

**THE COORDINATED PROGRAMME FOR THE ECONOMIC AND SOCIAL  
DEVELOPMENT OF GHANA  
(2003-2012)**

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## ACRONYMS

<b>ADB</b>	Agricultural Development Bank
<b>DACF</b>	District Assemblies Common Fund
<b>DPCUs</b>	District Planning and Coordination Units
<b>ECOWAS</b>	Economic Community of West African States
<b>ESBs</b>	End of Service Benefits
<b>FAO</b>	Food and Agriculture Organisation
<b>FCUBE</b>	Free Compulsory Universal Basic Education
<b>GDP</b>	Gross Domestic Product
<b>GER</b>	Gross Enrolment Ratio
<b>GETF</b>	Ghana Education Trust Fund
<b>GIPC</b>	Ghana Investment Promotion Centre
<b>GWh</b>	Giga Watt Hour
<b>ICT</b>	Information Communication Technology
<b>IRS</b>	Internal Revenue Service
<b>JSS</b>	Junior Secondary Schools
<b>Kcal</b>	Kilocalories
<b>Koe</b>	Kilograms of energy equipment
<b>MDAs</b>	Ministries Departments and Agencies
<b>MES</b>	Ministry of Environment and Science
<b>MLGRD</b>	Ministry of Local Government and Rural Development
<b>MOCT</b>	Ministry of Communications and Technology
<b>MOF</b>	Ministry of Finance
<b>MoFA</b>	Ministry of Food and Agriculture
<b>MOH</b>	Ministry of Health
<b>MOTI</b>	Ministry of Trade and Industry
<b>MRT</b>	Ministry of Roads and Transport
<b>MTEF</b>	Medium Term Expenditure Framework
<b>NDPC</b>	National Development Planning Commission
<b>NGOs</b>	Non-Governmental Organisations
<b>PAYE</b>	Pay As You Earn
<b>PNDC</b>	Provisional National Defence Council
<b>PDSC</b>	Petroleum Debt Service Charge
<b>R &amp; D</b>	Research and Development
<b>S &amp; T</b>	Science and Technology
<b>SOEs</b>	State Owned Enterprises
<b>SSNIT</b>	Social Security and National Insurance Trust
<b>SSS</b>	Senior Secondary Schools
<b>TOR</b>	Tema Oil Refinery

## EXECUTIVE SUMMARY

### A. THE VISION

The shared vision of all Ghanaians is to continuously create wealth to improve the worth and welfare of our people and to reduce poverty. We, together, seek to build *a society of free and disciplined individuals with a passion for excellence*. Our long-term goal is to develop a society that is capable of achieving middle-income status. A significant milestone along the way to becoming a middle income country is attaining a per capita income of \$1000. **The first benchmark will be to double our current national income within a decade.**

Our goal is predicated on doing things **differently**. Our success will also be predicated on doing *different* things than we have done in the past. This time around, our focus is to ensure that *all* our people have access to the basic necessities of life. We intend not only to ensure that all our people are fed but that they are *well* fed; not that all our people are clothed but that they are *decently* clothed; not that all our people have access to drinking water but that they have access to *good* drinking water; and not only that all our people have access to health care but that they have access to *affordable* health care that do not compromise quality.

There are two sets of development objectives. The first objective is aimed at laying the foundation for accelerated growth. Running parallel will be the long-term programmes that will push our development path into a higher trajectory, thus propelling the economy into a sustained accelerated growth mode. The national goal to significantly raise the standard of living of our people means steadily increasing the economic growth rate from its present level of between 4-5% to 7-10% in the medium term and 11-15% in the long term.

### B. FOUNDATION

Ghana needs accelerated growth. However, the country cannot pursue accelerated growth without a strong and unshakable socio-economic foundation. The foundation building objectives and strategies, which have been referred to in the Ghana Poverty Reduction Strategy (GPRS), as the Medium Term Priorities include enhanced infrastructure, rural development based on modernised agriculture, enhanced social services, good governance and private sector development.

#### **Infrastructure**

The objective is to open up the country, introduce competition and create an enabling environment for the private sector. We will open up the country and link it up with the rest of the West Africa sub-region through the trans-West African highway project. It will ensure that Ghana is able to take advantage of the opportunities from West African economic integration and will lead to the creation of jobs. Major roads to productive areas in every region that link the rural areas to the urban areas will be rehabilitated or developed to open up the rural areas for investment, productivity expansion and job creation.

This includes modernizing and extending the railway networks to major centers of development in the country. It also includes the construction of houses and other facilities for such critical groups as teachers, medical personnel and security services as well as for rural renewal. We will accelerate access to telephones, Internet, information and communications technology in general throughout the country. Necessary steps will be taken to increase the availability of energy to boost industrial growth and production.

### **Modernized Agriculture Based on Rural Development**

The objective is to develop the country to become an agro-industrial economy. This will require the development of the rural economy. The actions to be taken will include reforming land acquisition to ensure easier access and more efficient land ownership and title processes. Government will serve as a catalyst to assist the private sector to increase the production of grains such as rice, maize and tubers so that we can achieve food security. This will include the provision of extension and research services, irrigation facilities, and affordable credit to support the farmer. We will encourage the provision of landing and cold storage facilities at major fishing areas to facilitate marketing for local consumption and for export.

### **Enhanced Social Services**

The objective is to enhance the delivery of social services to ensure quality and locational equity, particularly with regard to education and health services. This will be done through actions including reforming the educational system to ensure that there is uninterrupted quality education for all Ghanaians from pre-school to age 17 to reduce poverty and create the opportunity for human development. It includes the development of model senior secondary schools in every district in the country. It also includes reforming and strengthening the technical and vocational education and training systems including the traditional apprenticeship system. Support will be provided to promote skills development programmes and other initiatives for the training of persons with disabilities and other vulnerable groups at all levels of our educational system including technical, vocational education and training. Opportunities will be created so that research and development results in universities and other scientific institutions find expression in the day-to-day operations of farmers, artisans, government and industrialists.

We will develop model health centres for every district in the country and ensure that both urban and rural dwellers have access to good drinking water. Programmes to encourage the regeneration of depleted forest, protection of closed forest, and strive for a delicate balance between exploitation of our mineral and other natural resources and the environment will be implemented. Population growth rate will be significantly reduced to enhance the quality of life of the average Ghanaian.

### **Good Governance**

The objective is to uphold the rule of law, respect for human rights and the attainment of social justice and equity. This is to lead to the strengthening of the three arms of government - the executive, judiciary and the legislature. The actions to be taken include

supporting the work of the Electoral Commission and Parliament to enable the institutions to play their role for better governance. The civil service will be transformed to ensure efficiency, effectiveness and related performance-based compensation. We will strengthen the capacity of the Office of the Attorney General and the judiciary and enhance social order by improving the police and prison services.

### **Private Sector Development**

The objective is to strengthen the private sector in an active way to ensure that it is capable of acting effectively as the engine of growth and poverty reduction. This is to lead to the creation of wealth at a faster rate in order to reduce poverty in a sustained manner. The actions to be taken will include removing the major obstacles and constraints to small and medium scale enterprises and self-employment and creating an enabling environment for the sustained development, marketing and promotion of tourism industry in Ghana. Opportunities will be provided through the divestiture programme to strengthen the capital markets.

Having built the social and economic foundation, we will adopt and effectively implement strategies that will unleash the growth potential of the economy and push it into a higher growth orbit to ensure that the long-term goal is achieved. These strategies will be built around two key pillars, which will act as the drivers of long-term accelerated growth. Our objective is clear. We intend to transform the economy through rapid industrialization. The two drivers of growth are:

- Agro-based industrial development
- Information and communication technology

These pillars have been identified, through extensive research and broad consultation with the people of Ghana, as the specific areas that possess the potential to have the largest impact on growth and the well being of Ghanaians, in the shortest possible time.

In addition to these two pillars, six other areas will be developed to provide the requisite supporting environment, to enable these two pillars to adequately drive the growth of the Ghanaian economy. The six enablers are:

- Ensuring sustained macro-economic stability in Ghana
- Ensuring food security in Ghana
- Development of a long- term savings and capital market for long term investment
- Reducing the economic and non-economic cost of doing business to enable the private sector to flourish
- Encouraging science and technology development and application
- Forging a cultural framework for socio-economic development

## **C. STRATEGIES FOR ACCELERATED GROWTH**

The aim of government is to transform the nature of our economy by harnessing our unlimited agricultural resource potential through value additions made possible by the application of science and technology. The strategy for accelerated growth will be focused on two industries namely, agro-processing and information communication technology. The two industries, buttressed by research and development in science and technology, will be the main drivers leading the way towards accelerated economic growth.

### **Agro-Based Industrial Development**

Agriculture and allied industries currently contributing 40% of the GDP have to grow at an accelerated pace over and above the GDP growth rate. To achieve this long term growth, it is imperative in the medium term to modernize agriculture based on rural development and establish the levels of demand of certain agricultural products globally, position ourselves to target a certain market share, plan production and process at least 80% of crop output within the next five years.

Land areas under cultivation should increase 100% by year 2012 while land area under irrigation is to be increased significantly (at least 500%) to enable all year round growing, leading to more harvesting occasions and thereby ensuring regular and constant supply of raw materials to agro-processing centres. Yield of selected crops will be increased to not less than 70% of achievable yields and generally agricultural products and processing should achieve a growth rate of 9-10% in the short term.

We will improve current agricultural practices that remain predominantly traditional and rain-fed. We will have to modernize agriculture to give improved yield, encourage commercial agricultural efforts and adopt policies, which will encourage increased low cost financing to agricultural efforts and value addition agro processing setups. Further, we will encourage the production and processing of targeted crops for commercial purposes, thereby creating widespread income generating activities. The President's Special Initiatives on Cassava, Garments and Textiles, Oil Palm and Salt will be extended to eight (8) other crops. There will be the need to direct science and technology efforts to support the targeted crops and related processing chains. Appropriate linkages and specific targets will be set for the private sector to take up the challenge to play its vital role in the process.

### **Information and Communication Technology (ICT)**

The overarching objective is to put in place and implement a comprehensive ICT-led Socio-economic development policy capable of accelerating Ghana's development process towards an information and knowledge-based society and economy. The basic premise is that:

Ghana's development process can be accelerated through the development, deployment and exploitation of ICT within the economy and society and that the accelerated development of the nation within the emerging information and digital age will not be possible without an ICT-enabled development agenda. The Ghana's ICT for accelerated development policy will strategically focus on both the development of the local ICT industry and sector as well as on using ICT as an enabler of Ghana's broad developmental goals. Specific objectives include using ICT as:

- A social-enabler (Education, Health, Poverty-Reduction, Income-Distribution, etc)
- An enabler of rapid economic development
- An agent of wealth creation
- An enabler of Government administration and service delivery
- An engine of the Service Sector
- An enabler of Industrial development
- An enabler of the Agriculture Sector and
- A driver of Private Sector Development

The ICT-led socio-economic development policies and corresponding action plans and initiatives will be targeted at:

- Human Resource Development;
- ICTs in Education;
- Facilitating Government Administration and Service Delivery;
- Electronic Government Initiatives;
- Developing and Facilitating the Private Sector;
- Electronic Commerce Initiatives;
- Deployment and Spread of ICTs in the Community;
- ICT Infrastructure Development;
- Legal Regulatory; Institutional Provisions and Standard; and
- Foreign Direct Investment Drive in ICTs

#### **D. ENABLERS OF GROWTH**

The six enabling strategies for supporting the accelerated growth of the economy will be the following:

##### **1. Ensuring Sustained Macro-economic Stability in Ghana**

Macroeconomic stability cannot be taken in isolation. At the very minimum it must be considered within the context of a well-designed economic framework that catalyses the process for poverty reduction and supports the creation of wealth through sustained and accelerated growth. Macroeconomic stability must play a supportive role by ensuring, on a sustainable basis, a stable and predictable environment for the private sector. The overriding policy objective is to achieve a level of macro-stability that is consistent with achieving the

twin objectives of growth and poverty reduction. Among other things, this supportive environment will be characterised by declining rates of inflation, a reduction in interest rates, a reduction in spread between lending and deposit rates and a reduction in the volatility in the nominal exchange rate.

## **2. Ensuring Food Security in Ghana**

Food security is fundamental to the development of any nation because it guarantees one of the essential elements of life. Good quality and nutritious food is critical for a healthy working population that can promote development programmes. It ensures foreign exchange savings through import substitution for commodities in which the country has comparative advantage. The very survival of the nation state depends on it being food secured.

In the short term, will ensure good quality nutritious food all year round at affordable prices for all Ghanaians and promote value addition to increase farmer incomes and reduce post harvest losses. In the long term, we aim to increase agricultural production and productivity to achieve self-sufficiency in major staples in which the country has comparative advantage and promote import substitution of basic food commodities so as to reduce the food import bill.

In order to achieve the objectives, key interventions to promote the selected commodities will include strategic research for variety and breed selection; appropriate financing for the range of agricultural activities, value addition and improved marketing.

## **3. Long-term Savings and Capital Development**

The objective is to expand the pool of long-term savings and the creation of vibrant and deep capital markets. This will be accomplished through a number of measures including the reform of SSNIT to make it more independent in its operations so that it can be an effective instrument for reallocating the long-term savings it mobilizes to productive investments.

The establishment of employer-sponsored retirement plans will be encouraged through tax incentives. Tax incentives will allow employer/employee contributions to be tax deductible. Returns accumulating from investments of such retirement plans will be tax-free. To affirm the long-term nature of such investments, early withdrawals will be fully taxable and will be subject to a penalty.

