and social conditions are clearly not ‘rising’. When considering economic growth on a larger timescale, such as from independence to the present day, it is evident that current GDP is only marginally higher than it was in the 1960s; the reason being that the economy has been permanently recovering from the severe economic crisis of the 1970s and 80s, such that by 2000, GDP per capita had only just reached the level it was in 1960 (Booth et al, 2005). Furthermore, macroeconomic challenges still persist today; since 2007, public debt has doubled to almost 68% of the country’s GDP (Bax, 2015). The discovery of oil in 2007 may well be the reason for this; the promise of oil rents increased the government’s borrowing, yet despite a high interest from investors, a fall in the prices of cocoa and gold – two of Ghana’s main exports – caused spending controls to weaken (Bax, 2015). Hence, after achieving the fastest GDP growth in Africa in 2011 (14%), Ghana’s 2014 growth, at 4.2%, was its slowest in twenty years, and below the SSA average of 5.0% (ISSER, 2015).

The evidence for Ghana’s ‘rising’ social development has also been challenged. For, although poverty rates have fallen, wide disparities exist, both geographically – the north of the country has far higher poverty rates than the south – and in terms of gender – more women suffer from deprivation than men (Aryeetey and Kanbur, 2008). Ayelazuno argues that despite being held up as a “beacon of development and democracy in sub-Saharan Africa”, Ghana lags behind most other developing countries in terms of social welfare, industrialization and overall modernization (Ayelazuno, 2014b: 80). The recent reclassification of ‘middle income’ has not as yet been accompanied by any tangible improvements in people’s lives (Ayelazuno, 2014b). Indeed, although 46% of Ghanaians are now considered ‘middle class’ (by the AfDB’s indicators, earning $2-20 per
day), the majority of this group is surviving just above the poverty line, with roughly a third earning just $2-4 a day (BBC World Service, 2013).

Many authors agree that the primary reason for this lack of social progress has been “growth without development” (Ayelazuno, 2014b: 81), or the same trends that have been observed across Africa as a whole: a lack of structural transformation and the lack of translation of growth into employment opportunities. Ghana’s high dependence on natural resources and primary commodities has left its citizens vulnerable to external shocks and volatile prices (Aryeetey and Kanbur, 2008), whilst the employment rate has struggled to keep pace with GDP growth and a rising population (Ackah and Aryeetey, 2012). According to the ‘Rising’ narrative’s critics, Ghana’s economic structure has hardly changed since independence in 1957, except for a modest shift from agriculture to services in the 1990s, with minimal change in the share of industry (Aryeetey and Kanbur, 2008). More recently, mining and construction has increased at the expense of manufacturing, which has declined from its share of 9% of GDP in 2000 to 6.9% in 2008 (Breisinger et al, 2012). As a result, 80% of Ghana’s working population still remains in the informal sector, with less than 20% earning from a permanent job (Ackah and Aryeetey, 2012). Furthermore, there are claims that youth unemployment rose above 25% in 2010, double that of the 25-44 age category and triple that of the 45-64 age category (Ewusi, 2013).

With much of Ghana’s recent growth coming from oil and mineral rents (following the discovery of the Jubilee oil field in 2007 and its subsequent exploitation in 2010), many commentators are sceptical of whether such growth is ‘inclusive’ and beneficial to ordinary citizens (Ayelazuno, 2014a). Aryeetey and Kanbur (2008) cite the government’s economic reforms, which focus on private investments, as the principal reason behind the country’s low employment rate. For one, as Ghana’s oil industry is located 100km offshore, foreign companies can take control of all stages of the extractive process without ever having to bring the oil onshore (Ayelazuno, 2014a). This means that they can bypass the local economy and employment, and expatriate profits straight back to their home countries in the West (Ayelazuno, 2014a). While a small Ghanaian political elite may benefit from oil revenues (Booth et al, 2005), the rest of the country will only suffer from increasing unemployment and the related economic effects of the ‘resource curse’. Consequently, the last decade saw income inequality widen further, reflected by a rising Gini coefficient from 0.353 in 1992 to 0.428 in 2013 (AfDB et al, 2015b).

**Sustainability**

The sustainability of Ghana’s growth has also been called into question following the national economic slowdown that began in 2014, and the subsequent $918m IMF loan that was granted in 2015 (IMF, 2015). According to the latest Economic Outlook Report, the 3% drop in growth (from 7.3% in 2013 to 4.2% in 2014) can be attributed to “extensive power cuts, the rapid depreciation of the domestic currency, and falling global prices for gold and oil” (AfDB et al, 2015b: 3). Rexer (2015) also cites overspending and a widening trade deficit as the reasons behind the increasing inflation rate (which rose to 17% in 2014) and devaluing of the currency. The present situation is having significant impacts on the poor and ‘floating’ classes, who remain highly vulnerable to external shocks, such as increased food prices, compounded by their lack of purchasing power. However, the World Bank (2015b) expects Ghana’s growth to be positive in the long-term, predicting a GDP growth of 5.9% in 2016 and 8.2% in 2017, provided current macroeconomic challenges are addressed.
Ghana’s Future

Whilst Ghana is still in its infancy with regard to its oil industry, many commentators have pointed out that there is already much room for improvement. Ackah and Aryeetey (2012) argue that steps must be taken early on to prevent the neglect of other productive sectors of the economy, namely agriculture and manufacturing, and avoid potential ‘lock-in’ to unsustainable development paths. Breisinger et al. (2012) agree, suggesting that oil revenues should also be used in this effort, and invested in public services to ensure growth is widespread, rather than located in only one sector. Many authors believe that economic diversification is imperative if Ghana is to avoid the potential negative effects of the ‘resource curse’ and achieve long-lasting growth that is inclusive and generates employment (Ewusi, 2013; Herrera and Aykut, 2014; Booth et al, 2005). For this to be realised, the government must take steps to improve the policy environment – particularly government effectiveness – strengthen institutions, resolve outstanding macroeconomic imbalances and build human capital in order to promote intensive growth based on productivity rather than investment, as has been the strategy up until now (Herrera and Aykut, 2014).

Key risks to Ghana’s current and future development include the low level of technology in the economy (Herrera and Aykut, 2014), as well as a serious energy crisis caused by surging demand which cannot be met using the current infrastructure (Severino and Ray, 2011). Consequently, the unreliable power supply is estimated to be costing the economy 2-6% of GDP per year and is a significant hindrance to Ghana’s social development (ISSER, 2014a). Furthermore, Ghana’s natural resources are “rapidly degrading” (Severino and Ray, 2011: 164) and the majority of the country is extremely vulnerable to the effects of climate change, particularly in the agricultural and cocoa sectors, which make up the largest sources of employment (Van Dijk et al, 2014). This will no doubt affect both the national economy and the livelihoods and wellbeing of Ghanaian citizens. Finally, if the current levels of youth unemployment and underemployment are not addressed, this could have significant implications for Ghana’s future economic and social development (ISSER, 2014a).

2.8 Conclusion

In conclusion, the ‘Africa Rising’ narrative elicits more questions than it answers. For example, has SSA’s recent economic growth been noticeably higher than in the past and is it worth celebrating? Has economic growth translated into progress in social development? Can SSA’s statistics and economic data be trusted to give a true picture of experiences on the ground? Has economic growth been solely the result of increasing trade and commodity prices, driven by China and other emerging economies? And are the sources of SSA’s economic growth reliable and sustainable in the long term? As we have seen, there are many differing viewpoints on the above questions, from academics, economists, journalists and financial institutions. Some put the ‘Africa Rising’ narrative down to “good storytelling” (Obeng-Odoom, 2014: 14), whilst others argue that “lots of challenges need to be taken into account before we can begin celebrating the ‘Africa moment’” (Chitonge, 2015: 250). Still others believe that factors such as war, natural disasters or poor governance could stall and even overturn progress made in individual countries, however in the long run, Africa’s economic growth outlook is strong (Leke et al, 2010). As Severino and Ray sum up, “there is no best recipe, only good cooks” (Severino and Ray, 2011: 169).

For Ghana, questions remain as to whether enough has changed to merit the global status of a model for economic and political reform in Africa, and the poster child of the ‘Africa Rising’ narrative.
Ghana’s recent economic slowdown raises questions as to the nature of the country’s GDP growth, and is suggestive of a failure to manage oil revenues as a major driver of economic growth, which peaked in 2011 (ISSER, 2015). Ghana’s scores on government effectiveness have been steadily declining since 2009 (World Bank, 2015d), and this and many other macroeconomic challenges must be addressed if Ghana is to maintain its recent progress in economic and social development indicators, and avoid the damaging impacts of the ‘resource curse’ (ISSER, 2015). As Booth et al conclude, it is “unclear whether Ghana is on track to become a really successful developing country, or merely one that has achieved a worthwhile economic recovery and a measure of political stability” (Booth et al, 2005: 4).
Chapter 3: Methodology

3.1 Introduction

This chapter will describe the methods used for data collection and analysis, whilst situating them within the broader context of the theoretical framework chosen and the data limitations of the research. In addition to providing definitions of key terms used during the analysis and discussion, this section will also attempt to address Research Question 2 on the issues of accessibility, completeness, reliability and accuracy of the evidence behind the ‘Ghana Rising’ claims, based on the following definitions:

i. Accessibility – Is the data available in the public domain (i.e. online or printed)?
ii. Completeness – Is the data complete for the time period being assessed?
iii. Reliability – Is the data consistent and verified by more than one source?
iv. Accuracy – Is the data from an “official” source? i.e. from an agency that publishes the methodologies used to collect and process the data? And has the data been reviewed and used by reputable analysts?

3.2 Data Collection

For this study, socioeconomic data since the year 2000 was initially sought from national statistical agencies in Ghana. However, a combination of internet searches and communication with key contacts in these statistical agencies over the course of six months yielded incomplete results, leading to the conclusion that the majority of socioeconomic datasets are not readily accessible to external researchers or the general public. Instead, the agency staff directed the queries to alternative data sources, mostly government departments, where similar limitations regarding incompleteness and difficulties in access were replicated. As a result, it was necessary to widen the scope of inquiry to include international sources such as multilateral development banks and independent research bodies, which make data easily accessible online through interactive data portals or as downloadable reports. A full list of data collected can be seen in Table 3.1.

Table 3.1 Socioeconomic Data Collected

<table>
<thead>
<tr>
<th>Source: Ghana</th>
<th>Source: International</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Economic data</strong></td>
<td><strong>African Economic Outlook Reports: Ghana: 2003-2015</strong></td>
</tr>
<tr>
<td>• Ministry of Finance Budget Statements: 2000-2016</td>
<td>• Observatory of Economic Complexity</td>
</tr>
</tbody>
</table>
This dissertation was designed to be completed as a piece of desk research from outside of the country of focus. Nevertheless, had the time and budget constraints not existed, travel to Ghana may have been a possibility, and therefore the amount and quality of data collected may have been improved. If this were the case, then the desktop nature of the research methodology may be seen as a data limitation, however, communication with organisations and individual contacts in Ghana did not seem to indicate that a personal visit to the country would significantly add to the data already collected or the study as a whole.

Another limitation of the research methodology may be the time period chosen; analysing data from 2000 onwards only provides a picture of the time period under analysis, and cannot fully situate the data in its historical context. As Chitonge (2015) warns, it is important not to “de-link” the ‘Africa Rising’ narrative from past growth and development, otherwise there is a danger of misinterpreting the data completely. As a means of addressing this, this dissertation attempts to include past socioeconomic data where appropriate and available, as well as relevant economic and political history in the background chapter on Ghana.

As many researchers and economists have found, the statistical capacity of many African nations is “generally weak” (Jerven, 2013: 3) and therefore the data produced may contain a high degree of uncertainty (Young, 2012; Devarajan, 2011). Whilst not the case for all African countries, it has been observed that many African statistical offices still lack the human capital and other resources to collect and analyse data effectively (Brock, 2015). Furthermore, economic and poverty statistics are particularly difficult to compile in African countries with large informal economies, weak infrastructure and vast rural populations (Mahajan, 2009; Brock, 2015). This has further implications for policy-making, especially for the economic and financial sectors which rely on the use of accurate data (IMF Survey, 2016).

In addition, a number of authors have highlighted the political nature of statistics, particularly economic data, and argue that misrepresentation frequently occurs for political reasons, such as over- or under-estimation to satisfy foreign donors, investors or government targets (Sandefur and Glassman, 2014; Taylor, 2014). Some authors have also questioned the independence of statistical offices, as many are firmly under the control of national governments, or foreign investors (Brock, 2015). It has even been suggested that some political elites prefer to keep the quality of data poor, in order to reduce accountability on their part (Beegle et al, 2016).
Accessibility, Completeness, Reliability, Accuracy of Data Collected

As explained above, national data from African countries can be fraught with issues and problematic to rely on. In this case, data from Ghanaian statistical agencies proved difficult to access and, of the data that was available, there were many cases where it was incomplete with certain years missing. It is unclear whether data for those years does not exist or is simply not accessible due to human error or other reasons. In addition, some reports were inconsistent in the way that statistics were presented, meaning the data could not be compared between different years. Given the data limitations outlined above, it is difficult to judge the reliability and accuracy of national data sources as often the methodologies used for data collection and analysis are not available for scrutiny. However, the data collected from Ghana (see Table 3.1) do come from ‘official’ sources and are frequently used by independent analysts and larger institutions.

The international data sources, on the other hand, are much more accessible, with extensive datasets presented in interactive online portals or as annexes in detailed and easily downloadable reports. This data was found to be largely complete and consistent (i.e. no obvious gaps or errors were observed), with the methodologies published and sources cited. However, again it is difficult to judge the reliability of such data as many international datasets are drawn from national statistical agencies and government departments.

3.4 Theoretical Framework

This study is located within the theoretical framework of development economics, in particular the paradigm that has emerged since the 1990s, which has shifted the focus of ‘development’ from purely economic growth to a greater emphasis on poverty reduction (Sindzingre, 2008). This has been made possible by the broadening of the definition of poverty to include a greater focus on human and social elements, such as literacy, health and social inclusion, and its mainstreaming into politics and decision-making, for example through the Millennium Development Goals (MDGs) and the new Sustainable Development Goals (SDGs) (Sindzingre, 2008). According to Szirmai (2005), the definition of economic development must also be broadened to include structural change, both industrial and technological, and the term ‘development’ must encompass additional aspects such as income inequality and employment.