Savings plans will be established to enable individuals to save for long-term purposes including Individual Retirement Plans, Individual Home Ownership Plans and Individual Educational Savings Plans. Contributions to these plans will be tax deductible for the individual and income on the account should accrue on a tax-free basis. Early withdrawals will be fully taxable and be subject to a penalty. Regulatory framework will be put in place to supervise the operation of the long-term savings schemes. A National Pension Administrator will be appointed to provide a single point of regulation.

#### **4. Science and Technology**

A principal deficiency in our economic performance is that the economy is basically mercantile. The main feature being the purchasing of cheap foreign products for sale locally at considerably increased prices. This tail-end retail activity dominates the services sector, and is mainly responsible for its growth. The services sector thus consistently out-performs the productive sectors of agriculture and industry, which stand in dire need of modernisation through the infusion of large doses of technological innovation.

The need to transform our consumer-dominated economy to a producer-dominated one is an overriding objective, and the use of science and technology offers the most viable means of achieving this through the principle of mastering, adopting and adapting known technologies, as well as developing new ones.

#### **5. A Cultural Framework for Socio-economic Development**

The main objective of developing a cultural framework for socio-economic development is to identify the values and attitudes that promote progress and ensure that they are included in our planning, policy making and implementation. At the institutional level, we will take an incisive look at our governance structures, effectiveness and transparency of the public sector, role of the media (all forms) in support of our core values, our educational system and the necessity to make it more responsive and relevant to our needs. Policy makers will be sensitised about the place of culture in development planning and the need to promote positive Ghanaian role models.

#### **6. Private Sector Environment**

The strategic objective is to enhance the contribution of the private sector to national economic development in general and to the achievement of the national goal. This would be reflected in an increased contribution of the private sector to total output (GDP growth) through increased investment employment generation, contribution to domestic capital formation, infrastructure development (through public private partnership schemes and stand alone investments in infrastructure at the firm level), increased tax contribution, rural entrepreneurship and poverty reduction.

A number of interventions including policy initiatives, infrastructure development, institutional strengthening, and the development of entrepreneurship will be undertaken to address the weaknesses that currently constrain the growth of the private sector to enhance its contribution towards the achievement of our national goal.

### **E. IMPLEMENTATION AND MONITORING**

#### **Implementation Machinery**

The actualization of our goal will be the outcome of collective action from government, the private sector, civil society and others. To the extent that the government sets the pace with its development expenditures, the various ministries, departments and agencies of government

become the basic units of the implementing machinery. They will implement the policy framework by undertaking specific programmes determined by their mandates and in conformity with the objectives and strategies embodied in this policy framework document. With this understanding, the medium-term expenditure framework (MTEF) and the annual budgets of Government will be the principal tools for implementing all public projects that emanate from the subsequent development plans. The private sector and civil society are expected to go into partnership with the public bodies to implement the plans.

### **Monitoring and Evaluation System**

For the purpose of monitoring and evaluating the implementation of the plans that will ensue, it is the responsibility of the NDPC to ensure that the development plans of all MDAs are intended to achieve the goals and objectives of this policy framework. The NDPC will design an appropriate assessment format for all MDAs, the objective of which is to ascertain the extent to which the contents and implementation arrangements of development plans satisfy the requirements of this policy framework and other government initiatives to achieve complementary objectives.

## **F. CONSTRAINTS**

For the successful implementation of the vision and national goal, the following identified constraints will be removed.

### **Political Constraints**

Political constraints will be removed through the implementation of programmes that will change the way the planning process works, how programmes are overseen, how we manage our national security efforts, and how the relationships among implementing agencies are managed.

To ensure that our vision endures, the people of Ghana will be consulted in the preparation of national development programmes and projects to encourage collective ownership. Ownership, the basis for commitment is a prerequisite for effective implementation of policies. A Parliamentary Oversight Committee will be established to oversee the implementation of all development programmes to ensure that policies are accurately directed. This is necessary because political stability is essential to continued progress.

### **Institutional Constraints**

It will be mandatory for national plans to become the basis for drawing the national budget. A permanent committee consisting of representatives from the planning agency and that responsible for budgeting will be constituted and charged with the responsibility for ensuring

that national plans directly influence the annual budgets of government. Resources earmarked for development investment will be ring-fenced to ensure that development expenditures are used for their intended purposes and not for maintaining government machinery such as rehabilitating government offices, bungalows, procuring vehicles, and equipment. A more effective monitoring, evaluation, and control system will be put in place to track expenditures. The same system would be used to regularly monitor inputs, intermediate outputs and final output indicators. The reports will regularly be given to the Parliamentary Oversight Committee to inform the preparation of all annual budgets as well as future development plans and strategies.

### **Cultural and Attitudinal Constraints**

While the cultural constraints may be difficult to overcome overnight, policies such as diversification of our production base, promotion of locally produced goods and services, enforcement of existing laws and strict penalties and sanctions for abusing public trust and for the destruction of public property will be instituted to reduce the over-reliance on primary products, indiscipline, and excessive dependency.

### **G. ACTION PLANS**

The vision and strategies included in this document will be used to prepare action plans by the public and private sectors for implementation. The NDPC will provide support and encouragement for the next steps in the process.

# CHAPTER 1

## INTRODUCTION

### 1.1 PROCESS

This document has been prepared using the principle of participation as a means of ensuring national ownership and consensus building. As a result, at every stage of its development, Ghanaians from all walks of life have been consulted. They have participated fully in the different activities organized to obtain input and develop consensus on the way forward for Ghana.

To ensure that we take initial positive steps at consensus building we reviewed the country's national development plans from 1951 to date. Our objective was to ensure that we learn from both our positive and negative experiences. The analysis of all the past development plans shows clearly that while they varied in focus, they all pointed to one common ideal, the improvement of the worth and welfare of the Ghanaian.

Members of the National Development Planning Commission (NDPC) performed the initial technical work with support from technical experts. A presentation was prepared and used as the basis for broad consultations with Ghanaians at home and abroad. Consultation sessions were held in all the ten regions of the country. Chiefs and other members of traditional authorities, political parties, private sector, organized labour, non-governmental organizations, government agencies, other identifiable groups and individuals attended each session. Consultations were held with Ghanaians abroad in Berlin, Germany; London, UK; Washington DC, USA; and Pretoria, South Africa.

As a result of the consultations, technical topics were selected and given to teams of experts whose work was subjected to the review of a national group of experts. The recommendations obtained from the National Technical Experts Workshop were presented at a National Conference that was held under the guidance of His Excellency the Vice President.

The feedback obtained from the National Conference has been used to enhance the work of the NDPC in preparing this document. A statement was made in Parliament by the Minister of Economic Planning & Regional Cooperation to solicit input and the participation of parliamentarians in the process.

The consultation process covered other stakeholders including:

- Political parties;
- Government (Ministers, The President and The Vice President);
- Media;
- Private Sector;
- Organized Labour, and
- Students

The vision and strategies included in this document will be used by the public and private sectors to prepare action plans for implementation. The NDPC will provide support and encouragement for the next steps in the process.

## **1.2 NATIONAL DEVELOPMENT PLANS**

A review of national development plans prepared since 1951 shows that each of them had positive intentions and clearly defined approaches to realizing its goals. The plans for the pre-independence era focused on enhanced social and public services such as education, community development, health, housing, railways, roads, harbours, post and telecommunications, electricity and water. The plans immediately following independence focused on the attainment of full employment, worker security, agricultural revolution, and rapid industrialization. In more recent times the focus has been on changing the structure of production, provision of foundations for self-generating growth, equitable distribution of income, poverty reduction and the accelerated growth of income.

The question is that after all these good intentions in our previous development plans, why are we still poor if not poorer now than we were at the time of independence in 1957? The purpose of this coordinated programme of economic and social development of Ghana is to find solutions to the causes of our inability to break out from the cycle of poverty and to collectively work to radically improve the worth and well-being of all our people.

## **1.3 THE VISION**

The analysis of all the past development plans shows clearly that while they varied in focus, they all pointed to one common ideal: the improvement of the worth and welfare of the Ghanaian. The extensive consultation with Ghanaians both at home and abroad in the preparation of this document makes it even clearer that the shared vision of all Ghanaians is to continuously create wealth to improve the worth and welfare of our people and to reduce poverty. We therefore, together, seek to build *a society of free and disciplined individuals with a passion for excellence*. Our long-term goal is to build a society that is capable of raising the standard of living of its citizens to that of a middle-income economy.

Objective of development policy framework is therefore not limited to generating new thoughts and ideas. We build this society anew by integrating the well-intentioned ideas of the past with new ideas to formulate a simple, coherent, and inspiring development agenda for the onward march towards realizing the vision that we all have had over the years and aspired to, as a nation.

## **1.4 THE LONG TERM OBJECTIVES**

Our long-term goal is to raise the standard of living of all Ghanaians to a level consistent with that of a middle-income economy. This goal is predicated on doing things differently. Our success will also be predicated on doing different things than we have done them in the past, which were done to ensure that some of our people were fed; had water to drink; had shelter; had clothing; and had adequate health care. These efforts while noble were not enough to ensure that all had equal access. This time around, these things will have to be done differently to ensure that

all our people have access to these basic necessities of life. More importantly the goal is not only to ensure that all our people are fed but that they are well fed; not that all our people are clothed but that they are decently clothed; not that all our people have access to drinking water but that they have access to good drinking water; and not only that all our people have access to health care but that they have access to affordable health care. Consequently, there are two sets of development objectives. The first objective is aimed at laying the foundation for accelerated growth. Running parallel to these foundation building programmes will be the long term programmes that will push our development path into a higher trajectory, thus propelling the economy into a sustained accelerated growth mode, to ensure that we double our national income in a decade. This will allow us to attain the important milestone of \$1000 per capita income in the shortest possible time.

## **1.5 THE LONG TERM STRATEGIES**

The national long-term goal to improve the worth and welfare of all Ghanaians, by raising our living standards, will be achieved through wealth creation and systematic efforts to reduce poverty through rapid growth in the national income.

The long-term strategy is to transform the nature of our economy by harnessing the unlimited agricultural resource potential through value additions, and by taking advantage of the pervasive and dynamic nature of Information communication technology (ICT). The two industries, buttressed by research and development in science and technology, will be the main drivers leading the way towards accelerated economic growth.

Six other areas of the economy will provide the necessary supporting environment to enhance the ability of the two drivers of growth to rapidly accelerate growth. The supporting environment will be provided by ensuring :

Sustained macro-economic stability; food security; development of a long-term savings and capitals market for long term investment; reduced economic and non-economic cost of doing business to enable the private sector to flourish; science and technology application and; the forging of a positive cultural framework for socio-economic development

## **1.4 NEW DIRECTION ON STRATEGIC ACTIONS**

Effective implementation of these strategies requires new direction so that traditional approaches to socio-economic development give way to more pragmatic, deliberate, synergistic, and strategically sequenced growth and development efforts that provide maximum impact within the shortest possible time in spite of limited national resources.

Pragmatism dictates that policies, programs, and projects are not based on popularity but on the practical with maximum impact on the well being of the Ghanaian. Policies and programs to achieve this must be simple, cost-effective, and achievable.

Synergistic approach to development will ensure that policies, programmes and projects achieve multiple objectives with maximum impact. This will mean a conscious effort in carving development policies, programs, and projects. Policies, programs and projects that satisfy the

condition of ensuring that outcomes cut across sectors, groups, and regions should be preferred to those with narrow outcomes and impacts.

Deliberate implementation of programmes and projects requires that programmes are managed carefully, monitored and evaluated effectively and that managers are made accountable for their stewardship with appropriate sanctions meted out for non-performance.

Strategic sequencing is important because each policy pursued should have maximum impact within the available annual resource constraint and a logical sequencing framework. Therefore those policies that are foundational in nature should be undertaken first to set the stage for those that are necessary to thrust the economy into higher growth and development trajectory.

## CHAPTER 2

### CURRENT SITUATION

#### 2.1 ECONOMIC DEVELOPMENT

After a decade of sustained adjustment, the Ghanaian economy suffered serious turbulence during the 1990s, with the country losing some of the macroeconomic gains of the 1980s. Strong macroeconomic imbalances re-emerged, which raised concerns about maintaining macroeconomic stability and about the country's future growth potential. Indeed the new millennium saw the economy in a deep state of crisis with economic indicators experiencing deterioration in five consecutive years prior to 2001 (see table 1). Real GDP growth rates declined successively from 5.2% in 1996 to 3.2% in 2000. Agricultural growth rate, for instance, fell from 5.1% in 1998 to 2.1% in 2000, below the population growth rate of 2.3%.

In 1996 the government developed a Long-term National Development Policy Framework (NDPF) dubbed the Vision 2020 with the aim of making Ghana a middle-income country by the end of the year 2020. The first phase of the underpinning objectives, which were to be implemented with the help of a Medium Term Development Plan (MTDP), covered the period 1996-2000. A marked characteristic of the MTDP was the wide disparities between Plan targets and budgetary forecasts.

For the plan period as a whole, overall GDP growth averaged 4.3 percent annually, far below the plan target of 7.8 percent and less than the budgetary forecast of 5.3 percent.

**Table 1: Real GDP and Sectoral Growth Rates: 1995-2001**

	1995	1996	1997	1998	1999	2000	2001	Avg.
Real GDP	4.0	4.6	4.2	4.7	4.4	3.7	4.2	<b>4.3</b>
Agriculture	3.7	5.2	4.3	5.1	3.9	2.1	4.0	<b>4.0</b>
(% of GDP)	36.3	36.5	36.6	36.7	36.5	36.5	35.9	<b>36.4</b>
Industry	4.1	4.7	6.4	3.2	4.9	3.8	2.9	<b>4.3</b>
(% of GDP)	24.9	24.9	25.4	25.1	25.2	25.2	24.9	<b>25.1</b>
Service	4.7	4.2	6.5	6	5	5.4	5.1	<b>5.3</b>
(% of GDP)	28.1	28.1	28.7	29.1	29.2	29.2	29.9	<b>28.9</b>

(Source: Several Budget Statements)

The economy however recorded significant improvements in the year 2001 over the 2000 performance. By the end of 2001 inflation had dropped from 40.5% in 2000 to 21.3% and the cedi had depreciated by only 3.7% as against about 50% in 2000. The GDP growth rate improved from 3.7% in 2000 to 4.2% in 2001. The budget deficit declined from 8.5% of GDP in 2000 to 4.4% of GDP in 2001. Gross foreign exchange reserves increased from US\$223.46 million at the end of 2000 to US\$336.63 million, which is equivalent to 1.5 months of import cover.