One of the key points of discussion in the ‘Africa Rising’ narrative is the drivers of recent economic growth across the continent and the extent to which they are able to bring about broad-based development that is inclusive, equitable and sustainable, from both an economic and social perspective. Some have argued that SSA’s current growth is based on “superficial features” such as GDP growth, prices, debt levels and exchange rates, rather than “structural features” that contribute to changing Africa’s role in the global economy (Taylor, 2016: 10). These structural changes include increasing the share of industry and services in national economies, the broadening and sophistication of exports, and the movement of workers from low to high productivity sectors, such as industry, particularly manufacturing (Taylor, 2016). For Sy, SSA’s growth needs to be faster and of better quality, with a high elasticity of poverty reduction (i.e. growth translates into increased incomes of the poor), which can only be achieved with a shift in focus from exports of oil and other commodities to more sustainable “engines of growth” such as agriculture and manufacturing (Sy, 2016: 7).
Although some authors (e.g. Morris, Kaplinksy and Kaplan, 2011) challenge the negative view of primary commodities, arguing that linkage opportunities exist that can contribute to sustainable industrial development, the dominant paradigm is that economic transformation is typically driven by industrialisation and manufacturing, which bring about a decline in the share of agriculture, increased urbanisation and the modernisation of economies, societies and institutions (Breisinger and Diao, 2008). The current trend across SSA is a move from agriculture directly to services, missing out the industrialisation phase completely, which is potentially problematic as it could mean that opportunities for technological innovation, policy experimentation and learning are also overlooked (Page, 2016). In addition, it is largely agreed that the services sector does not have the ability to generate the same broad-based growth with high worker productivity as the manufacturing sector (Rodrik, 2014).

Economic growth based on natural resources is also controversial among development economists, as empirical growth studies have found that nearly all resource-rich countries grow at a slower rate than countries without natural resource endowments (Sachs and Warner, 2001). The main reasons for this appear to be the ‘crowding-out’ of other activities and entrepreneurship that drive economic growth (Sachs and Warner, 2001) and, in African countries, the inability to mobilise tax revenues (Ndikumana and Abderrahim, 2010). In addition, commodity price fluctuations can cause government expenditures to become increasingly volatile, with the promise of resource revenues often leading to government consumption booms (Ndikumana and Abderrahim, 2010). Thus, without sound economic and political policies to effectively manage revenues and expenditures, and the appropriate capacity to implement these policies, the long-term growth of resource-rich countries is extremely limited.

In addition, connections have been made between economic growth based on resource extraction and rising inequality (Taylor, 2016). According to the latest World Bank report (Beegle et al, 2016), inequality is widening across Africa, and this could have significant negative impacts on both poverty reduction and the sustainability of economic growth (Berg et al, 2012). Indeed, a recent IMF report (Dabla-Norris et al, 2015) notes that increasing incomes among the top 20 per cent of the population result in a decline in a country’s GDP growth over the medium term, however an increase among the bottom 20 per cent leads to an increase in GDP growth. There have been many theories put forward to explain inequality, beginning with Kuznets in 1955, who suggested that inequality increases as economic growth increases, before peaking and then declining (Kuznets, 1955). Yet, despite providing an explanation for inequality in European countries, Kuznets’ theory does not fit African countries’ experiences, where inequality has been a factor since independence, leading to the assumption that inequality must be politically determined (Milanovic, 2003). Yet political theories such as neopatrimonialism and clientelism have also been criticised for reducing and stereotyping the diverse experiences of African countries into an overarching theory considered by many as “passé” (Mkandawire, 2015: 602). It is for this reason that none of these theories have been applied in this research; there appears to be no one-size-fits-all-approach for theorising and addressing inequality among African nations.

In light of the above, the key questions for this dissertation involve the nature of Ghana’s economic growth and the extent to which it has translated into economic development (see definition in section 3.6 below). An initial hypothesis that situates Ghana within the economic theories described above calls into question the dependence of the economy on natural resources and primary commodities, and the implications this has for the fiscal and macroeconomic environment, and for
pro-poor growth and poverty reduction more broadly. Ghana’s fledgling oil sector, which has much potential to generate and sustain GDP growth, also carries major risks for the country’s economy, including fiscal volatility, overvaluation of the exchange rate – which can lead to other sectors of the economy becoming uncompetitive – and a concentration of the economy and hence political power in the hands of those connected with the commodity, which can also breed corruption. Furthermore, if investments are not being made in other sectors of the economy, especially manufacturing and industrial development, then it is doubtful that sufficient structural change is taking place to stimulate the kind of sustainable, inclusive, equitable growth needed to bring about broad-based development and a reduction in inequality across the country.

3.5 Methodology

The methodology used for data analysis draws on the literature reviewed and the data collected to assess whether there is socioeconomic evidence, from the year 2000 to the present, to support the claims that Ghana is ‘rising’, economically and socially. To answer this question, certain headings were identified that relate to both the claims made in the literature and the overall picture of Ghana’s development i.e. has economic growth been equitable, sustainable and inclusive (see Figure 3.1). The primary headings chosen were poverty, economic growth and employment and equality, with sub-headings including Ghana’s MDG progress, size of the middle class, the macroeconomic environment, and the structure and sustainability of economic growth. Under each heading, the claims and counter-claims made in the literature are summarised, followed by an analysis of the source data that was collected (see Table 3.1). A discussion then follows to analyse the trends found in the source data and how they relate to the claims made.

Figure 3.1 Components of Sustainable Economic Growth

![Figure 3.1 Components of Sustainable Economic Growth](image)

Indicators for Sustainable, Inclusive, Equitable Growth

According to Morse (2004), “indicators can be powerful and useful tools”; however their power lies in who has the choice of indicators used, how they are measured and the ways in which they are presented (Morse, 2004: xv). Indicators are important for measuring progress towards specific goals,
yet only if the available data is reliable, and accessible at an appropriate scale or scope (Costanza et al, 2009). Furthermore, indicators may run the risk of reinforcing a particular paradigm, for example the conflation of Gross Domestic Product (GDP) with the attainment of economic growth as a means of achieving well-being - the “Growth is Good” paradigm (Costanza et al, 2009: 27). GDP however, is only able to measure economic activity, not well-being, and cannot factor in the broader human, social and ecological capital that economic activity relies on, so is thus also incapable of assessing the sustainability of economic development (Costanza et al, 2009).

As a result, there has emerged a widespread belief that the world needs a “better statistical ‘compass’ to shift emphasis from measuring economic progress phenomenon to measuring sustainable development” (UNECE, 2014: xiii, emphasis added). To do so involves the development of indicators that are capable of measuring more subjective components of progress, particularly current and future human well-being, as well as harmful long-term effects such as the depletion of natural resources and the release of pollutants such as carbon emissions into the atmosphere (UNECE, 2014). This dissertation therefore endeavours to consider economic indicators such as GDP in a more holistic manner, examining not only the growth of GDP over time, but also the structure of GDP and its linkages to employment, poverty reduction and inequality. In addition to economic indicators, MDG reports will be used to examine social indicators such as income and gender equality, and Ecological Footprint measurements for information on environmental sustainability.

3.6 Key Definitions

Lastly, with a research topic as complex and diverse as the ‘Africa Rising’ narrative, it is necessary to define the key terms that will be used in the data analysis and discussion. These can be found in the table below.

### Table 3.2 Key Terms and their Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>For this dissertation, the term ‘Africa’ will be taken to mean sub-Saharan Africa, unless specified.</td>
</tr>
<tr>
<td>Middle Class</td>
<td>According to the African Development Bank: “In relative terms... individuals or households that fall between the 20th and 80th percentile of the consumption distribution or between 0.75 and 1.25 times median per capita income, respectively. Using the absolute approach... per capita daily consumption of $2-$20 in 2005 PPP US dollars to characterize the middle class in Africa” (AFDB, 2011: 2).</td>
</tr>
<tr>
<td></td>
<td>According to the Pew Research Center: $10-20. “There is growing consensus that the $10 threshold, which is five times the poverty line used in this study, is associated with economic security and “insulates” people from falling back into poverty” (Kochhar, 2015: 8).</td>
</tr>
<tr>
<td>Gross Domestic Product – measured in constant local currency (LCU)</td>
<td>“GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.”</td>
</tr>
</tbody>
</table>
Economic Growth  “Quantitative change or expansion in a country’s economy. Economic growth is conventionally measured as the percentage increase in gross domestic product (GDP) or gross national product (GNP) during one year” (Soubbotina, 2004: 133).

Economic Development  A “multidimensional process involving major changes in social structures, popular attitudes, and national institutions, as well as the acceleration of economic growth, the reduction of inequality, and the eradication of poverty” (Todaro and Smith, 2009: 16).

Inclusive Growth  “…output growth that is sustained over decades, is broad-based across economic sectors, creates productive employment opportunities for a great majority of the country’s working age population, and reduces poverty” (Samans et al, 2015: 1).

Sustainable Growth  Growth “that will protect livelihoods, improve water, energy and food security, promote the sustainable use of natural resources and spur innovation, job creation and economic development” (AfDB, 2013: 1-2).

Equitable Growth  “Long-term sustainable economic growth that creates economic opportunity in the form of decent and productive employment in both the formal and informal sectors that may be accessed by all of society regardless of economic status, gender or ethnicity, thus enabling all of society to both benefit directly from and participate in economic activity and future growth” (Rodríguez-Pose and Wilkie, 2015: 13).

Social Development  “…processes of change that lead to improvements in human well-being, social relations and social institutions, and that are equitable, sustainable, and compatible with principles of democratic governance and social justice” (UNRISD, 2011: 2).

Poverty  Ghana Statistical Service’s national (upper) poverty line: 1314.00 Ghana cedis ($1.83 approx.) per capita.

“Individuals consuming above this level can be considered able to purchase enough food to meet their nutritional requirements and their basic non-food needs” (GSS, 2014b: 7).

Extreme Poverty  Ghana Statistical Service’s national extreme poverty line: 792.05 Ghana cedis ($1.10 approx.) per capita.

“…those whose standard of living is insufficient to meet their basic nutritional requirements even if they devoted their entire consumption budget to food” (GSS, 2014b: 12).
Chapter 4: Ghana Profile

4.1 Introduction

The purpose of this chapter is to provide background information on Ghana, including aspects such as geography and climate, population and demographics, trade and exports, government and politics, macroeconomics, employment, energy and climate change, to present a fuller picture of the country context for the following data analysis.

4.2 Geography & Climate

Ghana is located on the west coast of Africa, and has a tropical climate with three distinct ecological zones: dry savannah in the northern regions; semi-deciduous rainforest in the middle and western regions; and sandy, coastal plains in the southern regions (GSS et al, 2015). The average annual temperature is 26°C (79°F) and the average annual rainfall ranges from 1,015mm (40 inches) in the north (which has one rainy season) to 2,030mm (80 inches) in the south (which has two rainy seasons) (GSS et al, 2015). Ghana is divided into ten regions (see Figure 4.1).

Figure 4.1 Map of Ghana

Source: Ghana Statistical Service et al (2015: xxii)
4.3 Population & Demographics

According to the latest Ghana Living Standards Survey, the population of Ghana is estimated to be 26.3 million, divided into 51.7% females and 48.3% males (GSS, 2014a). Ashanti and Greater Accra have the highest recorded populations, of 5.2m and 4.3m respectively, whereas Upper East and Upper West have the lowest populations, of 1.1m and 0.8m respectively (GSS, 2014a).

Table 4.1 shows the trends in Ghana’s population and demographics from 1960 to 2010. Since the first census in 1960, Ghana’s population has increased significantly, from 6.7m in 1960 to 24.7m in 2010, with a steady annual growth rate of around 2.5% (GSS et al, 2015). The share of the population living in urban areas has more than doubled over the time period, from 23% to 51% in 2010, and the population density has more than tripled, from 29 to 103 persons/km² (GSS et al, 2015). Life expectancy has steadily increased from 38 to 60 years for males and 43 to 63 years for females (GSS et al, 2015).

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>Population (millions)</td>
<td>6.7</td>
<td>8.6</td>
<td>12.3</td>
<td>18.9</td>
<td>24.7</td>
</tr>
<tr>
<td>Annual growth rate (%)</td>
<td>-</td>
<td>2.4</td>
<td>2.6</td>
<td>2.7</td>
<td>2.5</td>
</tr>
<tr>
<td>% Urban</td>
<td>23</td>
<td>29</td>
<td>32</td>
<td>44</td>
<td>51</td>
</tr>
<tr>
<td>Pop under 15 yrs (%)</td>
<td>45</td>
<td>48</td>
<td>46</td>
<td>42</td>
<td>40</td>
</tr>
<tr>
<td>Life Expectancy - Male (years)</td>
<td>38</td>
<td>45</td>
<td>50</td>
<td>55</td>
<td>60</td>
</tr>
<tr>
<td>Life Expectancy - Female (years)</td>
<td>43</td>
<td>48</td>
<td>54</td>
<td>60</td>
<td>63</td>
</tr>
</tbody>
</table>


The latest Ghana Living Standards Survey (GSS, 2014a and 2014b) estimates that 24.2% of the population live below the poverty line of 1,314 Ghanaian cedis (approximately $1.83) a day and 8.4% of the population live below the extreme poverty line of 792.05 Ghanaian cedis (approximately $1.10) a day. This represents a considerable reduction since the early 1990s (see Figure 4.2 below), making Ghana the first African country to achieve the MDG target of halving extreme poverty and hunger, well before the 2015 deadline (Republic of Ghana and UNDP Ghana, 2012). Yet as Figure 4.2 shows, there is still a sizeable difference between the poverty incidence in the rural and urban regions of Ghana.
4.4 Government & Politics

Ghana gained independence from Great Britain in 1957 and joined the Commonwealth as a Republic in 1960, with Accra as its administrative and political capital (GSS et al, 2015). Ghana is a multi-party democracy made up of 10 administrative regions and 216 districts, and administered by an elected parliament and independent judiciary (Republic of Ghana and UNDP Ghana, 2015). The president is elected every four years, for a maximum of two terms (GSS et al, 2015). According to the latest African Economic Outlook report, “Ghana continues to manifest a liberal political economy with vibrant media and is considered to be one of West Africa’s most resilient democracies” (AfDB et al, 2015: 10).

Key policy frameworks since the adoption of the Millennium Declaration in 2000 include the Ghana Poverty Reduction Strategy (GPRS I) from 2003-2005, the Growth and Poverty Reduction Strategy (GPRS II) from 2006-2009, the Ghana Shared Growth and Development Agenda (GSGDA) from 2010-2013 and the GSGDA II from 2014-2017 (GSS, 2013b). Throughout, the focus has been on improving macroeconomic stability, human resource development, good governance and employment opportunities, whilst later policies have also included natural resource management, infrastructure development and increased competitiveness of the private sector (GSS, 2013b). In recent years, the government’s spending on poverty reduction has decreased considerably, from 34.6% of total spending in 2006 to 21.3% in 2010, and this has continued to decline since 2010, when Ghana was re-classified as a low-middle income country, and thus ineligible for much of the official development assistance (ODA) previously received (Republic of Ghana and UNDP Ghana, 2015).
4.5 Trade & Exports

Ghana has a “diverse and rich resource base”, with cocoa, gold and timber making up the leading export commodities, followed by diamonds, bauxite and manganese (Ghana Statistical Service, 2013b: 2). Oil exports began in 2011, after an oilfield containing up to 3 billion barrels of light oil was discovered in 2007 (GSS, 2013b). Since initial production of 24.5m barrels in 2011, this number has grown to approx. 40m barrels in 2014, contributing 6.3% to GDP (AfDB et al, 2015). Consequently, crude oil has become Ghana’s second largest export commodity after gold, accounting for 28.3% of total exports in 2013 (gold accounted for 36%) (AfDB et al, 2015).