Notwithstanding the apparent turn around of the economy, a closer look at the structural characteristics of the economy indicates that they have fundamentally remained the same, and that the country still faces very tough times in the short to medium term. In particular though the country's external debt service ratio has declined from 23.3% of export earnings in 2000, it was still unbearably high at 12.1% of export earnings in 2001. Also the growth of the agriculture sector, which accounted for a large proportion of GDP (36%) and more than 33.3% of foreign exchange earnings in 2001, declined in certain key areas. For example, non-traditional exports dropped in 2001 to \$67 million from \$75 million in 2000, while timber exports declined to US\$169million from \$175million. The country's food self-sufficiency is estimated to be approximately 27.5% (1998) reflecting the high dependence on imported grain.

## **2.2 SOCIAL DEVELOPMENT**

Social development is an integral part of our pursuit for economic growth and sustainable development. People who are educated and trained, who are in good health, and who benefit from decent and secure living conditions in an environment ensuring the exercise of human rights and fundamental freedoms are happier and more productive than those who are deprived of these various amenities. The analysis of the social development situation focuses on population dynamics, poverty, health, nutrition, education, housing, labour and employment, housing, and water and sanitation.

### **2.2.1 POPULATION**

The recent national Population and Housing Census indicate that Ghana's current population stands at 18.9 million. At an annual growth rate of 2.7 per cent, the country has registered a population increase of 53.8 percent over the 1984 population. Though the density is 79.3 persons per sq. km. the distribution shows uneven pressure on resources. The population density of three regions particularly reflects the pressure on resources. Greater Accra has a density of 895.5 persons per sq. km, Central Region has a density of 162.2 persons per sq. km. and Ashanti has a density of 148.1 persons per sq. km. The level of urbanisation is still relatively low. It has increased from 32.0 per cent in 1984 to 43.0 percent in 2000. This represents an over concentration of population in a limited number of regions, mostly in their capitals and a few towns. Our population policy is to continue to reduce the growth rate and to pursue activities that will lead to a better redistribution of population in the country.

### **2.2.2 THE EXTENT OF POVERTY**

Current income definition of poverty shows that the proportion of the population below the upper poverty line fell to around 40 per cent and for those below the lower poverty line, 29.4 per cent between 1992 and 1998. The fall in the incidence of poverty has been uneven across the country with Accra and the Rural Forest localities registering the fastest decline. In most of the rest of Ghana, poverty falls have been very modest. Indeed, in the urban savannah area, the incidence of poverty went up by 1998/99. Poverty is overwhelmingly rural and its incidence varies significantly by region. It is most concentrated in the three northern regions.

### **2.2.3 HEALTH**

Access to health facilities, defined by proportion of population living within one-hour travel time (by any means) from the health facility is 60% for the total population (92% in urban and 45% in rural). Using a half-hour travel time, half of the population does not have access. Access is also hindered by the organisation of services. Primary facilities provide a limited range of services, thus making many health services (including basic diagnostic services) unavailable. There is limited access to specialists. Indeed, data from the study on Poverty Trends in Ghana in the 1990s indicated that Ghanaians were less likely to go to hospital or consult well-qualified health personnel in 1998/1999 compared to 1991/1992. Increasing numbers were not consulting anyone at all. The proportion of rural dwellers that did not consult health personnel increased from 44.1% to 51.5% during the period.

### **2.2.4 EDUCATION**

The Free Compulsory Universal Basic Education (FCUBE) programme has contributed to marginal increases in access to basic education mainly through the building of additional basic schools. At the end of 1999, there were 13,014 public and private primary schools, with a total enrolment of 2,333,347 pupils, and 5,879 Junior Secondary Schools. While overall enrolment increased at a rate of 3.1% between 1990 and 1996, the rate of increase was considered to be slow. The gross enrolment ratio (GER) rose marginally from 76.5% in 1996 to 77.3% in 1999/2000. This was far less than the targeted figure of 82%. Gender parity has been steadily improving, rising from 0.82 females to males in primary school in 1990, to 0.87 in 1996. There is still a high dropout rate, though. Approximately 20% of boys and 30% of girls drop out before completing their basic education. Of those who continue up the education ladder, 15% of boys and 21% of girls drop out before completing the Junior Secondary School. Drop out rates in parts of the Northern Region remain high. Gender parity in the three northern regions is significantly below the national average. In Northern Region, it is 0.6 to 0.44 in primary and junior secondary schools.

For second cycle institutions, there still remains the problem of access by many JSS leavers. The transition rate from JSS to SSS is still around forty per cent. The low progression efficiency between the two levels has led to massive youth unemployment as most JSS graduates are without skills.

In tertiary education, the sector is still dominated by public resources despite the growing number of private initiatives. There are 5 public universities, 10 polytechnics, 7 diploma awarding institutions, 38 training colleges and some sector-specific institutions. Public university enrolment increased from 18,000 in 1994 to 31,460 in 1999 and for the polytechnics from 1,385 in 1994 to 12,963 in 1999. Female enrolment in the universities moved from about 24% in 1994 to 26% in 1999 and female participation in polytechnics increased from 15% to about 20% over the same period. The recent rise in overall tertiary enrolment is adversely affecting conditions in the public universities.

### **2.2.5 LABOUR, EMPLOYMENT, TRAINING AND SKILLS**

The size of the total labour force is estimated to have increased from 5.6 million in 1984 to 7.4 million in 1994 and is currently estimated at 8.8 million. In general, the Ghanaian labour market is characterised by:

- The dominance of agricultural self-employment;
- The pervasive informal sector employment;
- The relative scarcity, public sector dominance and sluggish growth of formal sector employment.
- The high incidence of underemployment.

The basic factor affecting the capacity of the economy to generate jobs for the growing number of people coming out of various institutions is the relative slowness of economic growth. The opportunity for formal technical and vocational training for most JSS graduates as preparation for employment is severely limited by lack of training facilities.

### **2.2.6 HOUSING**

Housing remains one of the biggest social concerns of a large number of Ghanaians. In the urban areas, the problem is largely one of quantity and to some extent quality. In the rural areas, quality dominates the list of issues on housing. Recent trends in housing development include the following:

- The housing stock has marginally increased over the last decade, while the population has continued to increase faster, thus putting considerable pressure on the availability and affordability of housing.
- The current average housing delivery rate of 28,000 units per annum is far below the targeted 72,000 units by 2000.
- The delivery deficit is very pronounced in urban areas where it is important to decongest over-crowded housing units because of the health implications.
- Current occupancy rate is about 7-12 persons per unit in some urban locations.
- Rural housing is predominantly low standard. Mud is generally employed or any other materials used are of very poor standard, poorly constructed and maintained.
- Affordability of housing units remains a major concern.

### **2.2.7 WATER AND SANITATION**

The proportion of rural households with access to potable water increased from 51% in 1991/92 to 66% in 1998/1999. Much of the change was due to increased use of water from wells and less use of rainwater and water from lakes, and rivers. Even though most urban dwellers (93%), have nominal access to water, only 39% of the rural population has access to it. For example, 81% of the population in Greater Accra (both rural and urban) has access to safe water. The figure is 38% for the Eastern Region. In order to bridge the gap in the coverage of water supply, the government has encouraged the private sector; especially the NGOs to help improve access of the (rural) population to water through bore holes and other appropriate supply systems.

The level of sanitation in the country is low. This contributes to the high morbidity rates and environmental pollution. Reticulated sewerage systems, are limited to central Accra, Akosombo and Tema. In the urban areas, only 7% of homes use flush toilet systems. Over 50% use pit latrines and another 23% have no access to any facilities, hence use open spaces. Though Accra is the best serviced, in terms of access, low income communities are either not serviced or are poorly serviced.

The picture about the level of our socio-economic development is worrying against the background of the fact that the current real GDP growth falls short of the rates needed to bring about a significant decline in poverty to meet the International Millennium Development Goal of halving poverty by 2015. It is also worrying because with this pace of economic growth and social development, it is estimated that the average Ghanaian cannot cross the poverty line within 50 years.

## **2.3 ROOT CAUSES OF CURRENT SITUATION**

Ghana has had many development plans since independence. However, many of the objectives and policy recommendations have not been realized because of existing socio-cultural and economic conditions. It is critical therefore that the pre-existing conditions which derailed previous plans and programmes are dealt with appropriately.

It is imperative that there is a clear understanding of why the country is trapped in a cycle of 4-5% growth rate. For the country to grow beyond the 4-5% growth trap this understanding should guide all planning and implementation efforts. They must be carried out in ways that will avoid the problems that have plagued the country's development.

The inabilities of previous plans to achieve their goals have been attributed to political, institutional, cultural and attitudinal constraints. The success in implementing this and future development programmes therefore hinges on the country's ability to address these constraining issues:

### **A. POLITICAL FACTORS**

- Lack of an enduring vision
  - o Misdirected policies
  - o Political instability (coup d'etats)
  - o Lack of political commitment (inherent conflict between planning and budgeting, weak technical capacity, lack of clarity of roles in the public sector, ineffective enforcement of rules aimed at regulating business and general economic activity)

### **B. INSTITUTIONAL FACTORS**

- Weak implementation
  - o Lack of linkage between plans and budget
  - o Lack of resources for financing plans
  - o Lack of implementation oversight

- o Lack of monitoring and evaluation
- o Lack of sanctions for non-performance
- o Low productivity
- o Outmoded technologies
- o Low capacity utilization
- o Lack of relevant skills

### **C. Cultural and Attitudinal Factors**

- Over reliance on primary products
  - o Poor work ethic
  - o Indiscipline
  - o Dependency culture
  - o Lack of trust and confidence as a key factor in business decisions

## **2.4 REMOVING CONSTRAINTS TO IMPLEMENTATION**

For the successful implementation of policies and programmes contained in this document, identified anomalies will be removed. They include the following:

### **2.4.1 POLITICAL CONSTRAINTS**

Removing the political constraints to the implementation of programmes will require changes in how the planning process works, how programmes are overseen, how we manage our national security efforts, and how the relationships among implementing agencies are managed.

To ensure that our vision endures, the people of Ghana must be consulted in the development of national development programmes and projects to encourage collective ownership. Ownership, the basis for commitment is a prerequisite for effective implementation of policies.

There is also the need for proper and effective oversight of development programmes and projects by the highest deliberative body in the land: Parliament. Parliamentary oversight body will be established to oversee the implementation of all development programmes to ensure that policies are accurately directed.

Political stability is essential to continued progress, therefore the security apparatus of the country will be strengthened, and good governance will be assured. The role of all agencies involved in the development efforts will be clearly identified and demarcated to minimize the inherent conflict between planning and budgeting.

### **2.4.2 INSTITUTIONAL CONSTRAINT**

It will be mandatory for the national plans to become the basis for drawing the national budget. A permanent committee consisting of representatives from the planning agency and that responsible for budgeting will be constituted and charged with the responsibility for ensuring that national plans directly influence the annual budget of governments. Resources earmarked for development investment will be ring-fenced to ensure that development expenditures are used for their intended purposes and not for maintaining government machinery such as rehabilitating

government offices, bungalows, procuring vehicles, and equipment. A more effective monitoring, evaluation, and control system will be put in place to track expenditures. The same system would be used to regularly monitor inputs, intermediate outputs and final output indicators. The reports will regularly be given to the Parliamentary Oversight Committee to inform the preparation of all annual budgets as well as future development plans and strategies.

### **2.4.3 CULTURAL AND ATTITUDINAL CONSTRAINTS**

While the cultural constraints may be difficult to overcome overnight, policies need to be put in place to ensure that the attitudes of our people shift in a direction that supports development as follows:

- Encourage the patronage of locally made goods;
- Enforce existing laws to ensure positive behaviour;
- Ensure that strict penalties and sanctions are meted out without favor for abusing public trust;
- Ensure that people desist from wanton destruction of public property;
- Have zero tolerance for corruption and indiscipline;
- Discourage excessive dependency; and
- Encourage the enhancement of the self-esteem of the individual

## **CHAPTER 3**

### **BUILDING THE FOUNDATION FOR ACCELERATED GROWTH**

Ghana needs accelerated growth. However, the country cannot pursue accelerated growth without a strong and unshakable socio-economic foundation. The foundation building objectives and strategies, which have been referred to in the Ghana Poverty Reduction Strategy (GPRS), as the “Medium Term Priorities” include enhanced infrastructure, modernised agriculture based on rural development, enhanced social services, good governance and private sector development

#### **3.1 INFRASTRUCTURE**

##### **3.1.1 CURRENT SITUATION**

Ghana has a road network of about 39,439 km; a railways network of about 947 km; air transport services consisting of one international and three domestic airports and; a maritime service with two major seaports, three small fishing ports and a small inland water transport facility. In the 1970s and 1980s, transport infrastructure, which plays a key role in the movement of people, as well as agricultural and industrial products, deteriorated to very poor conditions due to prolonged neglect. This resulted in high transport costs thus adversely affecting the whole economy. For example the trunk road network condition mix in 1999 was given as: 33% in good condition, 37% in fair condition, and 30% in poor condition. The condition mix of the 24,000 km of feeder roads was given as 27% good, 23% fair, and 50% poor. As at March 2000, 36% of the urban road network was considered to be in good condition, 25% fair, and 38% poor.