The export of non-traditional commodities such as pineapples, bananas, yams and cashew nuts have recently increased as the Ghanaian government has sought to diversify its economy, and the tourism industry has grown rapidly over recent years to become the third largest earner of foreign exchange after merchandise exports and remittances from abroad (GSS et al, 2015). Foreign Direct Investment (FDI) has increased significantly since the early 2000s, particularly following the discovery of oil in 2007 and the global financial collapse in 2009 (see Figure 4.3) (Nahr, 2015).

4.6 Macroeconomics

As described in Chapter 2.7, Ghana’s post-independence period was characterised by poor macroeconomic and fiscal management, and excessive spending (Killick, 2010). However, the reforms that took place in the early 2000s led to a rapid reversal in economic conditions, including significantly reducing the budget deficit and halting the spiralling inflation and depreciation of the Ghanaian cedi (Killick, 2010). Credit to the private sector rose sharply and the economy “expanded at a rate unprecedented in Ghana’s history” (Killick, 2010: 416), with average GDP growth exceeding 6% per year over the decade 2001-2012 (see Figure 4.4) (ILO, 2014). The country’s economic structure has remained largely unchanged, although in recent years there has been a notable shift
from agriculture towards the services sector, and, to a lesser extent, the industrial sector (GSS et al, 2015).

Figure 4.4 Real GDP Growth and GDP Per Capita Growth (%), 2000-2014

Source: Own graph based on World Bank Development Indicators

Figure 4.5 Sectoral Distribution of GDP, 2005-2014*

Source: Own graph based on data from the Ghana Statistical Service
*Data unavailable before 2005 at the same constant prices

4 'Industry' includes mining, manufacturing, construction, electricity, water and gas (World Bank, 2016b)
Despite this rapid new growth, in 2003, the Institute of Statistical, Social and Economic Research (ISSER) noted that “a number of unstable underlying conditions” underpinned the fiscal sector, of most concern being a significant rise in domestic borrowing (ISSER, 2003: 1). In 2012, the government’s discretionary expenditure more than doubled, with the largest items including personal emoluments (salaries, allowances, pensions of government staff) and the repayment of domestic debt (ISSER, 2013). The country’s GDP and GDP growth rate declined significantly in 2014, and there was a sharp increase in inflation, compared with the previous year (see Table 4.2). This was accompanied by a fall in the exchange rate of 31.2% against the US dollar in the first three quarters of 2014, compared with a 4.1% depreciation during the same period in 2013 (AfDB et al, 2015). Finally, the climbing budget deficit caused public debt levels to reach 67.1% of GDP by the end of December 2014, causing the government to enter into a $918m stabilisation programme with the International Monetary Fund (IMF) in 2015 (AfDB et al, 2015).

Table 4.2 Ghana’s Macroeconomic Development, 2012-2016

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014(e)</th>
<th>2015(e)</th>
<th>2016(p)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP growth (%)</td>
<td>7.9</td>
<td>7.3</td>
<td>4.2</td>
<td>3.9</td>
<td>5.9</td>
</tr>
<tr>
<td>Real GDP per capita growth (%)</td>
<td>5.8</td>
<td>5.2</td>
<td>2.1</td>
<td>1.9</td>
<td>3.9</td>
</tr>
<tr>
<td>CPI inflation</td>
<td>9.2</td>
<td>11.7</td>
<td>17.0</td>
<td>8.3</td>
<td>8.7</td>
</tr>
<tr>
<td>Budget balance (% GDP)</td>
<td>-5.8</td>
<td>-9.5</td>
<td>-10.4</td>
<td>-9.5</td>
<td>-9.9</td>
</tr>
<tr>
<td>Current account (% GDP)</td>
<td>-12.4</td>
<td>-11.9</td>
<td>-9.2</td>
<td>-12.7</td>
<td>-17.3</td>
</tr>
</tbody>
</table>

(e) estimates; (p) projections based on authors’ calculations. Source: African Economic Outlook Reports

4.7 Employment

Ghana’s working population is mostly engaged in agriculture (45%) and services (41%) (GSS et al, 2015), with the informal sector accounting for approximately 88% of total employment – it must be noted that this is a notoriously difficult sector to measure, so estimates can vary considerably (Republic of Ghana and UNDP Ghana, 2015). The latest Ghana Living Standards Survey estimates that one fifth (20.2%) of the population are engaged in wage employment, and of those who are self-employed, 26.4% are involved in agriculture whilst 26.0% are involved in non-agricultural activities (see Table 4.3) (GSS, 2014a). Whilst over three quarters of the population aged 15 years and older are economically active (77.1%), the majority are educated only to a basic level (57.2%) and a quarter (25.2%) have no formal education (GSS, 2014a). The unemployment rate is estimated to be low, at 5.2%, however over one third of the working population are estimated to be underemployed (working less than 35 hours a week), especially those working in the agricultural sector (GSS, 2014a).

Table 4.3 Employment Breakdown of Ghana’s Current Working Population (%)

<table>
<thead>
<tr>
<th></th>
<th>Urban</th>
<th>Rural</th>
<th>Ghana</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>All</td>
</tr>
<tr>
<td>Wage Employment</td>
<td>47.5</td>
<td>19.1</td>
<td>32.5</td>
</tr>
<tr>
<td>Self-employed with employees:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-agricultural</td>
<td>7.5</td>
<td>7.3</td>
<td>7.4</td>
</tr>
<tr>
<td>Agricultural</td>
<td>1.9</td>
<td>1.3</td>
<td>1.6</td>
</tr>
<tr>
<td>Self-employed without employees:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-agricultural</td>
<td>15.8</td>
<td>44.5</td>
<td>30.9</td>
</tr>
<tr>
<td>Agricultural</td>
<td>10.8</td>
<td>8.3</td>
<td>9.5</td>
</tr>
<tr>
<td>Contributing family worker:</td>
<td>3.2</td>
<td>6.0</td>
<td>4.6</td>
</tr>
<tr>
<td>----------------------------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Non-agricultural</td>
<td>6.1</td>
<td>7.9</td>
<td>7.1</td>
</tr>
<tr>
<td>Agricultural</td>
<td>0.4</td>
<td>0.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Domestic employee</td>
<td>3.1</td>
<td>1.4</td>
<td>2.2</td>
</tr>
<tr>
<td>Apprentice</td>
<td>3.4</td>
<td>1.0</td>
<td>3.7</td>
</tr>
<tr>
<td>Casual worker</td>
<td>0.3</td>
<td>0.1</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Source: Ghana Statistical Service (2014a)

### 4.8 Energy

Ghana’s primary energy supply comes mainly from biofuels/waste and oil, with hydro and natural gas also contributing a small amount (IEA, 2015a). In terms of electricity generation, hydro is the leading energy source, making up 64% of total supply, with oil and natural gas also contributing from 1997 and 2009, respectively (IEA, 2015b). Since 2011, Ghana has been in the grip of a significant power crisis, with the country experiencing extensive load shedding throughout 2014 and 2015 (AfDB et al, 2015). Demand has outstripped supply, and current estimates predict that this supply gap will continue to increase in years to come (see Figure 4.6) (World Bank, 2013a), unless drastic measures are taken to improve generating capacity.

#### Figure 4.6 Power Generation Capacity Forecast, 2012-2022

Ghana’s reliance on hydropower has been highlighted as one of the factors responsible for the current power crisis, as insufficient rainfall has caused power output at the country’s two hydro dams to fall significantly over the last year (AfDB et al, 2015b). The lack of diversification into other energy sources, such as the gas reserves in the Jubilee oil field, is another factor which is causing the
inadequate power supply to become a “major constraint to future economic growth” (World Bank, 2013a: viii). Thermal electricity generation has added 1,000 MW of generating capacity over the past 15 years, raising total generation capacity to 2,125 MW, however renewable energy other than hydro still plays a marginal role in Ghana’s energy mix, with only one 2MW grid-connected renewable energy plant in operation (World Bank, 2013a). Solar and wind power are still at the early stages of development in Ghana, and they are expected to play a growing role towards the government’s 10% renewable energy target by 2020, especially in rural areas (World Bank, 2013a).

4.9 Climate Change

Ghana’s economy relies heavily on climate-sensitive sectors such as agriculture, hydropower and forestry, leaving people highly susceptible to climate change impacts, which are likely to reverse progress made in poverty reduction, economic growth and food security (AfDB et al, 2015b). The population living in the northern regions of Ghana is particularly vulnerable to the unpredictable weather patterns caused by climate change because of higher poverty rates, a drier climate, and a higher dependency on subsistence rain-fed agriculture to begin with (Darko and Atazona, 2013). Cocoa, one of Ghana’s main exports, is particularly vulnerable to the effects of a changing climate (Niang et al, 2014), as are other staple food crops such as maize (MacCarthy et al, 2013). Ghana’s National Climate Change policy (Republic of Ghana, 2013) therefore stresses the need to focus on developing adaptive capacity rather than the reactive measures currently being implemented (AfDB et al, 2015b).
Chapter 5: Data Analysis - Poverty

5.1 Introduction

The next three chapters will present and analyse the data collected from desk research under three separate headings: poverty, economic growth and employment and equity. Within these categories, a number of key arguments from the literature will be explored – through the claims/counter-claims made by various authors and institutions – such as the size of the middle class in Ghana, level of industrialisation, sustainability of economic growth and inequality. The table below sets out the claims and counter-claims made about poverty in Ghana, and the data sources that are used to analyse these claims.

Table 5.1 Poverty Claims and Counter-Claims for Ghana, and Sources used for Analysis

<table>
<thead>
<tr>
<th>Claims</th>
<th>Counter-claims</th>
<th>Source Data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Poverty</strong></td>
<td>Wide disparities exist - north of country and women still suffering high poverty (Aryeetey and Kanbur, 2008)</td>
<td>Ghana Living Standards Surveys; 2010 Population and Housing Census</td>
</tr>
<tr>
<td>Dramatic fall in poverty rates from 51.7 – 24.1% from 1991-2012 (AfDB et al, 2015b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MDG Progress</td>
<td>Ghana still lags behind other developing countries in terms of social welfare (Ayelazuno, 2014b)</td>
<td>Republic of Ghana and UNDP MDG Reports 2010, 2015; UNDP Human Development Reports</td>
</tr>
<tr>
<td>Ghana was the first country to achieve MDG 1 (halving extreme poverty and hunger), well before the 2015 deadline</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Life expectancy reached 60 in 2008 (Radelet, 2010)</td>
<td>2010 Population and Housing Census</td>
<td></td>
</tr>
<tr>
<td>Declining fertility rates reducing dependency ratio (Breisinger et al, 2011; World Bank, 2015)</td>
<td>2010 Population and Housing Census; Demographic &amp; Health Surveys</td>
<td></td>
</tr>
<tr>
<td>Infant mortality decreased from 57 deaths per 1,000 live births in 1998 to 41 in 2014, and under 5 mortality reduced by more than half, from 54 to 19 (World Bank, 2015)</td>
<td>Demographic &amp; Health Surveys; Republic of Ghana and UNDP MDG Reports 2010, 2015</td>
<td></td>
</tr>
<tr>
<td><strong>Middle Class</strong></td>
<td>26.8% of Ghana’s middle class are part of the ‘floating class’, earning just $2-4 per day (AfDB, 2011); ‘Middle class’ parameters are not truly reflective (Clarke, 2010)</td>
<td>AfDB ‘Middle of the Pyramid’ report, 2011; Pew Research Center (Kochhar), 2015</td>
</tr>
<tr>
<td>46.6% of Ghanaians considered ‘middle class’ – 10.9m people in 2008 (earning $2-20 per day) (AfDB, 2011)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
5.2 Poverty in Ghana

Claim: Dramatic fall in poverty rates from 51.7 – 24.1% from 1991-2012 (AfDB et al, 2015b)

National Poverty Incidence\(^5\)

At the time of writing, there are no readily available datasets for Ghana’s poverty rates year-on-year since 2000, either in national or international reports and databases. Rather, data is available only at six or seven yearly intervals when the Ghana Statistical Service (GSS) carried out surveys and calculated poverty rates at both the regional and national levels. For the period since 2000, these were produced following the Ghana Living Standards Survey rounds 5 and 6 in 2005/06 and 2012/13 respectively (GSS, 2007). The reports reveal a significant reduction in poverty according to national poverty lines based on consumption of both food and non-food items\(^6\).

The most recent poverty estimates, from 2012/13 - using an upper (absolute) poverty line of 1,314 Ghanaian cedis (equivalent to approx. US$1.83) per adult per day - found that 24.2% of the population, approximately 6.4m people, were classified as living in poverty in 2012/13 (GSS, 2014b). This represents a 7.7 percentage point reduction since 2005/06, when an estimated 31.9% of the population, 6.9m people, lived below the poverty line (GSS, 2014b). Similarly impressive declines can be seen in extreme poverty rates over the same period. Using the lower poverty line of 792.05 Ghanaian cedis (equivalent to approx. US$1.10), 8.4% of the population, approximately 2.2m people, were considered to be living in extreme poverty in 2012/13 (GSS, 2014b). Compared with the extreme poverty estimates for 2005/06 (16.5%), this represents a reduction of 8.1 percentage points over the 7-year period (GSS, 2014b).

These trends also follow the poverty reductions observed throughout the 1990s, however it is impossible to carry out a direct comparison with these figures, as they were based on the previous national poverty lines of 3,708,900 cedis for absolute poverty and 2,884,700 cedis for extreme poverty (GSS, 2007). However, when examining poverty estimates from the 1990s (see Figure 5.1), the declines were even greater than the decade of the 2000s: between 1991/92 and 1998/99, upper poverty rates fell by 12.2 percentage points, and by a further 11 percentage points by 2005/06, and lower poverty rates fell by 9.7 percentage points between 1991/92 and 1998/99, and by a further 8.6 percentage points by 2005/06 (GSS, 2007). Unicef Ghana (2014) estimate that in absolute numbers, the population living below the upper poverty line declined from 7.9m people in 1991/92 to 6.3m in 2006, which is particularly impressive considering that the overall population grew by 6.9m over the same period.

\(^5\) The proportion of the population below the poverty line (GSS, 2014b).
\(^6\) “The absolute [upper] poverty line indicates the minimum living standard in Ghana while the extreme [lower] poverty line indicates that even if a household spends their entire budget on food, they still would not meet the minimum calorie requirement” (GSS, 2014b: 8).
Counter-claim: Wide disparities exist - north of country and women still suffering high poverty incidence (Aryeetey and Kanbur, 2008)

Regional Poverty Incidence

Since the year 2000, the Ghana Statistical Service has repeatedly reported that poverty reductions which began during the 1990s have not been evenly distributed across the country, with Accra, the capital, faring much better than the northern regions, which are predominantly rural (see Figure 5.2) (GSS, 2007). In 2012/13, Ghana’s rural population accounted for 50% of the total population, yet made up 78% of the total number of people in poverty (GSS, 2014b). When looking at estimates of extreme poverty, the geographical disparities are even more distinct: of the 2.2m Ghanaians living in extreme poverty, over 1.8m (81%) live in rural areas, with the rural savannah accounting for nearly one third of this number (27.3% in 2012/13) (GSS, 2014b). Nonetheless, the statistics show that rural poverty rates are also decreasing faster than other regions; the rural savannah, for example, experienced the widest reduction in both absolute and extreme poverty of all the localities from 2005/06 to 2012/13 (see Figures 5.3 and 5.4).
Figure 5.2 Poverty Map of Ghana, 2015

Source: Ghana Statistical Service (2015: 9)
Despite the impressive poverty reductions observed over the last two decades, when comparing poverty rates at the local level, the disparities are still vast, with the lowest poverty incidence recorded in Greater Accra, at 3.5%, and the highest in the Rural Savannah, at 55% (see Figure 5.3) (GSS, 2014b). According to the GSS, this trend can be partly attributed to the high proportion of people who have migrated to the Greater Accra area and are now working in the services sector, supported by the large numbers of microfinance institutions designed to assist entrepreneurs and
the self-employed (GSS, 2014b). The urban coastal area is the only locality to experience an increase in extreme poverty, as well as in absolute poverty, yet the reasons behind this trend are not fully understood by GSS, who recommend further analysis of the data (GSS, 2014b).

**Multi-dimensional Poverty Index (MPI)**

Following the 2010 nation-wide population and housing census, the Ghana Statistical Service calculated a Multi-dimensional Poverty Index7 (MPI) for the country, which incorporates wider aspects than just income/consumption, such as contributions from family and friends and availability of basic services such as education, health and housing (GSS, 2013a). The study found that rural households, mostly found in the northern regions of the country, suffer a much higher level of deprivation than urban households, reflected by an MPI score of 0.261, nearly three times the urban score of 0.098 (see Figure 5.5) (GSS, 2013a). This is consistent with the findings of the GSS’s Living Standards Surveys, however the overall national incidence of multi-dimensional poverty was found to be much higher than other estimates, at 42.7%, demonstrating the differences in results when alternative parameters are used (GSS, 2013a).

**Figure 5.5 MPI Decomposition by Region, 2010**

![Graph showing MPI decomposition by region](source)

Source: Own graph based on data from Ghana Statistical Service (2013a)

---

7 The MPI is measured on an individual level using ten indicators (based on the UN MDGs) under three headings: “education (number of adult household members who have not completed primary school and number of primary school-going children who are not in school); health (number of under-5 death in the last 12 months and maternal mortality); and standard of living (access to improved water, toilet, cooking fuel, national electricity grid, use of improved dwelling floor and number of persons per room)” (GSS, 2013a: iv).
Despite the general belief among development economists that women suffer disproportionately from poverty, the Ghana Statistical Service (2014b) found that poverty incidence is higher among male-headed households (25.9% in 2012/13) than female-headed households (19.1% in 2012/13) (see Figure 5.6). Although people living in households headed by both genders experienced a reduction in poverty between 2005/6 and 2012/13, the rate of decline is three times greater for male-headed households than female-headed households (GSS, 2014b).

**Figure 5.6 Poverty Incidence (%) by Gender of Household (Based on Upper Poverty Line)**

![Graph showing poverty incidence by gender of household for 2005/06 and 2012/13.](image)

Source: Own graph based on data from Ghana Statistical Service (2014b)

However, Aryeetey et al (2000) identify two problems with the finding that male-headed households are poorer than female-headed households, on the basis of this methodology. Firstly, a female-headed household does not necessarily mean that she is the sole earner for the household; her husband or another family member may be sending remittances from elsewhere to provide for the family, which are not accounted for in poverty estimates. Secondly, the GSS methodology does not take into account household size, which is usually much smaller for female-headed households, so, based on a measurement of household expenditure, would mean that poverty incidence would turn out to be much lower than larger households (Bhushan and Chao, 1996). Indeed, when households of a similar size are directly compared, poverty incidence is found to be higher among households headed by females than by males (Aryeetey et al, 2000).

Furthermore, Cooper (2010) recognises that inheritance is an important factor in gender poverty estimates. Many of Ghana’s ethnic groups are matrilineal, meaning that a man’s wealth is inherited by his sister’s children upon his death, rather than by his own widow and children. In 1985, the Government introduced the Intestate Succession Law that allows women equal access to property jointly acquired with their husband, regardless of whether they married under statutory or customary law (Richardson, 2004). Nonetheless, a lack of education about the law, and the failure of the legislation to recognise polygamous marriages, which are very common in Ghana, has meant that customary traditions persist, and women continue to be disadvantaged (Richardson, 2004).
5.3 Ghana’s MDG Progress

Claims: Ghana was the first country to achieve MDG1 (halve extreme poverty and hunger) well before the 2015 deadline; primary school enrolment risen by a third (Radelet, 2010); life expectancy reached 60 in 2008 (Radelet, 2010); declining fertility rates reducing dependency ratio (Breisinger et al, 2011; WB, 2016a); infant mortality and under-5 mortality reduced (WB, 2016a)

MDG 1: Halve Extreme Poverty and Hunger

As reported by the 2010 MDG report (Republic of Ghana and UNDP Ghana, 2012), Ghana met the target of halving extreme poverty and hunger in 2006, nine years ahead of the 2015 deadline. Extreme poverty fell by 50% from 36.5% in 1991 to 18.2% in 2006 (Republic of Ghana and UNDP Ghana, 2012). The reduction in absolute poverty narrowly missed the target by 2.6 percentage points, declining from 51.7% in 1991 to 28.5% in 2006 (Republic of Ghana and UNDP Ghana, 2012). However, following the introduction of the new absolute poverty line in 2013, according to the revised metric, overall poverty incidence reduced from 32% in 2006 to 24% in 2013, confirming that the MDG target had been fully met (Republic of Ghana and UNDP Ghana, 2015). Ghana was reportedly, “one of the few sub-Saharan African countries to achieve this” (Republic of Ghana and UNDP Ghana, 2015: 13).

Primary School Enrolment (MDG 2)

The net enrolment ratio\(^8\) for primary schools across Ghana has increased significantly from 45.2% in the early 1990s to 89.3% in 2013/14, with the fastest increase occurring from the mid-2000s onwards (see Figure 5.7) (Republic of Ghana and UNDP Ghana, 2015). Despite experiencing a dip in 2009 and 2010, this represents an overall increase of 44.1 percentage points since 1990 (Republic of Ghana and UNDP Ghana, 2015).

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\(^8\) “...number of appropriately aged pupils enrolled in school as a proportion of the total number of children in the relevant age groups” (Republic of Ghana and UNDP Ghana, 2015: 28)
Life Expectancy

According to the most recent national census, completed in 2010, the estimated life expectancy for women in Ghana is 63.4 years and men 60.2 years (GSS, 2013c). The population census data shows a steady increase since 1960, when life expectancy for women was 43 years and men 38 years (see Table 5.2).

<table>
<thead>
<tr>
<th>Life Expectancy (Years) – Male</th>
<th>Pop Census 1960</th>
<th>Pop Census 1970</th>
<th>Pop Census 1984</th>
<th>Pop &amp; Housing Census 2000</th>
<th>Pop &amp; Housing Census 2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life Expectancy (Years) - Female</td>
<td>38</td>
<td>45</td>
<td>50</td>
<td>55</td>
<td>60</td>
</tr>
<tr>
<td></td>
<td>43</td>
<td>48</td>
<td>54</td>
<td>60</td>
<td>63</td>
</tr>
</tbody>
</table>


Fertility Rate

Ghana’s total fertility rate\(^9\) began declining in the 1980s and fell most steeply in the period 1998 to 2000, when it declined by almost 2.5 children per woman. By 2010, the fertility rate reached a level that was almost half what it was in 1960: 3.28 compared with 6.5 (see Figure 5.8) (GSS, 2013c). Since 2010, however, this figure has risen again to 4.2 children per woman, 3.4 in urban areas and 5.1 in rural areas (GSS et al, 2015). Askew et al (2015) attribute this increase to financial gaps in Ghana’s healthcare sector, which have caused family planning needs to go increasingly unmet due to a lack of resources. Despite this recent increase, Ghana’s total fertility rate is still one of the lowest in sub-Saharan Africa (see Figure 5.9) (GSS et al, 2015).

\(^9\) “...the number of children a woman would have by the end of her childbearing years if she were to pass through those years bearing children at the current age-specific fertility rates” (GSS et al, 2015: 60).
Figure 5.9 Total Fertility Rates for Selected SSA Countries*

Source: GSS et al (2015: 61)
*Countries selected on availability of data

Child Mortality (MDG 4)

Since 1988, infant mortality\(^{10}\) has fallen by 47% and under-5 mortality\(^{11}\) by 61% (see Figure 5.10), with the last decade seeing the greatest reductions, possibly as a result of Ghana’s new National Health Insurance Scheme (NHIS) which was introduced in 2003 (GSS et al, 2015). For instance, since 1998, infant mortality has fallen by 28% and under-5 mortality by 44% (GSS et al, 2015). The progress in under-5 mortality was enough for Ghana to achieve the MDG target of reducing child mortality by two-thirds, ahead of the 2015 deadline, however the 2014 infant mortality rate of 60 deaths per 1,000 live births did not meet the MDG target of 40 (Republic of Ghana and UNDP Ghana, 2015).

\(^{10}\) “... the probability of dying between birth and the first birthday” (GSS et al, 2015: 100)

\(^{11}\) “... the probability of dying between birth and the fifth birthday” (GSS et al, 2015: 100)
Counter-claim: Ghana still lags behind other developing countries in terms of social welfare (Ayelazuno, 2014b)

*Human Development Index*

The Human Development Index (HDI), which expresses development progress as a single value using measurements of life expectancy, education and standard of living (GNI per capita), is useful for comparing development statistics on a country-by-country basis and against regional averages (UNDP, 2015a). Ghana’s HDI score for 2014 was 0.579 (risen from 0.487 in 2000), which means it ranks towards the lower end of the medium human development category, at 140 out of 188 countries and territories (UNDP, 2015a). Table 5.3 shows that Ghana outperforms the sub-Saharan Africa average on all indicators, and the latest UNDP report notes that the country also ranks above most of its West African neighbours, including Nigeria, Senegal, Benin and Togo (UNDP, 2015b). However, in comparison with other regional averages, Ghana falls behind on all indicators, except for expected and mean years of schooling, which are slightly higher than the regional average for South Asia (UNDP, 2015a).

*Table 5.3 Ghana’s HDI Score, 2014, Compared with Regional Averages*

<table>
<thead>
<tr>
<th>Region</th>
<th>HDI Value</th>
<th>Life expectancy at birth</th>
<th>Expected years of schooling</th>
<th>Mean years of schooling</th>
<th>GNI per capita (PPP US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghana</td>
<td>0.579</td>
<td>61.4</td>
<td>11.5</td>
<td>7.0</td>
<td>3,852</td>
</tr>
<tr>
<td>SSA</td>
<td>0.518</td>
<td>58.5</td>
<td>9.6</td>
<td>5.2</td>
<td>3,363</td>
</tr>
<tr>
<td>South Asia</td>
<td>0.607</td>
<td>68.4</td>
<td>11.2</td>
<td>5.5</td>
<td>5,605</td>
</tr>
<tr>
<td>East Asia and the Pacific</td>
<td>0.710</td>
<td>74.0</td>
<td>12.7</td>
<td>7.5</td>
<td>11,449</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>0.748</td>
<td>75.0</td>
<td>14.0</td>
<td>8.2</td>
<td>14,242</td>
</tr>
</tbody>
</table>

*Source: UNDP (2015a)*
5.4 Ghana’s Middle Class

Claim: 46.6% of Ghanaians considered ‘middle class’ – 10.9m people in 2008 (AfDB, 2011)

Middle Class Statistics

The African Development Bank categorises ‘middle class’ as per capita daily consumption of $2-20 (in 2005 PPP US dollars), split into three categories: the ‘floating class’ ($2-4 per day), the ‘lower-middle class’ ($4-10 per day) and the ‘upper-middle class’ ($10-20 per day) (AfDB, 2011). As the AfDB describes, individuals in the floating class “remain largely vulnerable to slipping back into poverty in the event of some exogenous shocks”, however the category represents a crucial “hinge” between the poor and lower-middle classes, thus reflecting “the direction of change in population structure through time” (AfDB, 2011: 2). The table below shows that in 2008 Ghana’s middle class accounted for 46.6% of the country’s total population, or 10.9m people, with the largest proportion falling into the ‘floating class’ category (26.8% of the total population).

Table 5.4 Middle Class Statistics for Ghana, 2008

<table>
<thead>
<tr>
<th>Floating Class</th>
<th>Lower-Middle</th>
<th>Upper-Middle</th>
<th>Total Middle Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of pop</td>
<td>Pop (millions)</td>
<td>% of pop</td>
<td>Pop (millions)</td>
</tr>
<tr>
<td>26.8</td>
<td>6.3</td>
<td>13.5</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Source: Adapted from AfDB (2011)

Counter-claim: 26.8% of Ghana’s middle class are part of the ‘floating class’, earning just $2-4 per day (AfDB, 2011; BBC World Service, 2013); ‘Middle class’ parameters are not truly reflective (Clarke, 2010)

As described above, the share of Ghana’s ‘floating class’ was 26.8% in 2008, accounting for more than half of the total middle class population (AfDB, 2011). Some argue that it is problematic to include the floating class in middle class statistics as people who are spending just $2-4 per day are only just surviving above the poverty line, with little economic security to prevent them from slipping back into poverty (Sumner, 2012). This is a particular issue in SSA, where large numbers of people are involved in informal or ‘vulnerable’12 employment (Stoffel, 2014). The table below demonstrates that when Ghana’s floating class is excluded from the analysis, the middle class makes up only 19.8% of the population, or 4.6m people, less than half the number estimated above (AfDB, 2011).

Table 5.5 Middle Class Statistics, Excluding Floating Class, for Ghana, 2008

<table>
<thead>
<tr>
<th>Lower-Middle</th>
<th>Upper-Middle</th>
<th>Total Middle Income without Floating Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of pop</td>
<td>Pop (millions)</td>
<td>% of pop</td>
</tr>
<tr>
<td>13.5</td>
<td>3.2</td>
<td>6.2</td>
</tr>
</tbody>
</table>

Source: Adapted from AfDB (2011)

---

12 Defined as own-account workers and contributing family workers (World Bank, 2016b)
Other researchers have chosen to use different parameters for measuring ‘middle class’, with greatly differing results. For example, the Pew Research Center (Kochhar, 2015) defines the global middle class as earning or consuming between $10-20 a day, with the upper-middle class bracket between $20-50 (in 2011 PPP US dollars). Using this methodology, Ghana’s middle class was estimated to make up 2.1% of the population in 2001, and 4.1% in 2011 (see Table 5.6) (Kochhar, 2015). This is an achievement in itself as it means the number of people spending $10-20 a day in Ghana almost doubled in the space of a decade.