The energy sector in Ghana consists mainly of wood fuel oil, natural gas and electricity (mostly hydroelectricity). Firewood and charcoal consumption currently accounts for about 69% of total energy consumption, whereas electricity and petroleum products account for 10 and 21 percent respectively. Per capita energy consumption is estimated at 300 kilograms of oil equivalent (koe). Oil refining facilities are carried out at the Tema Oil Refinery (TOR), which processes mainly imported oil and produces a number of different petroleum products for domestic consumption. TOR has an operating capacity of 45,000 barrels per day.

The total installed electricity generation capacity in the country is 1,542 Megawatts. The total national demand for electric energy is estimated at 7,500 GWh annually, with 7,000 GWh generated locally and the remaining 500 GWh imported. Ghana also exports about 150 GWh to neighbouring countries. The national demand for power is estimated to grow at 10-14% per annum. This high growth rate calls for increased investment in infrastructure to increase the supply base and to overcome generation deficit.

##### **3.1.2 OBJECTIVE**

The infrastructure development objectives emphasise two main issues: promoting agriculture especially marketing, and developing the country’s competitive advantage as a trade and investment gateway to the West Africa sub-region.

### **3.1.3 STRATEGIES**

Promoting rural agricultural marketing will be achieved through rehabilitation or development of feeder roads, including one major road that links productive rural areas of each region to the urban centre.

Developing the country's competitive advantage as a trade and investment gateway in West Africa requires opening up the country and linking it up with the trans-ECOWAS highway project. This will ensure that Ghana is able to take advantage of the opportunities from West African economic integration and create jobs the following will be pursued:

- i Complete the on-going construction of three major highways: Accra-Yamoransa; Accra-Aflao; and Accra-Kumasi. The Accra-Kumasi road will be linked to the first class Kintampo-Tamale-Bolga Road and the Bamboi-Bole Road currently under contract to open up the Western route to the Northern parts of the country.
- ii Modernize and extend the rail network to major centres of development in the country.
- iii Accelerate the further development of our ports (Tema and Takoradi and inland ports) through private sector participation to make them competitive for global and regional trade.
- iv Introduce more competition and accelerate access to telephones, Internet, information and communications technology throughout the country.
- v Take all necessary steps to increase the availability of energy to boost industrial growth and production. This will include the implementation of the West Africa Gas Pipeline project, the Bui Dam, the expansion of the thermal plant at Takoradi and the enhancement of the use of solar energy.

## **3.2 RURAL DEVELOPMENT BASED ON MODERNIZED AGRICULTURE**

### **3.2.1 CURRENT SITUATION**

Smallholder farms, operating on subsistence basis, dominate agriculture and account for about 80% of total agricultural production. Contribution of large-scale commercial farming is small. There is no utilization of economies of scale. Negligible area of arable land is under irrigation and production is almost entirely dependent on the volume and distribution of rainfall. Total area under irrigation is just about 0.04%. This low proportion prevails despite the real need in the northern and coastal savannah due to both erratic and insufficient rainfall. Crop production is largely rain-fed and traditional techniques of production tend to dominate. It is estimated that 6000 out of approximately 2,740,000 farm-households nation-wide used irrigation services in the period 1998/99. There are problems associated with land title and land security. The average food crop farmer is unlikely to use fertilizers, insecticides, or high yielding seed varieties. The low level of technology and inadequate supply of inputs lead to low yields. Only 20% of households use fertilizers and about a tenth purchase seeds for planting.

### **3.2.2 OBJECTIVES**

The objective is to modernize agricultural production and the goal is to become an agro-industrial economy by the year 2012. This will require the development of the rural economy.

### **3.2.3 STRATEGIES**

The actions to be taken will include the following:

- i Reform land acquisition to ensure easier access and more efficient land ownership and title processes.
- ii Serve as a catalyst to assist the private sector to increase the production of grains such as rice, maize and tubers so that we can achieve food security. This will include extension and research services, irrigation facilities, and affordable credit to support the farmer.
- iii Encourage the production of cash crops such as cashew and replanting of cocoa in the traditional cocoa growing areas with high yielding and diseases resistant planting material and increasing fertility of soils.
- iv Support the private sector to add value to traditional crops such as cocoa.
- v Encourage the provision of landing facilities at major fishing areas to facilitate marketing for local consumption and for export.

## **3.3 ENHANCED SOCIAL SERVICES**

### **3.3.1 CURRENT SITUATION**

While there have been improvements in the social indicators over the years there are still high incidence of social deprivation in the country. Infant mortality rate fell from 85 to 59.7 live births over the period 1992-99. Under-five mortality rate has dropped from 147.8 per 1000 to 107.6 per 1000 live births in the same period.

It is estimated that Ghana has 6 and 72 physicians and nurses respectively, per 100,000 people, while trained health personnel attend to only 44 percent of births. Further, only 32 percent of the population has access to sanitation and though progress has been made in increasing the provision of potable water, about 44 percent of the population does not have access to safe water. The nutritional status in the country also requires improvement, especially for young children, pregnant women and lactating mothers.

Access to health facilities, defined by proportion of population living within one-hour travel time (by any means) from the health facility is 60% for the total population (92% in urban and 45% in rural). Using a half-hour travel time, half of the population does not have access.

In education net primary enrolment increased from 75 to 79 percent between 1992 and 1999, while secondary school enrolment increased from 30 to 36 percent over the same period. However, while the gender gap is narrowing, there is still a wide divide between urban and rural enrolment.

Trends in the quality of education have given rise to increasing concern about teaching competence in schools. This is reflected in the very low scores in Criterion Reference Tests (CRTs). In 1994, only 3.3% and 1.5% of public school pupils attained mastery level scores of 60% for English and 55% for Mathematics respectively. By 1999, the proportion of public school pupils attaining the mastery score level in English had increased to 9.1% and for Mathematics, to 4%.

The proportion of rural households with access to potable water increased from 51% in 1991/92 to 66% in 1998/1999. Much of the change was due to increased use of water from wells and less use of rainwater and water from lakes, rivers, etc. Even though most urban dwellers, i.e. 93%, have nominal access to water, only 39% of the rural population has access to it. Despite these apparent improvements, the social conditions in the country are still unbearably high.

### **3.3.2 OBJECTIVES**

The objective is to enhance the delivery of social services to ensure quality and locational equity, particularly with regard to education and health services.

### **3.3.3 STRATEGIES**

The above objective will be realized through actions including the following:

- i Change the educational system to ensure that there is uninterrupted quality education for all Ghanaians from pre-school to age 17 to reduce poverty and create the opportunity for human development.
- ii Ensure the development of model senior secondary schools in every district in the country.
- iii Ensure that all citizens who qualify to enter tertiary education in Ghana will benefit from such education, irrespective of their socio-economic background.
- iv Ensure that people are trained and equipped with particular working skills, with the view to acquiring good working habits.
- v Ensure the provision of support to increase access to technical, vocational education and training to all categories of persons with disabilities and other vulnerable groups.
- vi Ensure that traditional apprenticeship system is reformed and strengthened to improve productivity in the informal sector.
- vii Ensure that training systems and mechanisms are developed to facilitate coordination and linkages between different sectors of the economy including research institutions and industries
- viii Ensure that rehabilitation centres are reformed and improved to increase access to an integrated training programme to all categories of persons including the disabled and the vulnerable including street beggars, the “Kayeyei” and the aged.
- ix Ensure the development of model health centres for every district
- x Construct houses and other facilities for such critical groups as teachers, medical personnel and security services as well as for rural renewal.
- xi Encourage the development of health insurance schemes
- xii Ensure that brain drain of medical personnel is halted
- xiii Phase out the cash and carry system, replacing it with a more humane and effective system of financing health care.
- xiv Ensure that both urban and rural dwellers have access to good drinking water
- xv Encourage home ownership through special programmes
- xvi Encourage the regeneration of all depleted forests, the protection of closed forests, and striving for a delicate balance between the exploitation of mineral and other natural resources and the protection of the environment
- xvii Ensure that population growth rate is significantly curtailed to enhance the quality of life of the average Ghanaian.

## **3.4 GOOD GOVERNANCE**

### **3.4.1 CURRENT SITUATION**

The capacity of the public service remains low through a combination of factors. The most important factors are probably the lack of effective institutional structures, lack of necessary equipments and manpower, conflicting roles and procedures, lack of enforcement, and the unacceptably poor conditions of service.

### **3.4.2 OBJECTIVES**

The objective is to strengthen the three arms of government, the executive, judiciary and the legislature and to uphold the rule of law, respect for human rights and the attainment of social justice and equity for all.

### **3.4.3 STRATEGIES**

The actions to be taken include the following:

- i Support the work of the Electoral Commission and Parliament to enable the institutions play their role for good governance.
- ii Restructure the civil service to ensure efficiency, effectiveness and performance related compensation.
- iii Strengthen the capacity of the Office of the Attorney General and the judiciary in terms of numbers, technology, training and equipment in order to ensure that the rule of law is upheld.
- iv Enhance social order by improving the police and prison services. Equip them with vehicles, communications, equipment and technology, enhance training and increase their numbers.
- v Ensure transparency and accountability in resource generation, allocation and management.

## **3.5 PRIVATE SECTOR DEVELOPMENT**

### **3.5.1 CURRENT SITUATION**

The stagnation of the private sector in the context of macro-economic weaknesses is reflected in key statistics. As a percentage of gross domestic fixed Investment, private sector investment in Ghana was 57% in 1993 and had actually dropped to 49.7% by 1998. By contrast, middle-income countries have a private investment/gross domestic fixed Investment ratio of 75% while the average for low and middle-income countries is 67%. With a share of 13% Ghana lags the developing country and sub-Saharan averages of private investment as a share of GDP. In 1999, domestic credit provided by the banking system in Ghana was 38.8% of GDP, which is significantly lower than the middle-income country average of 80.2% and low and middle-income country average of 72.2%.

### **3.5.2 OBJECTIVES**

The objective is to strengthen the private sector in an active way to ensure that it is capable of acting effectively as the engine of growth and poverty reduction. This is to lead to the creation of wealth at a faster rate in order to reduce poverty in a sustained manner.

### **3.5.3 STRATEGIES**

The actions to be taken will include the following:

- i Work with both domestic and foreign private sectors as an effective development partner.
- ii Create an enabling environment for sustained development, marketing and promotion of a potentially dynamic tourist industry in Ghana.
- iii Remove all major obstacles and constraints to the private sector especially the small and medium scale enterprises and the self-employed.
- iv Create a diversified, innovative, and fully integrated industrial sector.
- v Ensure that research and development (R&D) results in universities and other scientific institutions find expression in the day-to-day operations of farmers, artisans, government and industrialists.
- vi Provide active assistance through the divestiture programme with financial support and reduce bureaucracy within government.
- vii Develop trade policy that promotes exports.

## **3.6 TOWARDS ACCELERATED GROWTH**

Having built the social and economic foundation, we will then need to adopt and effectively implement strategies that will unleash the growth potential of the economy and push it into a higher growth orbit. These strategies will be built around two key pillars, which will act as the drivers of long-term accelerated growth. The two drivers of growth are:

- Agro-based industrial development; and
- Information Communication technology

These pillars have been identified, through extensive research and broad consultation with the people of Ghana, as the specific areas that possess the potential to have the largest impact on growth and the well being of Ghanaians, in the shortest possible time.

In addition to these two pillars, six other areas will be developed to provide the requisite supporting environment, to enable the two pillars to adequately drive the growth of the Ghanaian economy. The six enablers are:

- Ensuring sustained macro-economic stability in Ghana
- Ensuring food security in Ghana
- Development of a long- term savings and capitals market for long term investment
- Reducing the economic and non-economic cost of doing business to enable the private sector to flourish;
- Encouraging science and technology development and application; and
- Forging a cultural framework for socio-economic development

## CHAPTER 4

### DRIVERS OF ACCELERATED GROWTH

The aim of government is to transform the nature of our economy by harnessing our agricultural resource potential through value additions, encouraged by the application of science and technology. We will focus on two main industries to lead the way towards rapid industrialization.

These are agro-processing and information communication technology. These industries, supported by research and development in science and technology, will be the main drivers leading the way towards accelerated economic growth.

#### 4.1 AGRO- BASED INDUSTRIAL DEVELOPMENT

##### 4.1.1 CURRENT SITUATION

While agriculture continues to be the major contributor to the country's GDP, current growth rates are still very modest and will not be enough to propel the economy to achieve the nation's objectives. Agriculture and allied processing industries, in 2001, contributed 40% of GDP and achieved a growth rate of 4%. In terms of absolute financial return, agriculture earned the country (excluding timber) a total of US\$445 million or 24.1% of total foreign exchange earnings for 2001. These figures include earnings from cocoa and its derivative products, which together accounted for US\$378m and about 20.5% of total foreign exchange earnings.

The modest growth rate is partly explained by the following factors:

Low yields. Information indicates that crops in Ghana are on average yielding only 30-50% of the achievable yield. Heavy dependence on donor funding for agriculture. For 2002, 71% of funds required to implement agricultural programmes are expected from donors. Conversely, only 1% of all loans granted in 2000 by local commercial banks, were granted for agricultural purposes.

Limited agro-processing. Currently, the percentage capacity utilization in medium and large scale food processing is only 50%.

##### 4.1.2 OBJECTIVES

###### Long Term

Agriculture and allied industries must grow at an accelerated pace, higher than the national average GDP growth rate. A growth rate of 5 % above the GDP growth rate will be targeted.