However, the question remains as to how useful estimates of the middle class are in determining broader economic development and social change on the national scale. Firstly, middle class estimates only focus on consumption, so cannot give an indication of the employment structure (i.e. how many people are involved in formal/informal employment and which sectors they are engaged in) and the extent to which the structure of employment is changing alongside rising incomes (Stoffel, 2014). Secondly, depending on the local context, people who cross the line into ‘middle class’ may not necessarily feel as if they are living a middle class lifestyle, due to a lack of access to quality education and healthcare facilities and affordable goods and services (Stoffel, 2014; see also BBC World Service, 2013).

Table 5.6 Population Distribution by Income Tiers (%), 2001 and 2011

<table>
<thead>
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<td>Zambia</td>
<td>10.4</td>
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</tr>
</tbody>
</table>

Source: Kochhar (2015)

5.5 Conclusions on Poverty

The evidence collected shows significant reductions in poverty across the country since the 1990s, with extreme poverty rates declining further than total poverty, and rural poverty declining most rapidly overall (GSS 2007; 2014b). Nonetheless, disparities still exist between the north and south of the country (GSS, 2015) and there is evidence to suggest that migration and urbanisation are playing a considerable role in reducing rural poverty (although as yet urban poverty has not shown any increase, which is surprising) (GSS, 2014b). In addition, the Multi-dimensional Poverty Index (MPI), which takes into account non-monetary indicators of poverty, puts Ghana’s poverty rate at 42.7%, nearly double the GSS’s estimates based on the national poverty line, highlighting the potentially fragile nature of those living just above the poverty line (GSS, 2013a).

In terms of MDG progress, Ghana was the first African country to meet MDG 1 (halve extreme poverty and hunger) before the 2015 deadline, and recorded substantial progress in primary school enrolment, life expectancy and child mortality (although the infant mortality target was not met)
(Republic of Ghana and UNDP Ghana, 2015). The fertility rate significantly reduced during the 1990s and since 2000 has remained at around 4 children per woman, one of the lowest in SSA (GSS et al, 2015). Ghana’s HDI score has improved year-on-year since 2000 and now ranks in the medium category, above the average for SSA yet behind all other regional averages (UNDP, 2015a; 2015b).

Finally, there is evidence to suggest that there is a growing middle class population in Ghana, but statistics vary greatly according to the parameters used. For example, according to the AfDB (2011), nearly half of Ghana’s population can be classified as ‘middle class’ (consuming $2-20 per day), but when using Kochhar’s (2015) categorisation of $10-20 per day, this figure reduces dramatically to 4% of the population (yet still a doubling since 2001). Thus, despite the arguments over the definition and measurement of the ‘middle class’, there has been a steady rise in incomes across the country, as evidenced by the growing numbers of people consuming more than before. Even so, the recent empirical data from Ghana reveals that the current economic downturn is causing serious hardship for the majority of the population, many of whom would identify themselves as part of the ‘floating class’, vulnerable to rising prices and a reduction in purchasing power (BBC World Service, 2013).
Chapter 6: Data Analysis – Economic Growth

6.1 Introduction

The table below describes the claims and counter-claims made in the literature under the heading of economic growth, and the data sources that will be used to analyse these claims (see Table 6.1).

<table>
<thead>
<tr>
<th>Claims</th>
<th>Counter-claims</th>
<th>Source Data</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP growth</strong></td>
<td>Between 2001-2012, Ghana recorded average GDP growth of 6.8% per year, higher than the average for SSA (ILO, 2014)</td>
<td>After achieving the fastest GDP growth in Africa in 2011 (14%), Ghana’s 2014 growth (4.2%) was its slowest in 20 years, and below the SSA average of 5.0% (ISSER, 2015)</td>
</tr>
<tr>
<td><strong>GDP per capita</strong></td>
<td>Since 1992, GDP growth has averaged a robust 5% a year, raising per capita incomes by 40% over the same period (Radelet, 2010)</td>
<td>When considering a longer timescale e.g. from independence to the present day, by 2000, real GDP per capita was only marginally higher than it was in the 1960s (Booth et al, 2005)</td>
</tr>
<tr>
<td><strong>Macro-economics</strong></td>
<td>Significant improvement in macroeconomic management since 2000, including policies to increase investment and raise tax revenues, which now account for between a quarter and a third of GDP, much higher than the SSA average (Severino and Ray, 2011)</td>
<td>Macroeconomic challenges still persist today – since 2007, public debt has doubled to almost 68% of the country’s GDP (Bax, 2015)</td>
</tr>
<tr>
<td><strong>Structural change</strong></td>
<td>Ghana’s economic growth is not just reliant on primary commodities, but is “broad-based, with most sectors participating, including agriculture for once” (Killick, 2010: 416).</td>
<td>Ghana’s economic structure has hardly changed since independence in 1957, and remains highly dependent on natural resources and primary commodities (Aryeetey and Kanbur, 2008).</td>
</tr>
<tr>
<td><strong>Sustainability</strong></td>
<td>Strong investment in the oil and gas sectors and favourable commodity prices can sustain Ghana’s growth into the future (ISSER, 2015)</td>
<td>Ghana’s natural resources are “rapidly degrading” (Severino and Ray, 2011: 164)</td>
</tr>
<tr>
<td></td>
<td>Climate change poses a threat to the national economy and livelihoods (Van Dijk et al, 2014).</td>
<td></td>
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6.2 GDP Growth

Claim: Between 2001-2012, Ghana recorded GDP growth of 6.8%, higher than the average for sub-Saharan Africa (ILO, 2014).

GDP Growth (%)

Depending on the source of the data, GDP growth (%) estimates are not consistent and can vary between datasets (see Table 6.2). However, the trends are essentially the same; Ghana’s real GDP growth increased steadily year-on-year until 2009, when the global financial crisis slowed growth rates considerably, before the economy experienced a momentous rebound in 2011 with a growth rate of 14%, due mainly to new oil revenues, after which the growth rate has declined to levels seen in the early 2000s, possibly as a result of the global economic slowdown (especially in China), and internal factors such as the national energy crisis (see Figure 6.1) (AfDB et al, 2012; 2015b). Using the World Bank’s figures, Ghana’s average GDP growth between 2001-2012 was 6.8%, nearly double the sub-Saharan African average of 3.87% for the same period (see Table 6.2).

<table>
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<td>4.0</td>
<td>4.3</td>
<td>4.3</td>
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</tbody>
</table>

Sources: AfDB Data Portal, World Bank Development Indicators
*GSS GDP data not publicly available prior to 2004

Figure 6.1 Real GDP Growth (%) for Ghana and SSA, 2000-2015

Source: Own graph based on World Bank data
Counter-Claim: After achieving the fastest GDP growth in Africa in 2011 (14%), Ghana’s 2014 growth, at 4.2%, was its slowest in 20 years, and below the average of 5.0% for sub-Saharan Africa (ISSER, 2015).

*Ghana’s Real GDP Growth for 2014*

Although Ghana’s real GDP growth in 2014 was low compared with the period from 2011, it was not as low as growth rates in 2009 and 2010 (using AfDB estimates), and only just behind the World Bank’s estimated growth rate for sub-Saharan Africa, which was 4.3% in 2014 (see Table 6.2). However, Ghana’s real GDP growth in 2015 slowed to 3.4%, compared with the estimated 3.7% growth of sub-Saharan Africa (World Bank estimates).

*Trends in GDP Over Time*

Looking back over a longer time period, Ghana’s GDP growth fluctuated considerably in the two decades following independence, before stabilising at around 4-5% in the mid-1980s, most likely in response to the introduction of the Economic Recovery Program supported by the World Bank and IMF (Kwasi Fosu, 2001) (see Figure 6.2). Growth remained stable until the early 2000s, when first gradual and then sudden increases were observed, with 2011’s growth being the highest ever experienced, at 14%. Therefore, although 2014’s growth rate was low compared with the three previous years, it is consistent with the trends experienced over the last 20 years.

*Figure 6.2 Real GDP Growth (%) and GDP (Constant LCU), 1961-2014*

GDP growth has varied however, and current GDP growth, at 3.7%, is comparable to the rate of growth experienced in the early 1960s. However, when considering GDP at constant local currency, it becomes clear that absolute GDP has increased significantly over the same period, from 5,248m Ghanaian cedis in 1960 to 33,521m cedis in 2014.
6.3 GDP per capita

Claim: Since 1992, GDP growth has averaged a robust 5% a year, raising per capita incomes by 40% over the same period (Radelet, 2010).

Real GDP Per Capita Growth (%)
The growth of real GDP per capita has tracked GDP growth quite closely over the decade of the 2000s (see Figure 6.3), as population growth has been fairly steady at approx. 2.6-2.7% on average (ISSER, 2014a). 2011 saw a high of 11.3% growth in per capital GDP, however since then per capita GDP growth has declined along with overall GDP growth to reach 1.6% in 2014, its lowest rate since 2001.

Figure 6.3 Real GDP Growth (%) and GDP per capita Growth (%), 2000-2014

Source: Own graph based on World Bank Development Indicators

Counter-claim: When considering a longer timescale e.g. from independence to the present day, by 2000, GDP per capita was only marginally higher than it was in the 1960s (Booth et al, 2005).

Figure 6.4 shows that GDP per capita (measured in local currency at constant prices) has increased considerably, by 36.8% since 1961. However, the majority of this increase took place in the late 2000s, following a long period of slow growth after a significant fall during the early 1980s. Indeed, it wasn’t until the mid-2000s that GDP per capita surpassed the level it was during the 1960s and early 1970s.
6.4 Macroeconomics

Claim: There have been significant improvements in macroeconomic management since 2000, including policies to increase investment and raise tax revenues, which now account for between a quarter and a third of GDP - much higher than the SSA average (Severino and Ray, 2011)

Investment

Ghana’s gross fixed capital formation and FDI inflows fluctuated greatly during the decade of the 2000s (see Figure 6.5), despite the government’s efforts to make the private sector the “engine of growth” (AfDB/OECD, 2005: 256). Since 2007 however, both public and private investments have risen as a result improvements in the business environment (AfDB/OECD, 2008). FDI has remained fairly constant since 2008, with most private investment directed towards the oil and mining sectors (AfDB et al, 2012).

---

13 The accumulation of physical assets, including “land improvements (fences, ditches, drains, and so on); plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including schools, offices, hospitals, private residential dwellings, and commercial and industrial buildings” (World Bank, 2016b).
**Figure 6.5 Gross Fixed Capital Formation (% GDP), 2000-2014**

![Graph showing gross fixed capital formation (% GDP) for 2000-2014](image-url)

Source: Own graph based on World Bank Development Indicators

**Tax Revenues**

The early 2000s saw tax revenues increase gradually to reach a high of 20.7% of GDP in 2005, in response to “revenue-augmenting” measures introduced by the Ghanaian government, including a National Health Insurance Levy and a new Financial Administration Act (AfDB/OECD, 2005: 257). Including grants, total revenue reached a high of 28.6% of GDP in 2007, yet since then, this figure has stagnated, accompanied by a significant decline in grants (see Table 6.3). Younger (2016) warns that this decline may well be a permanent fixture, stemming from the global financial slowdown that has affected donor budgets, or from the promotion of Ghana to MIC status, so therefore the government should not count on grants increasing in the near future. Nevertheless, there are indications that revenues are recovering slightly, with tax revenues projected to reach 19.1% in 2016, and total revenue 20.5%, however rising public expenditure, particularly wages and interest rates, has resulted in an unsustainably high budget deficit of around 10% of GDP since 2012 (see Table 6.3) (AfDB et al, 2015b).
<table>
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<td>4.3</td>
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<td>17.9</td>
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<td>2.0</td>
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<td>0.5</td>
<td>0.6</td>
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<td><strong>Total Expenditure &amp; Net Lending</strong></td>
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Source: Own table based on African Economic Outlook Reports for Ghana (e) estimate; (p) projection
Counter-claims: Macroeconomic challenges still persist today – since 2007, public debt has doubled to almost 68% of the country’s GDP (Bax, 2015); Overspending and the widening trade deficit are causing an increasing inflation rate (which rose to 17% in 2014) and devaluing the currency (Rexer, 2015).

**Government Budget Expenditure**

Since 2005, the government’s budget expenditure has increased substantially, from 2,970m Ghanaian cedis in 2005 to 26,277m cedis in 2013, contributing to a growing budget deficit (see Table 6.3 above and Figure 6.6 below) (GSS, 2014b). The majority of the increase can be accounted for by recurrent expenditure (i.e. goods and services), rather than capital expenditure (i.e. acquisition of long-term assets), which is potentially problematic as capital expenditure is more important in sustaining the country’s economic growth (GSS, 2014b).

**Figure 6.6 Government Budget Expenditure (millions of cedis), 2005-2013**

![Graph showing government budget expenditure from 2005 to 2013](source: Ghana Statistical Service (2014b: 4))

**Public Debt**

Ghana’s debt burden of $6.93bn at the end of 1999 made the country eligible for the Highly Indebted Poor Countries (HIPC) initiative, which was instrumental in reducing external debt levels in the early 2000s (OECD/AfDB, 2002). In 2006 Ghana’s external debt burden was further reduced by two-thirds, to $2.1bn, under the Multilateral Debt Relief Initiative (MDRI) of the IMF, World Bank and AfDB (see Figure 6.7) (AfDB/OECD, 2007). Since then, external debt levels have increased again, to a figure over double that of 2006, accompanied by a widening budget deficit and a sharp rise in public debt, from 39.7% of GDP in 2011 to 67.1% of GDP by the end of 2014 (AfDB et al, 2015b). On Ghana’s current economic trajectory, this level of debt seems impossible to service, however there is a possibility that the IMF’s assistance could bring about a decline in debt levels (Younger, 2016).
Trade Deficit

Throughout the 2000s, Ghana’s trade balance has been in deficit, with imports consistently outstripping exports (see Figure 6.8). In addition, exports have been affected by fluctuating oil and commodity prices, particularly of Ghana’s two main exports, gold and cocoa (AfDB/OECD, 2007). 2008, for example, saw a substantial growth in imports due to a spike in crude oil prices, which caused a deeper widening of the trade deficit (see Table 6.4 and Figure 6.8) (AfDB/OECD, 2009). However, in 2009, the global financial crisis caused a substantial drop in imports, thereby halving the trade deficit and the current account deficit (AfDB et al, 2011). Since then, the trade deficit has continued to narrow, as a result of new oil production and reduced demand for imports, as a consequence of the gradual depreciation of the local currency over the last few years (AfDB et al, 2014).