###### Medium Term

It is imperative to modernize agriculture to encourage rural development in order to achieve the above long-term growth. It will be necessary to establish the levels of demand of certain

agricultural products globally, position ourselves to target a certain market share, plan production and process at least 80% of the of selected crops output within the next five year

Land areas under cultivation should achieve 100% growth by year 2012 whiles land area under irrigation is to be increased significantly (at least 500%) to enable all year round growing, leading onto more harvesting occasions and thereby ensuring regular and constant supply of raw materials to agro-processing centres. Yield of selected crops will be increased to not less than 70% of achievable yields and generally agricultural products and processing should achieve a growth rate of 9-10% in the short term

### **Short Term**

In the short term, we need to improve current agricultural practices, which remain predominantly traditional and rain-fed. We will have to modernize agriculture to give improved yield, encourage commercial agricultural efforts and adopt policies, which will encourage increased low cost financing to agricultural efforts and value addition agro processing setups. Further we have to encourage production and processing of targeted crops for commercial purposes, thereby creating widespread income generating activities. The President's Special Initiatives on Cassava, Garments and Textiles, Oil Palm and Salt will be extended to eight (8) other crops. There will be the need to direct science and technology efforts to support the targeted crops and related processing chains. Appropriate linkages and specific targets will be set for the private sector to take up the challenge to play its vital role in the process.

### **4.1.3 STRATEGIES**

The following strategies are to be pursued in an intergrated and coordinated manner in order to achieve the desired short, medium and long-term objectives:

#### **A. Increase production base and availability of targeted raw materials for agro processing.**

- Encourage mechanized and modernized large-scale plantations and small holders and out-growers in targeted raw materials on commercial farming bases. For example creation of export production villages
- Review land tenure system for agricultural purposes.
- Ensure efficient supply of inputs to the agro processing chain.
- Improve storage/warehousing and distribution network required for efficient agro processing.
- Ensure enforcement of supply contracts.
- Improve rural infrastructure
- Encourage irrigation farming.

In addition to cocoa, selected agricultural products are to be targeted based on the following criteria:

- Sustainable market and demand, both local and foreign for all outputs coming out of the processing chain.
- Comparative advantage in production, processing, and marketing.
- Net foreign exchange earning capability
- Competitive advantage
- Linkage effect

The selected agricultural products are the following:

- **Oil Palm**
- **Cassava**
- **Maize**
- **Rice**
- **Tomatoes**
- **Oranges**
- **Sorghum**
- **Soya beans**
- **Cotton**
- **Physic Nut/Jatropha Plant**
- **Pine Apple**
- **Cashew**
- **Shea Tree**
- **Salt Winning\***
- **Any other crop later found to fit the above criteria.**

Though salt is not an agricultural crop, it has been added so that it is given a special initiative status for increased production and processing.

#### **B. Increase the percentage of value-added products**

- i Develop processing chain around and for targeted products, including the wastes generated in the processing chain.
- ii Expand market (local and foreign).
- iii Institute quality standards to ensure competitiveness.
- iv Encourage specialization in the chain.
- v R&D (production, marketing, standards) through pilot plants.
- vi Government preparedness to restructure distressed (genuine) companies in the private sector/targeted areas that will increase percentage of value added, and also start-ups in critical opportunity gap areas.
- vii Government will make deliberate efforts to assist private sector in critical opportunity gap areas.

#### **C. Technology improvements**

- i Equip technology development institutions and private sector with modern technology tools to
- ii enable them produce useful capital equipment, machinery/plant.
- iii Schemes to acquire capital equipment/plant required in the short term via long term financing
- iv (both manufacturers and buyers).
- v Consciously build local capacities/know-how and funds to enable large and small operators to

- vi adapt and produce capital machinery and plant.
- vii License and patent of intellectual property protection must be enforced.
- viii Lawful acquisition of technology for the purpose of adapting them.

#### **D. Develop infrastructure to support agro processing**

- i For Primary production
- ii Haulage.
- iii Warehousing and inventory management.
- iv Distribution outlets.
- v Port facilities.
- vi Encourage special clustering of industries.
- vii Provide facilities in the special clustering/localization.
- viii Packaging material standards
- ix Reliable Energy
- x Communications
- xi Reliable Database for Decision making

#### **E. Private Sector linkage**

- i Identify current private sector operators who have the capacity to be developed into world-class operators.
- ii GIPC should be strengthened to play the proposed first-stop shop for private sector support (land acquisition, obtaining licenses etc).
- iii Government should develop certain opportunity areas with a plan to stimulate the economy initially and divesting it later through sale of shares.
- iv Consciously stimulate competition.
- v Deliberate use of government purchasing power to stimulate the economy
- vi Specifically encourage identify, train and encourage private sector operators to go into agricultural production and processing.

#### **F. Long Term Financing**

- i Raise domestically generated funds for Agricultural programmes.
- ii Government will take the lead in providing low interest/long term loans.
- iii Provide suitable/less expensive instruments e.g. venture capital funds.
- iv Improve access to agricultural financial services.

#### **G. Provide targeted incentives**

1. Appropriate levels of subsidies:
  - i Tax rebates.
  - ii Extension services.
  - iii Grants.
  - iv Reducing interest rates on inventories.
  - v Review tariffs on imports in targeted priority areas provided these
  - vi Sectors are already efficient.
  - vii Monitoring of private dealers (input supply chain) by Ministry re retail price levels.
  - viii Specific linkage to be fostered and cemented between industry and agriculture coordination of the linkage.

## **4.2 INFORMATION AND COMMUNICATION TECHNOLOGY**

### **4.2.1 CURRENT SITUATION**

Numerous attempts have been made to liberalize the ICT sector in Ghana such as in infrastructure and improving Internet access. Despite impressive and demonstrable progress the ICT sector is still at its infancy hampered by technical, institutional, legal and regulatory, human resources, and infrastructure obstacles that thwart greater private sector involvement, public sector utilization and national productivity. Ghana's teledensity is currently at two percent, which means that only 2 out of every 100 people have fixed telephone connections. There are 270,000 fixed lines, 275,000 cellular connections, and 25,000 direct Internet connections. About 70% of the fixed phone lines are located in the Greater Accra region alone.

The major identifiable issues and constraints are mainly attributed to:

- Weak regulatory framework. Regulatory institutions do not exist, and where they do they have weak organizational capacity to effectively manage, administer and develop a dynamic ICT industry
- ICT human resource development (professional competency) is very much under-developed compared to the dynamism of the industry, and the populace as a whole is largely computer illiterate.
- Lack of information and communication infrastructure and related facilities and resources.
- Lack of adequate resources and ICT investment.

### **4.2.2 OVERALL OBJECTIVES**

The Government is committed to putting in place and implementing a comprehensive ICT-led Socio-economic development policy and plan capable of accelerating Ghana's development process towards an information and knowledge based society and economy. The basic premise is that: Ghana's development process can be accelerated through the development, deployment and exploitation of ICT within the economy and society and that the accelerated development of the nation within the emerging information and digital age will not be possible without an ICT-enabled development agenda. The Ghana's ICT for accelerated development policy and plan will strategically focus on both the development of the local ICT industry and sector as well as on using ICT as an enabler of Ghana's broad developmental goals. Specific objectives include using ICT as:

- A social-enabler (Education, Health, Poverty-Reduction, Income-Distribution, etc)
- An enabler of rapid economic development
- An agent of wealth creation
- An enabler of Government administration and service delivery
- An engine of the Service Sector
- A enabler of Industrial development
- An enabler of the Agriculture Sector and
- A driver of Private Sector Development

The ICT-led socio-economic development policies and corresponding action plans and initiatives will be targeted at:

- Human Resource Development;
- ICTs in Education;
- Facilitating Government Administration and Service Delivery;
- Electronic Government Initiatives;
- Developing and Facilitating the Private Sector;
- Electronic Commerce Initiatives;
- Deployment and Spread of ICTs in the Community;
- ICT Infrastructure Development;
- Legal Regulatory; Institutional Provisions and Standard; and
- Foreign Direct Investment Drive in ICTs

#### **4.2.3 STRATEGIES FOR DEVELOPING AN ICT INDUSTRY**

Government is committed to putting in place the necessary policies and initiatives to create the enabling environment for facilitating the production, development and delivery of ICT products and services aimed at the development and promotion of a viable ICT industry for Ghana. Some of the programmes and initiatives that will be targeted to achieve this objective include:

- Programmes to promote the development and expansion of a local industry for assembling, repair, and maintenance of computers and peripheral equipment and computer systems
- Initiatives to promote the development of public and private Software Technology Parks (STPs)
- Electronic Commerce (e-commerce) and Electronic Trade (e-trade) initiative
- Special initiatives to facilitate the rapid development of an export-oriented software services
- Initiatives to facilitate standards, best practices and guidelines for ICT deployment and exploitation in the society and economy.
- Export Processing and Free Zone (EPfZ) initiatives targeted at both domestic and foreign ICT producers and service providers
- Special FDI and Export Promotion Initiatives in ICTs
- Fast track national communications infrastructure development initiative
- Initiatives to attract foreign and domestic investment to facilitate rapid infrastructure development and expansion
- Initiatives to facilitate the development of local communications industry towards competitiveness
- Programme to facilitate conditions for an investor friendly telecommunications environment
- Initiatives to facilitate the development of Community Information Centres (CIC's)

#### **4.2.4 STRATEGIES FOR DEVELOPING ICT AS AN ENABLER OF BROAD-BASE DEVELOPMENT**

The use of information and communication technology (ICT) in all spheres of developmental activity has accelerated in recent years, and the possible utilisation options continue to expand at a tremendous pace. The diffusion of ICT technology has tremendous advantage in increasing productivity in local industries and connecting the Ghanaian economy with the global marketplace. There are three key areas that need to be emphasized to take advantage of the numerous opportunities of this pervasive technology. These are: (a) access to ICT, which should include the installation of modern ICT infrastructure; (b) promotion of an information culture, which include literacy at all levels of the educational system and at workplaces, as well as networking of information systems and information sharing; (c) development of local capability both in terms of technical skills and for management of information systems. To achieve the objectives the following strategies will be pursued:

- Encourage provision of Internet facilities in all Districts of the country in phases.
- Establish community-based electronic information kiosks in localities throughout Ghana.
- Render assistance to educational institutions and encourage local and foreign training as a necessity of fulfilling the requirement of qualified manpower in various fields pertaining to ICT.
- Include ICT education in the curriculum from the elementary school level and broaden its scope.
- Put in place a comprehensive human resource development initiative targeting critical skills required in the development of the Ghana information economy and society.
- Computerize the records of all governmental offices and build websites for the flow of information to improve efficiency in government.
- Integration of easily identifiable government processes through central co-ordination of public sector ICT projects
- Use ICT to promote e-commerce, e-education, e-health, among others, and to transfer technology in rural areas.
- Increase the use of computers in the private sector.
- Establish an Internet node in all regions and in districts with participation of the private sector in order to make Internet available throughout the country.
- Use ICT to increase the number of Health personnel
- Implement Telemedicine – use ICT to support less qualified medical and Para-medical professionals in rural areas.

## **CHAPTER 5**

### **ENABLERS FOR ACCELERATED GROWTH**

In order to ensure that the growth drivers described in the previous chapter effectively propel the economy towards the realization of the long-term goal of achieving a middle income economy status, the following six enablers described in an earlier chapter have to be pursued very vigorously.

#### **5.1 ENABLERS OF GROWTH**

The six enabling strategies for supporting the accelerated growth of the economy will be the following:

- Ensuring sustained macro-economic stability in Ghana;
- Ensuring food security in Ghana;
- Development of a long- term savings and capitals market for long term investment;
- Reducing the economic and non-economic cost of doing business to enable the private sector to flourish;
- Science and technology; and
- Forging a cultural framework for socio-economic development.

#### **5.2 ENSURING SUSTAINED MACRO-ECONOMIC STABILITY IN GHANA**

##### **5.2.1 CURRENT SITUATION**

After a decade of sustained adjustment the Ghanaian economy suffered serious turbulence during the 90s, and saw the country losing some of the macroeconomic gains made during the eighties. Strong macroeconomic imbalances have re-emerged, and these have raised concerns about maintaining macroeconomic stability and about the country's future growth potential. Indeed the new millennium saw the economy in a deep state of crisis with economic indicators experiencing deterioration in five consecutive years prior to 2001 (see table 1). Real GDP growth rates declined successively from 5.2% in 1996 to 3.2% in 2000. Agricultural growth rate, for instance, fell from 5.1% in 1998 to 2.1% in 2000, below the population growth rate of 2.3%.

The economy however recorded significant improvements in the year 2001 over the 2000 performance. By the end of 2001 inflation had dropped from 40.5% in 2000 to 21.3% and the cedi had depreciated by only 3.7% as against about 50% in 2000. The GDP growth rate improved from 3.7% in 2000 to 4.2% in 2001. The budget deficit declined from 8.5% of GDP in 2000 to 4.4% of GDP in 2001. Gross foreign exchange reserves increased from US\$223.46 million at the end of 2000 to US\$336.63 million, which is equivalent to 1.5 months of import cover.

##### **5.2.2 OBJECTIVE**

Macroeconomic stability cannot be pursued in isolation. At the very minimum it must be considered within the context of a well-designed economic framework that catalyses the process

for poverty reduction and supports the creation of wealth through sustained and accelerated growth. Within this context macroeconomic stability must play a supportive role by ensuring, on a sustainable basis, a stable and predictable environment for the private sector. The overriding policy objective is to achieve a level of macro-stability that is consistent with achieving the twin objectives of growth and poverty reduction. Among other things, this supportive environment must be characterised by:

Low and stable rates of inflation;

- A reduction in the level of interest rates;
- A reduction in spread between lending and deposit rates; and
- A reduction in the volatility in the nominal exchange rate.

### **5.2.3 STRATEGIES**

Addressing government budgetary imbalances will be a necessary and an important first step in realising these objectives. Needed actions for remedying these budgetary imbalances include:

#### **Expenditure**

- An effective expenditure control system at the commitment stage;
  - Review and streamline procurement procedures and contract award system of all MDAs and District Assemblies to make them more transparent, afferent, and cost-effective
  - Strengthen operational and technical capacity of the Ministry of Finance for timely and effective monitoring of government receipts and payments in order to detect and send out early warning signs
- Make MTEF fully operational involving all MDAs and the District Assemblies;
- Vigorously pursue multi-donor budget support; and
- Improve efficient use of public funds to ensure higher outcomes per unit of revenue:
  - Certain statutory transfers (DACF, Road Fund, GETF) are bound by statute or law. Avenues for discretionary cutbacks are, therefore, very few. Internal restructuring, reallocation, and close monitoring to improve transparency and accountability in the use of resources can reap growth-enhancing efficiency gains.

#### **Revenue**

The success of the poverty reduction programme within the context of the HIPC Initiative requires that Ghana accelerate its internal revenue generation. This is the only way to ensure that resources freed up through debt relief will be available and re-channeled to the targeted poverty reduction or pro-poor programmes and projects. Therefore, we must:

- Improve tax collection in the private formal sector while also developing strategies to expand the tax base to cover the informal sector of the economy
- Design effective mechanisms to ensure timely filing of tax returns as means of reducing the lags between revenue inflow and payments for committed expenditures and also to cut down the payment arrears accumulation process
- Explore alternative sources of revenue generation to complement resources mobilised from traditional sources.

### **Domestic Debt Management**

Ghana faces a serious domestic debt overhang. The size of the formalised debt was equivalent to 27 percent of GDP at the end of the 2001 fiscal year, down from 29 percent of GDP the year before. In many ways this situation has been caused by the expansionary fiscal policies, the short-term nature of government borrowing instruments, and the prevailing high interest rates of the past. But aid disbursement delays and bureaucratic hold-ups at various donor agencies have also added their toll. Government has had to turn to domestic borrowing to finance expenditures which had been triggered by expectations of timely disbursements of aid pledges. The mounting domestic debt has crowded out the private sector while the servicing of the debt has crowded out much needed expenditure for social services.

The problem is also compounded by funded subsidies resulting from the slow adjustment of utilities and petroleum prices to levels that would ensure cost recovery.

Finally, there is also the issue of payment arrears (informal debt). Businesses have had to borrow from banks at prevailing interest rates — which for most part have been quite onerous — to finance their working capital needs. Casual empiricism indicates that some of those who could not be so provisioned have folded, thus compounding the already gloomy unemployment situation.

Recommended actions to tackle the domestic debt problem include:

- Taking a complete inventory of all payment arrears and formalising them as part of the official debt;
- Dedicating the proceeds from the divestiture of government assets to reduce the size of the debt and sticking to the decision to use 20 percent of HIPC debt relief for the same purpose. This undertaking has two important advantages:
  - First, it will ease the pressure on businesses by freeing up locked funds for much needed working capital; and
  - Secondly, it would reduce the interest burden of the budget in future years and thus make more resources available for poverty reducing programmes and amenities;
- Implementing the automatic pricing formula for petroleum products after adjusting it for the petroleum debt service charge (PDSC). A usage-based charge as in the case of the Road Fund will be more meaningful and transparent;
- Moving to full cost recovery in the pricing of public utilities at an accelerated pace; and
- Using longer-dated borrowing instruments.

### **5.3. ENSURING FOOD SECURITY IN GHANA**

Food security is fundamental to the development of any nation because:

- It guarantees one of the essential elements of life, which is food.
- Good quality and nutritious food are critical for a healthy working population that can promote development programmes.
- It ensures foreign exchange savings through import substitution for commodities in which the country has comparative advantage.
- The very survival of the nation state depends on it being food secured.

The above list is not exhaustive, but demonstrates the many facets of food security that must be considered in developing a food security policy in Ghana.

### **5.3.1 CURRENT SITUATION**

With respect to current food security status in Ghana, the statistics on per capita daily calories intake show that Ghana, with a value of 2578 kcal is above the FAO average of 2300 Kcal per person per day for the period 1996 –2000. This was above the average for sub-Saharan Africa, which was 2199 kcal for the same period. There was also an improvement in calorie consumption between 1991/95 and 1996/2000 when it increased from 2186 kcal to 2578 kcal. In terms of proportion of population malnourished, estimates for 1990-1992 and 1997 – 1999 show that Ghana improved from 34.6% of proportion malnourished to 14.6%. The statistics suggest that Ghana is not doing badly in terms of food security, even though there is the need to improve upon our performance.

In terms of food self-sufficiency levels for the major staples, the estimates by MoFA for a normal rainfall year are: roots and tubers - 100%; cereals, except rice, - 90%; fruits and vegetables – 100%; fats and oils – 100%; meat – 30%; fish – 60%. In a bad rainfall year most of these self-sufficiency levels could be reduced by 30 to 50%.

### **5.3.2 OBJECTIVES**

Achieving food security in Ghana should focus on two perspectives: (1) what can be done in the short to medium term; and (2) what should be done in the long term. Food security objectives in Ghana are therefore summarized as follows:

#### **Short to Medium Term Objectives**

- To ensure good quality nutritious food all year round at affordable prices for all Ghanaians; and
- To promote value addition to increase farmer incomes and reduce post harvest losses.

#### **Long Term Objectives**

- Increase agricultural production and productivity to achieve self-sufficiency in major staples in which the country has comparative advantage; and
- To promote import substitution of basic food commodities so as to reduce the food import bill.

#### **5.3.2.1 COMMODITIES SELECTED FOR PROMOTION OF FOOD SECURITY**

Based on earlier work done by the Ministry of Food and Agriculture and on consultations and discussion with experts, the under-listed commodities have been selected for promotion to support the country's food security programme.

- **Cereals** : Maize, Rice, Sorghum
- **Starchy staples** : Cassava, Yam, Plantain, Cocoyam
- **Legumes** : Cowpea, Groundnut, Soyabean

- **Vegetables** : Tomatoes, Pepper, Onions, Shallots, Okro
- **Fats and oils** : Coconut, Groundnut, Sheabutter, Oil Palm
- **Fruits trees** : Mangoes, Citrus, Pawpaw, Bananas
- **Livestock** : Poultry (chicken), Pigs, Cattle, Sheep and Goats
- **Fisheries** : Aquaculture

### **5.3.3 STRATEGIES**

In order to achieve the objectives stated above, there are key interventions that are necessary to promote the selected commodities. These include: strategic research for varietal and breed selection, appropriate financing for the continuum of agricultural activities, value addition and improved marketing.

**In the area of food production, the following measures are necessary:**

- We will promote and support contract farming and nucleus out-grower schemes of production for selected crops and livestock as already practised for the oil palm and poultry sub-sectors. The legal framework for enforcement of contracts will be enhanced.
- The development and use of improved seeds/planting materials and breeds will be promoted.
- Research-extension-farmer linkages to ensure that technologies developed are appropriate to the needs of farmers will be strengthened. Extension services to farmers will be strengthened through training and motivation of extension service providers.
- Farmer-based organizations to enhance their access to credit and other services will be promoted.
- Support will be given for the private sector to establish mechanical services provision centres in carefully selected districts.
- A vigorous drive for import substitution for rice and meat, and other livestock products to reduce and eventually eliminate the high food import bill will be pursued.
- Land registration and land use policy will be developed to increase access and encourage investment in agricultural lands.

**To ensure the availability, affordability and utilization of food in sufficient quantities all year round:**

- Support will be given for the provision of appropriate storage facilities in each district.
- There is urgent need to identify and develop technologies to promote processing of selected commodities to reduce post harvest losses.
- Food processors should intensify advertising activities to promote their products.
- Private sector will be supported to develop appropriate packaging for agricultural products.
- Down stream research to develop and promote multiple utilization of agricultural products and their residuals to achieve zero wastage should be supported.
- There will be a national campaign to promote the consumption of indigenous processed foods to stimulate demand.
- Government will support the operation of a Buffer Stock Programme through private sector operatives.

A well-developed food marketing system is essential for achieving food security. All-weather good access roads to food producing areas, appropriate vehicles and a good market information system are critical to a well functioning marketing system. To achieve these the following need to be addressed:

- Access roads to food producing areas to improve the distribution of food will be developed. MoFA will continue to collaborate with the Ministry of Roads and Transport to identify and develop roads to major food production areas.
- Timely and reliable market information will be made available to market operators to enhance decision-making.
- Weights and measures use will be introduced, as well as grades and standards in the marketing of commodities through education to enhance marketing efficiency.

#### **Other Cross-cutting Issues**

- An agricultural development fund to support particularly starter programmes and help existing entrepreneurs to expand their businesses will be created.
- ADB will be required to play its traditional role as a development bank for the agricultural sector.
- Inter-ministerial collaboration and coordination in planning and implementation will be encouraged and intensified to ensure effective and efficient use of resources and successful implementation of plans.
- An incentive system to motivate available manpower to promote food security will be developed.
- The co-ordination and monitoring units of sector ministries, the NDPC, and the President's office will be strengthened to perform the coordinating and monitoring of plan implementation effectively.
- Credible data and statistics needed to inform our planning and monitoring effort will be generated.

### **5.4 LONG-TERM SAVINGS AND CAPITAL MARKET DEVELOPMENT**

#### **5.4.1 PROBLEMS AND CONSTRAINTS IN THE MOBILIZATION OF LONG-TERM CAPITAL**

Not only are savings rates in Ghana generally low and accumulated savings very meagre, but long term saving facilities are even worse. Indeed, the long-term savings sector is rudimentary, compared to the money market with short term saving facilities. The following factors account for the poor performance of the capital market in mobilizing long term saving.

- Demographic changes and small formal sector
- Generally low incomes
- Macro economic instability reflected in high and variable rates of inflation, and exchange rate depreciation and exchange rate instability
- Low and/or negative real rates of return savings
- Tax disincentives
- Regulatory framework

## **5.4.2 CURRENT SITUATION**

### **Long Term Savings in Ghana**

Contractual savings institutions tend to be the major sources of long-term savings for capital formation. These contractual savings institutions are life insurance companies, occupational pension schemes, funded social security schemes or systems, and provident funds. These institutions are potentially good sources of finance for investment in corporate bonds and equities as they have long-term liabilities. Indeed, in the high-income countries of the world, these institutions are the principal suppliers of long-term finance. They promote wealth savers with opportunities to manage and diversify risk and with the benefits of investing in a portfolio selected by professional investors or fund managers. The current situation with respect to contractual savings schemes is as follows:

#### **Insurance**

Insurance regulation demands that investible funds are put into short-term instruments. Therefore 60% of insurance company assets are required to be invested in short-term instruments, i.e. treasury bills, Social Security National Insurance Trust (SSNIT).

SSNIT is regarded as Ghana's national pension scheme or long term saving channel, but it is national in name only, by covering only 850,000 workers out of an estimated 9,000,000 in the workforce. By law, the Social Security and National Insurance Scheme is to be self-financing and self-sustaining through the contributions of members. Consequently, SSNIT represents the only significant pool of long-term savings in Ghana. Its investment portfolio is approaching three trillion cedis but has ongoing problems with return, liquidity and asset quality.

For a number of reasons, there is a long way to go to make SSNIT a true national pension provider and an effective source of long-term capital for productive investment in the economy.

- The number of pensioners is still relatively small but its relation to the number of contributors is changing. In 1996 there were 31 contributors for every pensioner. In 2000 that ratio had declined to 21 contributors for each pensioner. This is worrisome particularly since SSNIT may be reaching its limit of contributions in the formal sector. Meanwhile, the number of pensioners steadily increases.
- SSNIT covers only 5000 persons in the informal sector.
- At a strategy launching recently, SSNIT reported a negative 7.4% average return over the past five years. Furthermore, the cost of administering the fund was put at about 21% of total contributions.

#### **Other Retirement Schemes**

There are other retirement schemes such as CAP 30 and End of Service Benefits (ESBs). However, these are unfunded plans, therefore, they do not form part of the pool of long-term savings.

## **Private Savings Plans**

Private long-term savings plans in Ghana are many and varied. Despite their amorphous nature they share a number of common characteristics arising from historical developments in the workplace and the exigencies of workers' lives in Ghana. Before 1991, many companies in Ghana operated retirement plans for their employees. These were governed by a tax regime that permitted tax exemption for employer and employee together of up to 35% of the employee's salary, subject to the approval of the IRS Commissioner. This exemption was removed in 1991. As a result, private retirement funds as such were discouraged and for the most part were dissolved. After 1991 many organisations came up with various kinds of savings schemes, despite the fact that contributions were not tax-deductible. These schemes have taken the form of company provident funds, retirement plans, welfare funds, benevolent funds, and savings plans.

### **5.4.3 OBJECTIVES**

The objective is to expand the pool of long-term savings and the creation of vibrant and deep capital markets.

### **5.4.4 STRATEGIES**

The following strategies are recommended to achieve the above objectives:

#### **Reform of SSNIT**

- PNDC Law 247, which established SSNIT as a pension scheme, will be amended to make SSNIT more independent in its operations so that it can be an effective instrument for reallocating the long-term savings it mobilizes to productive investments.
- All other laws that compromise the independence of SSNIT will be consequentially amended.
- Bearing in mind that the government bears residual risk in the event of SSNIT's failure, the legislation will provide accountability obligations to make SSNIT accountable to parliament.