Table 6.4 Ghana’s External Sector Indicators, 2000-2014

<table>
<thead>
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</tr>
</thead>
<tbody>
<tr>
<td>Current Account Balance (% GDP)</td>
<td>-8.0</td>
<td>-5.4</td>
<td>-1.1</td>
<td>1.0</td>
<td>-3.9</td>
<td>-6.2</td>
<td>-5.1</td>
<td>-7.9</td>
<td>-10.8</td>
<td>-4.0</td>
<td>-8.6</td>
<td>-9.0</td>
<td>-11.7</td>
<td>-11.9</td>
<td>-9.2</td>
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<tr>
<td>Terms of trade, goods (% change)</td>
<td>10.0</td>
<td>-4.6</td>
<td>5.5</td>
<td>21.4</td>
<td>-6.2</td>
<td>5.3</td>
<td>0.4</td>
<td>-1.7</td>
<td>-0.3</td>
<td>-16.5</td>
<td>-10.3</td>
<td>-24.9</td>
<td>-1.5</td>
<td>-7.1</td>
<td>-0.3</td>
</tr>
<tr>
<td>Real Export Growth, Goods (%)</td>
<td>-2.5</td>
<td>-4.8</td>
<td>7.8</td>
<td>16.1</td>
<td>24.8</td>
<td>8.0</td>
<td>44.3</td>
<td>25.8</td>
<td>47.5</td>
<td>13.4</td>
<td>54.5</td>
<td>123. 4</td>
<td>5.8</td>
<td>9.6</td>
<td>0.7</td>
</tr>
<tr>
<td>Real Import Growth, Goods (%)</td>
<td>-5.8</td>
<td>-3.3</td>
<td>-0.9</td>
<td>34.6</td>
<td>47.5</td>
<td>36.6</td>
<td>37.6</td>
<td>31.8</td>
<td>48.2</td>
<td>-33.1</td>
<td>38.0</td>
<td>51.5</td>
<td>10.3</td>
<td>-0.6</td>
<td>-12.0</td>
</tr>
<tr>
<td>Total Trade (% GDP)</td>
<td>116. 6</td>
<td>109.8</td>
<td>96.6</td>
<td>59.6</td>
<td>60.8</td>
<td>59.2</td>
<td>64.8</td>
<td>64.9</td>
<td>68.8</td>
<td>71.6</td>
<td>72.8</td>
<td>86.2</td>
<td>92.5</td>
<td>79.7</td>
<td>105. 7</td>
</tr>
<tr>
<td>Trade Balance (% GDP)</td>
<td>-16.5</td>
<td>-17.1</td>
<td>-10.7</td>
<td>-5.4</td>
<td>-11.1</td>
<td>-14.3</td>
<td>-14.8</td>
<td>-15.7</td>
<td>-17.5</td>
<td>-8.5</td>
<td>-9.2</td>
<td>-7.7</td>
<td>-10.0</td>
<td>-7.9</td>
<td>-5.0</td>
</tr>
<tr>
<td>Gross International Reserves in Months of Exports</td>
<td>0.9</td>
<td>1.1</td>
<td>2.0</td>
<td>3.9</td>
<td>3.7</td>
<td>3.2</td>
<td>3.0</td>
<td>2.4</td>
<td>1.7</td>
<td>3.7</td>
<td>4.1</td>
<td>3.4</td>
<td>2.9</td>
<td>2.8</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Source: AfDB Data Portal
Ghana’s inflation rate decreased throughout the early 2000s in response to prudent fiscal and monetary policies introduced by the government (see Figure 6.9) (AfDB/OECD, 2005). The general election in 2008 indirectly increased inflationary pressures in 2008 and 2009, before the rate dropped again with the continuation of the government’s fiscal stabilisation plan (AfDB et al, 2012). Since 2012, however, the inflation rate has been rising partly in response to the removal of subsidies on petrol prices and an increase in electricity and water tariffs (AfDB et al, 2014). This has been accompanied by a loss in value of the Ghanaian cedi, which depreciated by 31% against the US dollar in 2014 (ISSER, 2015), making it one of the world’s worst performing currencies (Rexer, 2015).

According to Rexer (2015), there were plenty of early warning signs of the country’s impending financial crisis, including procyclical spending (which went mostly into consumption rather than investment), rising imports, deficits in the current account and trade balance, high inflation and overvaluation of the currency, however these were largely ignored by policymakers. Government borrowing was also high as the joint effect of “debt relief, the revaluation of GDP, and the perceived increase in oil revenues” made the government appear more creditworthy (Younger, 2016: 21). Concerned by the government’s rising deficits, investors began to pull out of the country, putting yet more pressure on the currency (Rexer, 2015). Yet as long as the current account is in deficit, the cedi will remain weak, meaning that households will continue to endure the consequences through a loss of purchasing power (Rexer, 2015).
6.5 Structural Change

Claim: Ghana’s economic growth is not just reliant on primary commodities, but is “broad-based, with most sectors participating, including agriculture for once” (Killick, 2010: 416).

Structure of the Economy

Since the early 2000s, the Ghanaian economy has undergone a shift from agriculture as the principal driver of growth to the services sector now accounting for the majority of GDP (see Figure 6.10) (GSS, 2014b). From 2005 to 2013, the share of the agricultural sector almost halved, from 42% to 22% of GDP, whilst the services sector increased from 31% to 49% of GDP. The share of manufacturing has declined from 10% to 6% over the same period, whilst the share of industry excluding manufacturing\(^\text{14}\) has been increasing since 2011 when crude oil exports began, and now accounts for a greater share than agriculture, making up 23% of GDP in 2013 (GSS, 2014b).

\(^{14}\text{Using the UN International Standard Industrial Classification, ‘industry’ refers to mining and quarrying, construction, electricity, water and gas. Manufacturing is also included, but is often referred to as a separate subgroup (World Bank, 2016b).}\)
Figure 6.10 Sectoral Distribution of GDP (%), 2005-2014*

![Graph showing sectoral distribution of GDP (2005-2014)]

Source: Own graph based on data from the Ghana Statistical Service  
*Data unavailable before 2005 at the same constant prices  
**Separate manufacturing data not available for all years under consideration

Whilst the share of manufacturing in overall GDP has decreased, in absolute terms, the manufacturing sector has actually seen a gradual rise in value added, from 1,824m cedis in 2006 to 2,335m cedis in 2014 (see Table 6.5). Although it is small compared with the rise seen in the services and industrial sectors, it is still significant to note as it means that the sector is at least growing, rather than stagnating or declining as one might expect if the share is declining.

Table 6.5 Value Added (Constant LCU) (millions of Ghanaian cedis)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Services etc.</td>
<td>8,204</td>
<td>8,908</td>
<td>9,584</td>
<td>9,928</td>
<td>10,918</td>
<td>11,909</td>
<td>13,346</td>
<td>14,483</td>
<td>15,284</td>
</tr>
<tr>
<td>Industry excl. Manufacturing</td>
<td>3,704</td>
<td>3,930</td>
<td>4,522</td>
<td>4,725</td>
<td>5,053</td>
<td>7,157</td>
<td>7,947</td>
<td>8,475</td>
<td>8,542</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1,824</td>
<td>1,801</td>
<td>1,868</td>
<td>1,844</td>
<td>1,894</td>
<td>2,321</td>
<td>2,366</td>
<td>2,355</td>
<td>2,335</td>
</tr>
<tr>
<td>Agriculture</td>
<td>5,415</td>
<td>5,322</td>
<td>5,716</td>
<td>6,129</td>
<td>6,452</td>
<td>6,507</td>
<td>6,657</td>
<td>7,035</td>
<td>7,362</td>
</tr>
</tbody>
</table>

Source: World Bank Development Indicators  
*Earliest data available

**Industrialisation - Manufacturing**

Many authors agree that industrialisation through manufacturing is one of the fastest and most effective ways of raising incomes and lifting people out of poverty (e.g. ACET, 2014; McMillan & Harttgen, 2014; Rodrik, 2014; Economist, 2015; UNECA, 2015; Taylor, 2016). Therefore it is important to look at the change that has occurred in Ghana’s manufacturing sector as the economy has grown. The last decade has seen large fluctuations in exports of manufactures, with 2005 recording the highest share of manufactures in exported goods and 2011 the lowest, as a result of new crude oil exports (see Figure 6.11).
Investments in Manufacturing

The manufacturing sector made up the highest share of total investments during the early and mid-2000s, until 2008 when investments in services overtook investments in manufacturing for the first time (see Figure 6.12). Subsequently, manufacturing investments hovered around 15% of total investments, behind the services sector, until 2014 when the figure almost doubled to 28.6%, suggesting there may be a renewal of interest in the sector.

Figure 6.12 Share of Manufacturing (%) in Total Investments, 2007-2015

Source: Ghana Investment Promotion Centre
*2012 data unavailable
Counter-claim: Ghana’s economic structure has hardly changed since independence, and remains highly dependent on natural resources and primary commodities (Aryeetey and Kanbur, 2008).

Exports

Ghana’s total exports increased steadily over the decade 2000-2010, from just below US$2bn in 2000 to just over US$5bn in 2010 (see Figure 6.13). In 2011 the value of total exports more than tripled to US$18.1bn, however the figure for consumer goods does not seem credible compared with the estimates preceding and succeeding it (see Table 6.6). Nevertheless, it is important to note the considerable increase in raw materials, both in monetary terms and in the share of total exports.

Figure 6.13 Ghana’s Exports (US$ bn) by Product Category, 2000-2013*

Source: Own graph based on data from the World Integrated Trade Solution (WITS)
*2002 and 2004 data unavailable, 2013 latest available data
Cocoa, gold and crude petroleum currently make up Ghana’s main commodity exports and, for much of the last decade, cocoa and gold alone have accounted for over half of total exports (see Figure 6.14). In 2011, crude petroleum was exported for the first time, however the shares of cocoa and gold exports were still higher, and have remained significantly higher than crude petroleum in 2012 and 2013 too. Overall, the share of other products in total exports has declined substantially over the years, from almost 50% in 2000 to 20% in 2013, meaning that Ghana’s export base is narrowing. Should this trend continue, it could become problematic for the sustainability of economic growth, given the increasing dependence on global prices of just two to three commodities, one of which – cocoa – is very much reliant on favourable climatic conditions, which are becoming more and more unpredictable with the onset of climate change.

![Figure 6.14 Share of Top Three Products in Exports, 2000-2013](image)

Source: Own graph based on data from the Observatory of Economic Complexity (2016)
Share of Exports in GDP

Since 2000, the share of exports in GDP has significantly increased compared with previous years (see Figure 6.15). The highest share was in the year 2000 itself, at almost 50% of GDP, followed by a decline into the mid-2000s, but since 2011 this figure has been rising to reach almost 40% of GDP in 2014. Again, this signals to the fact that Ghana’s economic growth is becoming increasingly reliant on exports, and yet commodity prices themselves are volatile and unpredictable, especially oil prices.

![Figure 6.15 Share of Exports in GDP, 2000-2013](source: Own graph based on World Bank Development Indicators)

6.6 Sustainability

Claim: Strong investment in the oil and gas sectors and favourable commodity prices can sustain Ghana’s growth into the future (ISSER, 2015)

Oil Rents

Ghana’s oil rents\(^\text{15}\) rose from around 1% of GDP during the period 2000-2010 to 6% of GDP in 2011, 2012 and 2013, after production began at the Jubilee oil field (see Figure 6.16). Ghana’s oil industry has a potential revenue of $1bn a year over the next 20 years, but has so far been held back by initial technical challenges; 2011’s oil revenues, for example, were only $314m (Annan & Edu-Afful, 2015).

The Ghana National Petroleum Commission (GNPC) was established to oversee the country’s oil production and the investment of revenues into the Ghana Stabilisation Fund (70%) and the Ghana Heritage Fund (30%) to cushion against price volatility and begin a fund for future generations, respectively (Annan & Edu-Afful, 2015). However, according to Harguth (2012), oil revenues have been found to be entering a general treasury account along with other government funds, and the GNPC itself has been accused of impropriety and a lack of transparency and accountability in its management of the oil industry (Annan & Edu-Afful, 2015). Furthermore, despite being a member of the Extractive Industries Transparency Initiative (EITI), which is designed to ensure the full reporting and publishing of oil revenues, there has been little uptake within the Ghanaian government, as few outside the oil industry are even aware of its existence (Annan & Edu-Afful, 2015).

\(^\text{15}\) The difference between the value of crude oil production at world prices and total costs of production (World Bank, 2016b)
Oil/Non-oil Growth Rates

Oil exports have been a significant driver of Ghana’s GDP growth since 2011, as demonstrated by the non-oil growth rates of 9.4% in 2011 compared with overall GDP growth of 15%, and 3.0% in 2013 compared with the 5.4% overall GDP growth rate (see Figure 6.17) (ISSER, 2015). In 2014, falling oil prices meant the sector was unable to contribute significantly to Ghana’s overall GDP growth, leading to a non-oil growth rate of 4.1% compared with overall GDP growth of 4.2% (ISSER, 2015). This would become even more of a concern in the future, should Ghana wish to pursue oil as a key driver of economic growth, as falling global demand due to climate change policies and the rise of renewable energies, will cause oil prices to become very unpredictable. Moreover, on a national scale, the government must also beware of the ‘resource curse’ and in particular, Dutch disease, which can afflict oil-dependent economies, if revenues are poorly managed (ISSER, 2015).

Although Ghana’s oil production is still in its early stages, some authors have already begun to assess whether the economy is showing signs of the ‘Dutch disease’. Aylezuno (2014a), for example, argues that oil wealth has crowded out other export activities, causing stagnation in the manufacturing sector and a decrease in diversification, whilst the Centre for Policy Analysis (2012) points to the growing current account deficit tied to rapid increases in imports as another indicator of the Dutch disease. Furthermore, sudden discoveries of natural resources can lead to government consumption booms (Ndikumana & Abderrahim, 2010), as demonstrated by the data on Ghana’s government expenditure in Figure 6.6. These largely economic effects will no doubt have further implications for society, particularly for employment, as jobs in the oil sector are scarce and highly skilled (Annan & Edu-Afful, 2015) and in terms of an increase in the cost of goods and services due to a rise in the real exchange rate (Sachs & Warner, 2001). Therefore, the key challenge for resource-rich countries is to safeguard the economy from volatile commodity prices and put in place effective strategies to maintain a careful balance between government expenditure and resource revenues (Ndikumana & Abderrahim, 2010).
Counter-Claims: Ghana’s natural resources are “rapidly degrading” (Severino and Ray, 2011: 164); Climate change poses a threat to the national economy and livelihoods (Van Dijk et al, 2014).

**Adjusted Net Savings**

Adjusted net savings, or genuine savings, was first proposed by the World Bank in 1999 as an alternative measurement to GDP, one that takes into account natural capital as well as financial capital, thereby giving an indication of the sustainability of a country’s economic growth path (Taylor, 2016). Ghana’s adjusted savings for natural resources depletion (including forest, energy and mineral depletion) account for a relatively large proportion of Gross National Income (GNI), totalling a high of 15.5% in 2012 (see Figure 6.18). Forest depletion historically made up the largest share of natural resource depletion, until the mid-2000s when mineral depletion began to increase, and 2011 when energy depletion began to increase. The overall level of natural resources depletion in GNI has not shown great changes, however, with the last decade mainly fluctuating around an average of 11.5%.
Ghana’s Ecological Footprint

The Ecological Footprint is a measure of the area of land (in global hectares) needed for a population to generate all the resources it consumes and absorb the waste generated (Global Footprint Network, 2016). Biocapacity, or biological capacity, is the capacity of ecosystems to regenerate or renew these resources (also in global hectares) (Global Footprint Network, 2016). Figure 6.19 shows that since 1961, Ghana’s biocapacity has decreased by almost two thirds, whilst the Ecological Footprint has almost doubled (Global Footprint Network, 2016). Thus, since 1996, Ghana’s Ecological Footprint has outstripped biocapacity, meaning that the country’s natural resources are being consumed faster than they can regenerate.