#### **Tax exempt long-term savings programmes**

A tiered system of tax-exempt retirement plans will be established as follows:

- The establishment of employer-sponsored retirement plans will be encouraged through tax incentives. Tax incentives will allow employer/employee contributions to be tax deductible; returns accumulating from investments of such retirement plans should be tax-free.
- To affirm the long-term nature of such investments, early withdrawals will be fully taxable and subject to a penalty.

## **Individual Savings Plans**

Savings plans will be established to enable individuals to save for long-term purposes. Specifically, the following are recommended:

- Individual Retirement Plan
- Individual Home Ownership Plan
- Individual Educational Savings Plan

Individual contributions to these plans will be tax deductible for the individual and income on the account will accrue on a tax-free basis. Early withdrawals will be fully taxable and be subject to a penalty.

## **Regulatory Framework**

A regulatory framework will be put in place to supervise the operation of the long-term savings schemes. A National Pension Administrator will be appointed to provide a single point of regulation.

## **Linkage to Financial Markets**

The long-term savings schemes will be established within the framework of the Financial Sector Strategic Plan because we need strong financial institutions and instruments to support the schemes. The Financial Sector Strategic Plan spells out strategies for developing bond and equity instruments and markets.

## **5.5 SCIENCE AND TECHNOLOGY**

A principal deficiency in our economic performance is that the economy is basically mercantile. The main feature being the purchasing of cheap foreign products for sale locally at considerably increased prices. This tail-end retail activity dominates the services sector, and is mainly responsible for its growth. The services sector thus consistently out-performs the productive sectors of agriculture and industry, which stand in dire need of modernisation through the infusion of large doses of technological innovation.

The need to transform our consumer-dominated economy to a producer-dominated one is an overriding objective, and the use of science and technology offers the most viable means of achieving this through the principle of mastering, adopting and adapting known technologies, as well as developing new ones.

### **5.5.1 CURRENT SITUATION**

Science and technology development in the country faces six main challenges namely: funding of research and development (R&D) and innovation management; linkage of R&D to industry; strategic use of information and communication technology; human resource development and utilization; Science and technology (S&T) acculturation and awareness creation; and stable and high-level political commitment. Due to these constraints our Science and Technology institutions have not effectively influenced our industries. The few research findings from the

relevant institutions have not been crystallized into applicable technologies. The link between the research institutions and industry has not been properly established.

## **5.5.2 OBJECTIVES AND STRATEGIES**

Science and technology research and development is essential for increasing productivity in all sectors of our economy. It is the only sure way of supporting accelerated growth. The objectives and strategies for achieving so are outlined below according to the role of science and technology in each sector of the economy.

### *5.5.2.1 AGRICULTURE AND AGRO-PROCESSING*

#### **(a) Objectives:**

- i To increase crop, livestock and fisheries production and processing through the use of more efficient methods and inputs.
- ii To improve the quality and value addition to agricultural produce.
- iii To ensure the availability of sufficient food throughout the year.

#### **(b) Strategies:**

- i Modernise rural technologies for more efficient agricultural production and processing.
- ii Improve research competence and promote the application and transfer of new technologies, such as biotechnology, to support improved agricultural production.
- iii Drastically reduce pre-harvest and post-harvest losses in agricultural production, through the development and adaptation of improved technologies, particularly for food storage and preservation.
- iv Develop and implement suitable irrigation methods and techniques in all agro-ecological zones in the country.
- v Develop new agricultural non-traditional export products and strengthen the production and value addition to existing ones in order to boost the rural economy.

### *5.5.2.2 Health and Health-Care Delivery*

#### **(a) Objective:**

- i To support activities and programmes aimed at improving the quality of health of the citizenry.

#### **(b) Strategies:**

- i Support biomedical research and improvement in the general health delivery system.
- ii Promote technologies in support of sanitation, environmental and occupational health.
- iii Promote research and development in the area of bio-medical engineering and instrumentation, as well as the potential of information technology application in the health delivery system.

- iv Promote and support research into plant medicine to complement allopathic medicine. This should include the commercialisation of the research results.

#### 5.5.2.3 Education

##### **(a) Objective**

To orient all levels of the country's educational system to the teaching and learning of science and technology in order to accelerate the acculturation of science and technology in society, and produce a critical mass of requisite human resource and a well-informed citizenry.

##### **(b) Strategies**

- i Strengthen science education at all levels and in all aspects of the educational system, especially at the basic and secondary levels.
- ii Promote technical and vocational education and training to enhance middle level management in science and technology delivery to all sectors.
- iii Promote science and technology innovativeness within the educational system.
- iv Ensure that by the year 2020, 60% of all students in the universities and 80% of those in the polytechnics and vocational institutions are registered in science and science-related disciplines.
- v Create special incentives for students and graduates of science and technology.
- vi Ensure that adult literacy classes include studies into cause and effect relations and how things work.

#### 5.5.2.4 ENERGY

##### **(a) Objective**

To employ science and technology in ensuring the supply of sustainable, affordable, safe and reliable energy.

##### **(b) Strategies**

- i Promote a research and development programme relating to alternate energy sources such as solar energy, biomass, nuclear, wind and other renewable energy sources to supplement the current traditional energy sources.
- ii Facilitate efforts to acquire and adapt sustainable safe and economical energy technologies for national development.
- iii Support research aimed at upgrading hydropower energy production technology.
- iv Promote research and development efforts aimed at popularisation and dissemination of energy technology for rural and urban development.
- v Promote public support for energy conservation and encourage private investment in energy technologies.

#### 5.5.2.5 *INDUSTRY*

**(a) Objective**

To increase the national capacity for industrial production and promote science and technology activities that enhance industrial productivity.

**(b) Strategies**

- i Establish systems and mechanisms for acquisition, assessment, adaptation, adoption and
- ii application of essential technologies for industrial development.
- iii Encourage R&D activities that develop tools, equipment and machinery for industries, and
- iv encourage quality assurance in manufacturing.
- v Promote S&T activities that would accelerate technology transfer and innovations.
- vi Create incentives to promote investment in research and development or support by the
- vii private sector.
- viii Facilitate capacity building in all science and technology areas, which hold promise for
- ix enhanced national development, including engineering design and industrial technology
- x systems.
- xi Enhance industrial technology development infrastructure.
- xii Promote and facilitate recyclable materials technologies, and application to minimise
- xiii industrial waste in the environment.
- xiv Promote knowledge acquisition and development of technologies in the new and emerging
- xv sciences of biotechnology, materials science, microelectronics and laser technology.

#### 5.5.2.7 *INFORMATION AND COMMUNICATION TECHNOLOGY*

**(a) Objective**

To promote modern information and communication technology at all levels of society.

**(b) Strategies**

- i Promote the use of electronic communication in all public and private transactions.
- ii Integrate the computer/micro-processor technology into known production processes at all levels.
- iii Promote the use of the computer in education, industry, agriculture, health, governance and all other socio-economic activities.
- iv Promote computer literacy at all levels of society.
- v Ensure that by the year 2020, all government business is undertaken through the computer.
- vi Develop a national competence for computer hardware and software engineering.
- vii Promote the development and application of technologies in microelectronics.
- viii Create special incentives for investing in electronic and general high-technology industries.
- ix Promote research on the socio-economic impact of information technology use.

### 5.5.2.7 *COMMERCE*

#### **(a) Objective**

To promote scientific methods that ensure quality, quantity, weights and measures and variety of products for the local and international markets.

#### **(b) Strategies**

- i Encourage the intervention of science and technology to ensure effectiveness and efficiency of product output and high quality of products.
- ii Utilise science and technology in improving national standardisation and quality management programmes.
- iii Utilise science and technology to improve packaging.

### 5.5.2.8 *ENVIRONMENT*

#### **(a) Objective**

To promote the enhancement and maintenance of the quality of the environment, and to integrate environmental concerns in all development policies.

#### **(b) Strategies**

- i Integrate environmental concerns in all development policies
- ii Encourage and support science and technology intervention activities that promote
- iii Sustainable environmental conservation/management.
- iv Strengthen research and development methods that would promote sustainable
- v Ecosystems and ecological processes.
- vi Develop the capability to monitor, predict and mitigate the adverse effects of natural phenomena such as earthquakes, floods, droughts, desertification and bushfires.

### 5.5.2.9 *HUMAN SETTLEMENTS*

#### **(a) Objective**

To support co-ordination of planning in municipal, urban and rural settlements as well as all spatial developments.

#### **(b) Strategies**

- i Emphasise the control of urban sprawl.
- ii Facilitate the installation of utilities and delivery of services, taking account of the special needs of the disabled and disadvantaged.
- iii Minimise the impact of natural disasters.
- iv Encourage, through constant education and legislation, the greening of human settlements.
- v Encourage the use of science and technology to establish standards, guides and codes for buildings to ensure durability and integration with the building materials fabrication industry.
- vi Encourage the use of science and technology for the management, preservation and maintenance of the country's public buildings, including historic buildings and sites.

### 5.5.3.0 NATURAL RESOURCES (LAND, MINERALS, WATER ETC.)

#### (a) Objectives

- i To promote science and technology activities that would facilitate conservation and sustainable utilisation and management of natural resources (land, water, minerals, etc.) in support of national development.
- ii To harmonise the economic utilisation of mineral resources with national development interests.
- iii To promote S&T activities that would improve the quality, quantity, availability and efficient utilisation of ground and surface water.

#### (b) Strategies

- i. Support research on the development and utilisation of natural resources.
- ii. Strengthen the development of technologies that form the basis for sustainable use of natural resources.
- iii. Promote research and measures to protect and conserve biological diversity of the country.
- iv. Support research and development in identifying minerals of potential use.
- v. Encourage investigations aimed at improving clean and potable water supply systems for urban and rural areas.
- vi. Facilitate research and studies to ensure prevention or control of pollution of surface and ground water.
- vii. Take measures to ensure that at least 40% of the land area is under permanent tree cover.
- viii. Compile and constantly update the country's inventory of natural resources
- ix. Enhance the nation's forest product potential for sustainable use through:
  - Afforestation programmes;
  - Introducing through research and development fast growing timber species for plantation forestry;
  - Encouraging research and development into savannah forestry to develop
  - Technologies for rapid re-afforestation and management;
  - Developing of technologies for efficient wood processing; and
  - Promoting the development of technologies for sustainable exploitation of non-timber forest products including wildlife.
- x Encourage local/community participation in the development, management and sustainable use of renewable natural resources.

### *5.5.3.1 THE MASS MEDIA AND SCIENCE AND ACCULTURATION*

#### **(a) Objectives**

- i To involve public and private information management and mass media sector in Investment and in the promotion of a science and technology culture based on the development of an information system.
- ii To ensure that science influences the thinking of Ghanaians in their everyday activities.

#### **(b) Strategies**

- i Encourage and support efforts to sensitise the public towards the importance and role of science and technology in society.
- ii Encourage and support the promotion of science and technology literacy in order to facilitate the adoption and application of science and technology.
- iii Promote and facilitate programmes and encourage the use of the mass media in popularising science and technology and dissemination of S&T research findings.

### *5.5.3.2 BUILDING AND CONSTRUCTION*

#### **(a) Objectives**

- i To develop the necessary capacity to support the building and construction sector,
- ii Including the development of local raw materials and production equipment.
- iii To encourage the use of local proven building and construction materials in public infrastructure.
- iv To encourage the construction of buildings which combine natural lighting and ventilation in their design.

#### **(b) Strategies**

- i Support research and development of technologies for the development of the building and construction industry.
- ii Develop the necessary capability in building and construction design, management, execution and production of building and construction material and equipment.
- iii Support the popularisation of appropriate and local-specific building and construction and low-cost materials and technologies.
- iv Encourage the standardisation of building and construction materials for rationalising their use and public safety.

### *5.5.3.3 SCIENCE AND TECHNOLOGY AND NATIONAL SECURITY*

#### **(a) Objective**

Orient the country's security services to operate at the cutting edge of technology to ensure that:

- i Modern science and technology guide the operations of the national defence system;
- ii Modern crime detection and prevention are technology-led;

- iii A capacity for and encouragement of technological innovation in the military, police and other security agencies is built.

**(b) Strategies**

- i Promote science and technology in national defence systems as well as national disaster/emergency management.
- ii Encourage and support the development of science and technology for the country's security infrastructure.
- iii Establish research capability in the security services for relevant technologies.
- iv Develop a scientifically and technologically competent security service, to support national socio-economic development.
- v Enhance the teaching, research and application of science and technology in the security services.

*5.5.3.4 NUCLEAR SCIENCE AND TECHNOLOGY*

**(a) Objective**

To promote the use of nuclear science and technology in the national development process.

**(b) Strategies**

- i Develop the requisite infrastructure and human capacity for nuclear science and technology.
- ii Promote research and development in nuclear science and technology to produce results that can be commercialised for the acceleration of economic development and social transformation.
- iii Create new avenues to optimise the use of nuclear technology for the benefit of the public.

*5.5.3.5 BASIC RESEARCH*

**(a) Objective**

To promote and encourage basic research as the bedrock of scientific and technological Innovation.

**(b) Strategies**

- i Encourage and support basic research through the provision of adequate resources.
- ii Develop the requisite infrastructure for the furtherance of basic research.
- iii Create incentives for the study of basic science at undergraduate and postgraduate
- iv Levels.

## **5.6 A CULTURAL FRAMEWORK FOR SOCIO-ECONOMIC DEVELOPMENT**

### **5.6.0 CURRENT SITUATION**

Our colonial subjugation perverted our value systems and created in us a sense of inferiority and an enslaved mind, which tends to undervalue cultural heritage and identity and their relevance to our developmental goals.

The development models that we have adopted and practiced over the last three decades have been palpably exogenous and in direct conflict with the basic tenets of our national culture. The positive values of self reliance and dignity of labour, family, community and national solidarity, attitudes to nature and the environment, law and order, honesty and truthfulness, unity and peace and indeed all that promote our indigenous concept of human dignity.