In comparison with the rest of the world, Ghana’s ecological footprint, 2.0 ha per capita, is lower than the global average of 2.84 ha but higher than the average for Africa (1.4 ha) and low-middle income countries (1.3 ha) (Global Footprint Network, 2016). Ghana’s biocapacity, on the other hand, at 1.4 ha per capita, is higher than the African average of 1.3 ha and the low-middle income average of 0.9 ha, but is lower than the global average of 1.73 ha (Global Footprint Network, 2016). Whilst a higher biocapacity is advantageous for the country, the high ecological footprint could be a matter of concern, particularly considering that the economy is becoming increasingly reliant on natural resources as a driver of growth, calling into question the sustainability of this development model.
Climate Change Impacts in Ghana

Ghana has already been experiencing changes in climate; over the last 30 years, the average annual temperature has risen by 1°C and sea levels have risen by 2.1mm a year (UNEP & UNDP, 2012). Other impacts include a decrease in mean annual rainfall, an increase in the frequency of extreme weather events, and coastal erosion and salt water intrusion (UNEP & UNDP, 2012). Figure 6.20 gives an indication of the climate hazards Ghana is likely to experience in the future under a ‘business as usual’ high emissions scenario (orange) and a 2°C low emissions scenario (green) (WHO & UNFCCC, 2015). The diagrams show that the greatest changes are predicted to occur in mean annual temperature and frequency of heat waves, which will in turn increase heat stress, heat-related mortality and vector-borne diseases among humans, crops and livestock (WHO & UNFCCC, 2015).

This will no doubt affect Ghana’s economy, particularly the agricultural sector, which is the sector most vulnerable to climate change impacts. Rainfall variability and declining rainfall totals present a huge challenge to crop production and livelihoods in rural areas (UNEP & UNDP, 2012). This has a wider impact on food security and the economy at a national level, as well as health and social consequences, such as an increase in rural to urban migration, which may lead to greater urban vulnerability and increased pressure on the informal economy (UNEP & UNDP, 2012). Ghana’s hydropower sector, the country’s main source of electricity, is also susceptible to future climate change, as a result of reduced rainfall (UNEP & UNDP, 2012).
6.7 Conclusions on Economic Growth

The evidence collected shows that Ghana’s GDP growth was high during the decade of the 2000s compared with previous years and the average for SSA, but slowed considerably from 2014 onwards, to a level not seen since the early 2000s (World Bank, 2016b). Growth in GDP per capita has tracked GDP closely, and is also currently at its lowest rate since 2001, however absolute GDP per capita has increased greatly over the last two decades, recording a 71% rise since 2000 (World Bank, 2016b).

Ghana’s macroeconomic environment has presented some improvements since the year 2000 but in the last couple of years it has deteriorated at an alarming rate. Despite an increase in FDI inflows and private sector investment over the decade of the 2000s, and a narrowing of the trade deficit, vast increases in government expenditure, especially in public sector wages, has contributed towards a growing budget deficit, rising public debt, escalating inflation and a depreciation of the currency. The early warning signs were apparent in the years leading up to the current financial crisis, however these factors went largely unheeded by the government until late 2014, when a stabilisation programme, including a S918m loan, was agreed with the IMF (Rexer, 2015).
Ghana’s economy has shown signs of structural change, with the majority share of total GDP shifting from agriculture to services in the mid-2000s. The share of industry has also increased, especially since 2011 with the commencement of crude oil production (GSS, 2014b). The share of manufacturing, however, has decreased over the decade, but in absolute terms (value added) the sector has seen a steady increase since 2006 (World Bank, 2016b). In fact, the share of manufacturing in exports and new investments was relatively high over the period 2000-2013/15 (with an average of 19% and 25% respectively), although these figures dropped towards the end of the decade (GiPC, 2016; World Bank, 2016b).

Thus it appears that the economy is becoming increasingly dependent on exports, whilst at the same time the export base is narrowing – in 2014, for example, gold and cocoa made up 30% of total exports each, whilst crude petroleum made up nearly 20%, leaving only 20% for other products (Observatory of Economic Complexity, 2016). This could present a risk to the country’s future growth, should commodity prices continue to fall, as many are predicting (Taylor, 2016). Since 2011, oil production has been a key driver of economic growth (ISSER, 2015), and oil rents – which currently make up 6% of GDP – have the potential to increase significantly in the future, although management of these revenues so far has been questionable (Annan & Edu-Afful, 2015). There is evidence of the ‘Dutch disease’ on Ghana’s economy, as well as increasing pressure on the country’s natural resources (Global Footprint Network, 2015; World Bank, 2016b) and significant predicted climate change impacts, which will in turn have adverse consequences for the agricultural and energy sectors in the near term and food security, livelihoods and health in the longer term (WHO & UNFCCC, 2015; UNEP & UNDP, 2012).
Chapter 7: Data Analysis – Employment and Equality

7.1 Introduction

The table below describes the claims and counter-claims made in the literature under the headings of employment and equality, and the data sources that will be used to analyse these claims (see Table 7.1).

<table>
<thead>
<tr>
<th>Claims</th>
<th>Counter-claims</th>
<th>Source Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>Between 2001-2012, Ghana more than halved its unemployment rate, from 10.4% in 2000 to 4.2% in 2010 (ILO, 2014)</td>
<td>Youth unemployment topped 25% in 2010, double that of the 25-44 age category and triple that of the 45-64 age category (Ewusi, 2013)</td>
</tr>
<tr>
<td></td>
<td>80% of Ghana’s working population remains in the informal sector, with less than 20% earning from a permanent job (Ackah and Aryeetey, 2012)</td>
<td>Ghana Living Standards Surveys</td>
</tr>
<tr>
<td>Income Inequality</td>
<td>The poor have benefitted from Ghana’s economic growth to a “considerable extent” (Ackah &amp; Aryeetey, 2012: 47)</td>
<td>The last decade saw income inequality widen, reflected by a rising Gini coefficient (AfDB et al, 2015b)</td>
</tr>
</tbody>
</table>

7.2 Employment

Claim: Between 2001-2012, Ghana more than halved its unemployment rate, from 10.4% in 2000 to 4.2% in 2010 (ILO, 2014)

Unemployment Rates

The Ghana Living Standards Survey Reports provide an estimate of the country’s unemployment rates according to age, gender and locality. Given the difficulties of measuring the country’s extensive informal economy, these estimates may not always be reliable and therefore their usefulness in the overall analysis is limited. According to the GSS, between 1998/99 and 2005/06, the overall unemployment rate decreased from 8.2% to 3.6%, however since then this rate has increased to 5.2% in 2012/13, with both the urban and rural unemployment rates following the same trend (see Table 7.2). Overall, urban areas still experience higher unemployment rates than rural areas - 6.5% compared with 3.9% - with Accra recording higher rates than other urban areas. The data also shows that women experience higher rates of unemployment than men – 5.5% compared with 4.8%.
<table>
<thead>
<tr>
<th>Year</th>
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<td>1998/99</td>
<td>Male</td>
<td>15-24</td>
<td>29.4</td>
<td>23.6</td>
<td>25.3</td>
<td>8.1</td>
<td>12.7</td>
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<td>7.0</td>
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<td>4.8</td>
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<tr>
<td></td>
<td></td>
<td>All</td>
<td>16.4</td>
<td>12.7</td>
<td>25.3</td>
<td>4.3</td>
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<td></td>
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<td>6.2</td>
<td>6.5</td>
<td>3.9</td>
<td>5.2</td>
</tr>
</tbody>
</table>

The employment to population ratio, or labour participation rate, is another way to measure unemployment in a country. In 1998/99, out of a total population of 14.7m (aged 7 years and over), 11.3m were economically active, giving an employment to population ratio of 77.2% (GSS, 2000). In 2005/06, this ratio decreased to 54.1%, with an estimated 9.7m people employed out of a total population of 18m (GSS, 2008). 2012/13 saw this ratio increase to 61.2%, with an estimated 14m people employed out of a total population (aged 5 years and over) of 22.9m (GSS, 2014a). This data is strange as it follows the same trend as the unemployment rate above, when one would expect it to show the inverse.

Counter-claims: Youth unemployment topped 25% in 2010, double that of the 25-44 age category and triple that of the 45-64 age category (Ewusi, 2013); 80% of Ghana’s working population remains in the informal sector, with less than 20% earning from a permanent job (Ackah and Aryeeetey, 2012)

Youth Unemployment

By the Ghana Statistical Service’s estimates, youth unemployment fell considerably from 15.9% in 1998/99 to 4.1% in 2005/06 before increasing back to 10.9% in 2012/13 (see Table 7.2). These figures may not be credible, and may stem from some kind of measurement issue, nevertheless, it is still possible to deduce from the data that the youth unemployment rate is consistently higher than the unemployment rates experienced by the other age categories, especially the 25-44 category, which has maintained a steady decline over the last 15 years, from 7.4% in 1998/99 to 4.0% in 2005/06 to 3.8% in 2012/13. This is particularly problematic given that the 15-24 age group accounts for over a third of the country’s working population (34.5%) (GSS, 2014a).

In addition, youth unemployment is generally understood to be an urban phenomenon (Baffour-Awuah, 2013), and this is supported by the data in Table 7.2, which reveals the youth unemployment rate in Accra to be approximately triple that of the rural areas. Urbanisation is the main factor responsible for this trend, as youth from rural areas migrate to cities, dissatisfied with the lower incomes of the agricultural sector (Baffour-Awuah, 2013). However, the opportunities for employment in cities are limited and becoming ever more scarce with an influx of young people, most of whom lack the necessary skills and training for the jobs available. As a result many enter the informal sector or remain unemployed (Baffour-Awuah, 2013). Meanwhile, the predominance of agriculture in rural areas means that the youth unemployment rate remains low, and yet incomes are also low (Baffour-Awuah, 2013). Without sufficient economic opportunities available, it is likely that urban youth unemployment will escalate, thereby contributing to a sub-optimal demographic dividend (Baffour-Awuah, 2013).

Employment by Sector

Whilst the informal sector is always difficult to measure, the latest Ghana Living Standards Survey estimates that one fifth (20.2%) of Ghana’s population is engaged in wage employment, and this trend is highest amongst males in urban areas (see Table 7.3). Of the population that are self-employed, there is an equal divide between agricultural (26.4%) and non-agricultural (26%) activities,
with the majority of self-employed men working in the agricultural sector (32.8%) and the majority of self-employed women working in the non-agricultural sectors (35.6%) (GSS, 2014a).

Table 7.3 Employment Breakdown of Ghana’s Current Working Population (%)

<table>
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<tr>
<th></th>
<th>Urban</th>
<th>Rural</th>
<th>Ghana</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
<td>All</td>
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<tr>
<td>Wage Employment</td>
<td>47.5</td>
<td>19.1</td>
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<td>Self-employed with employees:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-agricultural</td>
<td>7.5</td>
<td>7.3</td>
<td>7.4</td>
</tr>
<tr>
<td>Agricultural</td>
<td>1.9</td>
<td>1.3</td>
<td>1.6</td>
</tr>
<tr>
<td>Self-employed without employees:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-agricultural</td>
<td>15.8</td>
<td>44.5</td>
<td>30.9</td>
</tr>
<tr>
<td>Agricultural</td>
<td>10.8</td>
<td>8.3</td>
<td>9.5</td>
</tr>
<tr>
<td>Contributing family worker:</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Non-agricultural</td>
<td>3.2</td>
<td>6.0</td>
<td>4.6</td>
</tr>
<tr>
<td>Agricultural</td>
<td>6.1</td>
<td>7.9</td>
<td>7.1</td>
</tr>
<tr>
<td>Domestic employee</td>
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<td>0.3</td>
<td>0.4</td>
</tr>
<tr>
<td>Apprentice</td>
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<td>1.4</td>
<td>2.2</td>
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<td>Casual worker</td>
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<tr>
<td>Other</td>
<td>0.3</td>
<td>0.1</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Source: Ghana Statistical Service (2014a)

By economic activity, the largest sector is agriculture, forestry and fishing (employing 44.7% of the working population), followed by wholesale and retail trade (19.5%) and manufacturing (9.1%) (see Table 7.4) (GSS, 2014a). Compared with previous years, the share of people working in agriculture has decreased (from 55% in 1998/99 and 2005/06) whilst the share working in trade has increased (from 15% in 2005/06) and the share working in manufacturing has declined slightly (from 11.7% in 1998/99 and 10.9% in 2005/06) (GSS, 2000; 2008). Unsurprisingly, the agriculture, forestry and fishing sector is the leading activity in rural areas, engaging 71.1% of the rural population, compared with 16.8% of the urban population. Wholesale and retail trade is the leading activity in urban areas, engaging 30.9% of the urban population, compared with 8.8% of the rural population.
<table>
<thead>
<tr>
<th>Activity</th>
<th>Urban Male</th>
<th>Female</th>
<th>All</th>
<th>Male</th>
<th>Female</th>
<th>All</th>
<th>Male</th>
<th>Female</th>
<th>All</th>
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</thead>
<tbody>
<tr>
<td><strong>Agriculture, forestry &amp; fishing</strong></td>
<td>19.7</td>
<td>14.2</td>
<td>16.8</td>
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<td>67.9</td>
<td>71.1</td>
<td>48.2</td>
<td>41.4</td>
<td>44.7</td>
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<td><strong>Mining &amp; quarrying</strong></td>
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<td>1.4</td>
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<td>8.1</td>
<td>6.4</td>
<td>7.7</td>
<td>10.3</td>
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<td><strong>Manufacturing</strong></td>
<td>11.2</td>
<td>12.6</td>
<td>11.9</td>
<td>4.5</td>
<td>8.1</td>
<td>6.4</td>
<td>7.7</td>
<td>10.3</td>
<td>9.1</td>
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<td>0.3</td>
<td>0.1</td>
<td>0.0</td>
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<td>0.4</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td>0.3</td>
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<td>10.3</td>
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<td><strong>Transportation &amp; storage</strong></td>
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<td><strong>Information &amp; communications</strong></td>
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<td><strong>Finance &amp; insurance</strong></td>
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<td><strong>Real estate</strong></td>
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<td><strong>Professional, scientific &amp; technical activities</strong></td>
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<td><strong>Activities of households as employers</strong></td>
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<td>1.1</td>
<td>0.9</td>
<td>0.6</td>
<td>1.1</td>
<td>0.9</td>
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</table>

Source: Ghana Statistical Service (2014a)
7.3 Income Inequality

Claim: The poor have benefitted from Ghana’s economic growth to a “considerable extent” (Ackah & Aryeetey, 2012: 47)

Income Distribution

The Ghana Living Standards Surveys provide estimates for the income distribution of the population, divided into five quintiles, with 1 being the lowest and 5 being the highest (see Figure 7.1). Between 2005/06 and 2012/13, income inequality has widened, as shown by an increase in the two highest quintiles (4 and 5) and a decrease in the two lowest quintiles (1 and 2). Currently, the poorest fifth of the country’s population earn just 5.4% of total income, whereas the richest fifth earn almost half (45.6%). According to Osei-Assibey (2014), this trend can be linked to unequal spending by the state, which has been directed towards certain regions and groups. Furthermore, this rise in inequality has caused a slowdown in poverty reduction, meaning that the poor are not benefitting from the country’s economic growth to the same extent as those in the upper quintiles (Osei-Assibey, 2014).

Figure 7.1 Income Distribution (%), 2005/06 – 2012/13

Growth Incidence Curve

By using a growth incidence curve, it is possible to measure whether economic growth has been ‘pro-poor’ by plotting the growth in consumption across each percentile of the distribution, and then comparing the growth rates of the poorer and richer sections of the population (GSS, 2014b). Ghana’s growth incidence curve falls within a fairly narrow band of 7-9.5%, with the majority of the population experiencing a positive growth in consumption of around 8.5% (see Figure 7.2). Despite being a fairly ‘flat’ curve, growth rates were highest for the two extreme ends of the population, below the 10th percentile and between the 80th and 95th percentiles. The growth in the lowest percentile, coupled with steady growth in the middle section indicate pro-poor growth and a rising middle class in Ghana (GSS, 2014b), yet the high growth among the richest percentile is a concern, as it points to a regressive situation where the country’s elites benefit the most from economic growth.
The growth incidence curves for Ghana’s urban and rural populations show similar trends, with the population over the 60th percentile experiencing higher growth rates compared with the majority of the population, especially in the rural areas (see Figures 7.3 and 7.4) (GSS, 2014b). Despite the poorest 10% of the population experiencing high growth rates in both rural and urban areas, the majority of the population (20th-60th percentiles), most likely the ‘floating’ middle class, has experienced a much lower income growth than the 70th-95th percentiles. Over time, this income gap could cause a widening in inequality across the country.
Counter-Claim: The last decade saw income inequality widen, reflected by a rising Gini coefficient (AfDB et al, 2015b)

Gini Coefficient

The Gini coefficient is the most common measure of inequality, measuring “the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution” (GSS, 2014b: 20). A Gini coefficient of 0 represents absolute equality and a coefficient of 1 or 100% represents absolute inequality. From 2005/06 to 2012/13, Ghana’s Gini coefficient widened slightly, from 41.9% to 42.3% (see Figure 7.5). Despite being only a small increase, it is nevertheless a continuation of the widening trend since previous years – in 1998/99 the coefficient was 39%, for example (Osei-Assibey, 2014). This was the case for both urban and rural areas, however the rural areas experienced the highest increase, especially the rural coastal locality, where the Gini coefficient widened by 8.8 percentage points. The Greater Accra locality experienced the largest decrease, from 41.5% in 2005/06 to 36% in 2012/13. Overall, Ghana’s Gini coefficient is still lower than the average for SSA, which was close to 45% in 2011 (World Bank, 2013b).
7.4 Conclusions on Employment and Inequality

The evidence collected on employment trends for Ghana show a mixed picture overall, with many discrepancies among the data. For example, the employment rate and unemployment rate both show the same trend, of a decline to the mid-2000s, followed by an increase to 2012/13 (GSS, 2000; 2008; 2014a). This could be the result of a methodological change in data collection between those time periods, or due to another kind of error, however it is impossible to tell from the source data. Consequently, these figures cannot be seriously considered in the analysis. The trends within the unemployment data are important to consider however, as they show unemployment to be a growing problem among the youth, and more prevalent in urban areas (GSS, 2000; 2008, 2014a).

Of all the employment data available from Ghana, the most useful estimates are probably those of the formal/informal sectors, although the reliability of these estimates must also be borne in mind. Currently, around 20% of the working population are engaged in formal wage employment, implying that 80% are self-employed or work in the informal sector, and the share of employment by economic activity is also slowly shifting from agriculture to services (GSS, 2014a). Whilst structural change is generally perceived to be an important driver for economic growth and development, without employment creation in the manufacturing sector, income and spatial inequalities start to widen, as is happening currently in Ghana (see Figures 7.1 and 7.5): as the agricultural sector contracts and the services sector expands, inequalities in income and infrastructure widen between rural and urban areas (Osei-Assibey, 2014). Moreover, there is a risk that a growing oil industry will exacerbate this inequality, as there are limited opportunities for linkages with other economic sectors, so it ends up producing an ‘enclave’ economy and concentrated wealth (Osei-Assibey, 2014).

The growth incidence curves for Ghana show that growth has not been evenly distributed across the population, with the two extreme percentiles experiencing the highest growth, but the majority – who are also likely to be the ‘floating’ class - experiencing the lowest growth (GSS, 2014b). This is a serious concern as it suggests that the country’s elites may be benefitting more than the rest of the population, and that inequality could rise as a result.
Chapter 8: Discussion and Conclusion

8.1 Introduction

This chapter will draw together the findings of the research and discuss their implications for both the ‘Ghana Rising’ and ‘Africa Rising’ narratives. The discussion will assess the extent to which the available evidence from Ghana supports the claims made in the literature regarding Ghana’s ‘rise’, before looking more deeply into the nature of Ghana’s economic growth and whether it can be said to be inclusive, equitable and sustainable based on the evidence collected and analysed. The limitations of the research process will also be reviewed and discussed in relation to the potential impact on the findings and conclusions made, and recommendations for further research presented.

8.2 Ghana Rising? The evidence...

The key question that this dissertation aims to address is whether Ghana is indeed ‘rising’, both economically and socially. The evidence collected verifies that considerable changes have taken place over the last 10-15 years, many of them positive but also some negative. On balance, the overall picture of Ghana’s socioeconomic development since 2000 is a positive one, with substantial progress observed in poverty reduction, economic growth and income per capita. In light of this, the question to consider is whether this growth is (a) sustainable, i.e. uses natural resources sustainably and promotes long-term development; (b) inclusive, i.e. broad-based growth that reduces poverty and creates productive employment opportunities; and (c) equitable, i.e. growth enables all members of society to benefit from and contribute to long-term economic development?

In order to determine the answer to this question, the analysis focused on the drivers of Ghana’s recent economic growth and the structure of the economy, as well as the corresponding effects on poverty, inequality and employment. Since the mid-2000s, there has been a distinct economic shift from agriculture to services, which has also been mirrored in employment statistics. Since oil revenues started flowing in 2011, the share of industry in GDP has increased, however the manufacturing sector has dwindled in recent years. This could present a risk to future development as traditional agricultural livelihoods are replaced by more fragile, informal jobs in the services sector. So far, employment opportunities in the oil industry have been scarce and mostly directed towards skilled workers, whilst unskilled/semi-skilled manufacturing jobs are on the decline. A likely consequence of this will be rising inequality between rich and poor, which has already begun to reveal itself in income distribution data from the mid-2000s onwards.

Furthermore, Ghana’s recent economic growth has been driven largely by commodities, namely gold (30% of total exports), cocoa (30%) and, since 2011, crude petroleum (20%). When global prices are high, as they were during the early 2000s, commodities can be a significant contributor to a country’s economic growth and development, as in the case of Ghana. However, commodity prices are unpredictable and prone to fluctuations, and the most recent slump has been a considerable driver in Ghana’s current economic slowdown. Poor management of commodity and oil windfalls, coupled with a lack of diversification of exports, left Ghana’s economy extremely vulnerable to global shocks, including China’s recent slowdown. Moreover, the evidence that Ghana’s economy has begun to show effects of the ‘Dutch disease’ demonstrates that without careful management – such
as the creation of a stabilisation fund - the oil industry too has the potential to cause severe macroeconomic problems for the country.

Turning to the question of whether Ghana’s growth has been inclusive and equitable, the major challenge for the country has been how to turn economic growth into long-term development. Structural change has been occurring in the economy, but from agriculture to services, bypassing the manufacturing sector completely. This is a worrying trend as many economists agree that growth in services alone is not enough to significantly raise incomes, reduce poverty and raise GDP to a level needed to sustain development; structural change in the form of industrialisation, especially manufacturing, has proved to be much more effective in this regard (e.g. Page, 2016). Leapfrogging to the services sector is also not likely to produce growth that is inclusive or equitable; in Ghana the majority of the population are involved in the informal sector, which, despite aiding people to break out of poverty and unemployment, seriously increases the vulnerability of the majority of the workforce. Youth unemployment is also high and has been growing in recent years, which is most likely driven by urbanisation. This also presents a key risk to Ghana’s future, unless the youthful population can be harnessed effectively through the creation of productive employment opportunities.

Therefore, the data assessed can be used to conclude that Ghana’s recent economic growth has been driven primarily by commodity exports and oil revenues, so is neither broad-based nor sustainable in the long-term. In addition, the country’s growth has not been sufficiently inclusive or equitable; despite halving poverty since the early 1990s, inequality has risen both spatially (increasing the rural/urban divide) and by income (widening the gap between rich and poor), and widespread employment opportunities are yet to materialise.

8.3 Africa Rising? The evidence...

Reflecting on the broader ‘Africa Rising’ narrative, the evidence collected from this dissertation on Ghana’s socioeconomic development does provide some useful analysis for the claims and counter-claims made regarding Africa’s ‘rise’ over the last 10-15 years. For instance, the broad claims that great strides have been made in both economic growth and poverty reduction across the continent are certainly true for Ghana during the decade of the 2000s, as far as the data shows. The claim that SSA has undergone considerable structural transformation into more productive economic sectors (McMillan and Harttgen, 2014) has been observed in Ghana to an extent, however Ghana’s industrial and manufacturing sectors still trail behind the services sector in both value added and share of employment. Another claim that has not been fully supported by the evidence collected during this research is the argument that progress in governance and macroeconomic management has been one of the key drivers of the ‘Africa Rising’ story (MGI, 2010). In Ghana’s case, the macroeconomic environment has seen more negative change than positive, thereby acting as a hindrance to the sustainability of the country’s growth, rather than an enhancement.

The evidence from Ghana also lends support to some of the counter-claims surrounding the ‘Africa Rising’ narrative. Firstly, Moghalu (2014) noted that many of the claims heralding Africa’s ‘rise’ have come from external parties and not African authors themselves. This has certainly been observed for the ‘Ghana Rising’ claims, which mostly come from multilateral institutions and development banks, and it is the Ghanaian authors who are mostly drawing attention to the counter-claims. Secondly, the quality of the data cited by ‘Africa Rising’ claims has been called into question by various authors
(e.g. Devarajan, 2011; Clarke, 2012; Chitonge, 2015), which echoes the data limitations experienced during the research for this dissertation (although there are some reliable data to strongly support some claims). Finally, several specific challenges or risks identified in the ‘Africa Rising’ story were apparent in the evidence for Ghana, most notably the problems of high youth unemployment and the low share of manufacturing in total employment.

Returning to the Research Questions presented in Chapter 1, this dissertation aimed to determine the claims made about ‘Ghana Rising’ and who was making them; assess the availability, reliability and accuracy of the evidence behind these claims; and evaluate the extent to which the data supports the claims that Ghana is ‘rising’ and reflects the ‘Africa Rising’ narrative more broadly. Chapter 2 summarised the literature on the ‘Ghana Rising’ and ‘Africa Rising’ stories, drawing out the claims and counter-claims from a variety of sources, including academics, journalists, economists, multilateral institutions and development banks. The need to research the evidence behind the claims was evident, and the methodology was presented in Chapter 3. Throughout the data analysis in Chapters 5, 6 and 7, it became apparent that gaps and anomalies were frequently found within the data, making it increasingly challenging to construct solid arguments based on the data that was available, especially in the case of employment and export statistics.

However, despite the limitations of the data, there is sufficient evidence to make conclusions about the accuracy of the claims and counter-claims made regarding Ghana’s ‘rise’. The claims that Ghana is ‘rising’ are supported by strong evidence of poverty reduction (both monetary and non-monetary) and economic growth, including some structural change. The claims of a growing middle class and rising per capita incomes have weak support from the data, and the claims that macroeconomic management has improved and recent growth has been ‘pro-poor’ have very weak or no support. In fact, closer examination of various aspects of Ghana’s socioeconomic development make it clear that recent growth has been based on a fragile foundation, and a number of key risks such as government debt, management of oil revenues and rising income inequality must be addressed if the country is to continue on a path of sustainable, inclusive, equitable growth into the future.

In terms of the ‘Africa Rising’ narrative, evidence exists to support both sides of the debate. In Ghana’s case, the ‘Africa Rising’ claims may have been a bit premature – especially given the economic troubles of the last couple of years – and based on a few surface level indicators, rather than a deeper analysis of a range of indicators (e.g. structural change, employment, inequality etc). However, the strides made in poverty reduction and economic transformation cannot be ignored. Indeed, this case study of Ghana serves to highlight the need to undertake deeper analyses of individual countries - and their complexities and nuances - in order to build up a picture of what is taking place throughout Africa as a whole, before the entire continent is painted with the same brush.

**8.4 Research Limitations and Recommendations for Further Research**

An important element of this study was to assess which data could be accessed through diligent, thorough and persistent desk research, despite the limitations that might be experienced. In fact, these limitations became part of the research inquiry, with Research Question 2 exploring “how accessible/reliable/accurate/complete is the evidence behind the Ghana ‘Rising’ claims?” The answers that emerged from this question are discussed in the points below, which offer a reflection on the research limitations experienced and recommendations for further research in this area.

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1. The purpose of this dissertation was to take a broad approach to the topic, rather than deepening the analysis to look at specific issues in more depth. Deepened analysis of specific issues would therefore be a natural continuation of this research, especially in the areas of industrialisation and structural change, the implications of oil and commodity prices on macroeconomic stability and economic growth, and the trends and impacts of increasing urbanisation and migration on economic growth and poverty reduction.

2. The choice to undertake a desk study was another reason for keeping the dissertation broad in scope; finding data on specialised sectors or indicators proved to be difficult from behind a computer, even with the help of contacts in statistical agencies in Ghana. It would be interesting, therefore, to carry out a similar study in-country, to see whether access to government ministries and statistical agencies with available datasets would make a significant difference to the overall results of the research.

3. During the research process, it became apparent that the data available was often incomplete and of questionable accuracy and rigour, which made the analysis challenging and somewhat frustrating. Despite collecting many different types of data from various sources, both national and international, few proved of value due to incompleteness of indicators or years under examination. This may be due to a number of factors including weak human and financial capacity of statistical agencies (Jerven, 2013), or simply the practicalities of collecting data in countries with weak infrastructure, sizeable rural populations and large informal economies (Devarajan, 2011; Brock, 2015). Furthermore, there may also be political reasons for poor quality or inconsistent data, either for the purpose of meeting certain targets (Sandefur & Glassman, 2014) or to reduce accountability (Beegle et al, 2016). Further investigative research in this area would be extremely interesting in the case of Ghana and its socioeconomic development statistics.

4. The final suggestion for further research would be to undertake similar analyses of other African countries at the forefront of the ‘Africa Rising’ narrative, and to also make comparisons with developing countries in other regions such as South-East Asia, to open up the analysis to broader development pathways.
References