Our educational system has not contributed significantly to the development and shaping of national consciousness grounded in indigenous value systems. Policy makers and technocrats, who are products of the system, have remained culturally disoriented, disconnected and indeed proved incapable of pursuing a developmental agenda that would promote an integrated and self-reliant national economy.

As a nation we have not established the relationship between culture and development. We have not established how attitudinal change obstacles can be removed or changed to facilitate economic development through productivity, material well-being and socio-economic equity.

The cumulative effect of these has been one of a crisis of self-esteem and confidence as well as a debilitating state of inertia; and the lack of recognition of the central place of culture in the developmental agenda of Ghana.

### **5.6.1 OBJECTIVES**

The main objective of developing a cultural framework for socio-economic development is to identify the values and attitudes that promote progress and ensure that they are included in our planning, policy making and implementation.

### **5.6.2 STRATEGIES**

At the institutional level; we will require an incisive look at our governance structures, effectiveness and transparency of the public sector, role of the media (all forms) in support of our core values, our educational system and the necessity to make it more responsive and relevant to our needs.

Key Policy Interventions proposed are summarized into the following categories:

- **Culture-Centered Paradigm for Development**
- **Education and Communication**
- **Institutional Change**
- **Culture based Production**

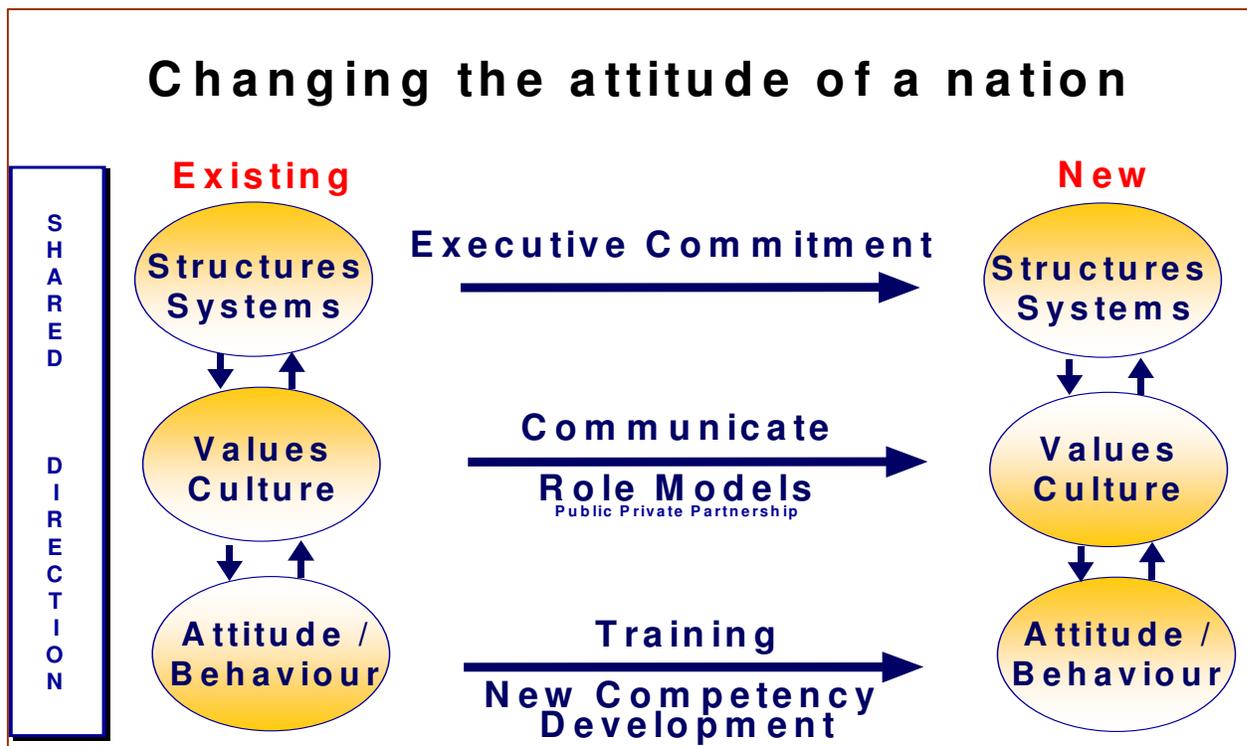
## **Culture-Centered Paradigm for Development**

- Socio cultural impact assessments will be undertaken before and after any major development interventions.
- Research will be undertaken into what interventions are required to promote cultural change that would lead to socio economic development
- Process for integrating values & attitudinal change into development policies, planning and implementation will be established.
- Systematic baseline study of cultural norms, traditions and value systems to enable us appropriately appreciate the cultural underpinnings of our peoples developmental concerns and actions will be undertaken.

## **Education and Communication**

- Policy makers will be sensitised about the place of culture in development planning.
- All policy makers and Traditional Leaders will undergo continuous training on the relevant attitudinal change required for the delivery of Ghana's economic productivity.
- Mobile cinema vans, video theatres, radio, television and press, will be used as an effective means of communicating by:
- Educational system will be reviewed to make it more responsive and relevant to our socio-cultural needs.
  - This will include the provision of a Children's Channel on Public TV to provide educational material to support the national vision. It will include programs on the history of Ghana, importance of integrity, the need for productivity, the issues surrounding corruption, positive Ghanaian role models, and governance.
- Public Subvented Officials must be seen as icons of change

- o Public service personnel, Uniformed personnel, Parliamentarians, Police, Army, Judiciary, University Dons, should use clothing with at least 50% of local input in them.



### Institutional Change

- Given that structure has a significant impact on behavior, it is important that current governance structures be reviewed and changed in the light of the challenges we face as a nation. The roles and players of all key governance entities ought to be objectively assessed to ensure that the development planning and M &E efforts of the country are focused and rationalized.
- **Corruption:** Strengthen the governance systems to become more effective in punishing people and organizations for corrupt practices with wide publicity (both locally & internationally). This will include the appointment of a “Corruption Ombudsman” to work with Independent Jurists.
- National Corruption Index will be established for all public organizations: MDAs, District Assemblies, State Owed Enterprises SOEs, publishing indexes annually.
- Establish National Productivity Index for all public organizations: MDAs, District Assemblies, SOEs, also publishing index annually.
- Traditional authorities and social groups in the community will be used as change agents, example for environmental protection, agricultural production, population management and health delivery among others.
- Decentralisation Commitment: The communities will elect District Chief Executive and majority of assemblymen, in order to create a sense of belonging to a larger community,

which will then make the grassroots more amenable to change strategies, especially with regards to removing the barriers of the present land tenure system.

### **Culture-Based Production**

- Encourage culture-based production as a vocation, occupation and industry.
- Long-term savings and capital will be mobilized using traditional methods such as SUSU and Nnoboa as already in use by large sections of the informal sector.
- All government buildings should be built through the maximum utilization of local material and cultural design.

## **5.7 PRIVATE SECTOR DEVELOPMENT**

Although the structural adjustment programme of the 1980's made significant efforts to liberalize the economy and create a stable environment for the private sector to flourish, the fragility of the economy and policy inconsistencies constrained the growth of the private sector. The stagnation of the private sector in the context of macro-economic weakness is shown by the fact that as a percentage of Gross Domestic Fixed Investment, private sector investment in Ghana dropped from 57% in 1993 to 49.7% in 1998. By contrast, middle-income countries have a Private Investment/Gross Domestic Fixed Investment ratio of 75% while the average for low and middle-income countries is 67%. Similarly, in 1999, domestic credit provided by the banking system in Ghana was 38.8% of GDP, which is significantly lower than the middle-income country average of 80.2% and low and middle-income country average of 72.2%. The state of the private sector in Ghana is also reflected by the statistics in the table below.

**Table 1: Contribution of the Private Sector in Ghana**

\*It is difficult to establish quantitatively the contribution of the private sector to national development in Ghana due to lack of data

	Ghana	Developing Countries
Private investment (as % of GDP)	13	17
Claims on private sector (annual growth as % of M2)	35.6	-
Credit to private sector (as % of GDP)	14.1	51.3
Foreign Direct Investment (net inflows as % GDP)	2.2	2.8
Foreign Direct Investment (net inflows as % of gross capital formation)	9.3	11.5
Private non-guaranteed debt (as of external debt)	3.9	21.9
Stocks trade, total value (% of GDP)	0.2	29.7

**(Source: World Bank Development Indicators Database)**

The stagnation in private sector growth can be attributed to a number of factors including macro-economic instability, market failure (e.g. as reflected in the shallow depth of the financial sector and infrastructural weaknesses), weak, non-transparent and poorly and inconsistently structured and poorly resourced institutional set up (the public service and other institutional establishments) and policy framework and firm-level technical and managerial weaknesses (including weak human and other resource mobilization and deployment system, weak technology transfer mechanism, low technical efficiencies, etc.

The technical and managerial weaknesses and failures of the Ghanaian (particularly the indigenous) private sector include excessive hierarchy, lack of research and development, poor quality and cost control mechanisms, insufficient attention to markets and ignorance of foreign markets, insufficient emphasis on training and re-training, excessive reliance on government, excessive dominance of “one-man” or family controlled business, etc.

The private sector in Ghana is also characterized by high levels of risk aversion, short termism (i.e. concentration on short term profits at the expense of long term sustainable returns) and inadequate innovativeness. This may be due to historical reasons and policy failures. It has resulted however, in private investments being directed primarily at short-term high yield sectors such as natural resource extraction and speculative ventures including real estate development to the detriment of the real productive sectors of the economy such as manufacturing. Another characteristic of the private sector in Ghana is the tendency of business associations to be reactive and organizationally shallow with an inordinate focus on lobbying to the complete neglect of market oriented programme.

### **5.7.2 OBJECTIVES**

The strategic objective is to enhance the contribution of the private sector to national economic development in general and to the achievement of the target of doubling the national income in a decade. This would be reflected in an increased contribution of the private sector to total output (GDP growth) through increased investment (expansion of existing and new investments) employment generation, contribution to domestic capital formation, infrastructural development (through public/private partnership schemes and stand alone investments in infrastructure at the firm level), increased tax contribution (deepening and widening of the tax base through corporate tax, PAYE, etc.), rural entrepreneurship and poverty reduction, etc.

### **5.7.3 STRATEGIES**

A number of interventions including policy initiatives, infrastructural developments, institutional strengthening, entrepreneurship development, and efforts aimed at reducing the cost of doing business will be undertaken to address the weaknesses that currently constrain the development of the private sector and to enhance its contribution towards the achievement of the natural goal.

## CHAPTER 6

### IMPLEMENTATION AND MONITORING

#### 6.1 Implementation Machinery

This document is basically a broad direction-setting framework that will guide development activities for the next ten years. It provides indications of what individuals and institutions want to see done. Its actualization will be the outcome of collective action from government, the private sector, civil society and others. To the extent that the government sets the pace with its development expenditures, the various ministries, departments and agencies of government become the basic units of the implementing machinery. They will implement the policy framework by undertaking specific programmes determined by their mandates and in conformity with the objectives and strategies embodied in this policy framework document.

With this understanding, the medium-term expenditure framework (MTEF) and the annual budgets of Government will be the principal tools for implementing all public projects that emanate from the subsequent development plans. This implies that implementation is the shared responsibility of all public agencies drawing from the budget. The private sector and civil society are expected to go into partnership with the public bodies to implement the plans.

##### 6.1.1 Role of National Development Planning Commission

The National Development Planning Commission (NDPC) is the central co-ordinating unit for decentralised planning as contained in Act 479. Its task is mainly to guide central government on national development goals, based on information it gathers from district and regional level units that are expected to report to it. It has the task of preparing comprehensive plans that integrate and harmonise all sub-national (district) plans. It is also responsible for the synthesis of all policy proposals into an integrated framework for national economic, social and spatial development.

For the implementation of this policy framework, NDPC will continue to play the role of co-ordinator as outlined in Act 479. It will do this by assisting all MDAs to develop plans, based on this policy framework document. The plans will be expected to be designed to achieve the broad goals outlined in this document and as much as possible follow the strategies agreed upon.

Based on the medium term plans that will be prepared by the various MDAs, NDPC will integrate all the plans into a comprehensive development plan for the nation. In addition to co-ordinating the development of action plans by MDAs, it will develop with the MDAs various monitoring and evaluation arrangements that permit regular assessment of progress. This will largely be done through liaison with the Policy Planning, Monitoring and Evaluation Departments of each of the ministries.

### **6.1.2 Role of the MDAs**

It is to be recognised that a sector ministry represents each area of the economy to which the policy document is directed at. The activities of the ministry will be developed and carried out by departments and other public agencies that report to it. At the lower level of districts, where most of the development project activities will take place, District Assemblies are crucial. These, together, constitute the MDAs that will oversee the implementation of this policy framework.

Working through the PPME, each MDA will develop a medium-term plan and a set of project activities in line with this policy framework. The PPME will also set up an adequate statistical system for the MDA, develop specific planning and monitoring indicators for all the projects that will ensue and use the indicators to monitor progress of work throughout the plan period. Each MDA is required to use its PPME to co-ordinate the activities of the institution, for the purpose of achieving the goal of doubling the national income in a decade. The PPME will also co-ordinate the MDAs' activities with other MDAs and report on these regularly to NDPC for central co-ordination.

### **6.1.3 Role of District Planning Co-ordinating Units**

Both the Local Government and Planning Laws emphasise the adoption of the "administrative district" as the focal point of planning activity. While the preparation of a national development plan is the responsibility of NDPC, the responsibility for sub-national development planning is vested in District Assemblies operating through their Executive Committees and the District Planning Co-ordinating Unit (DPCU). District Assemblies are responsible for the overall development of the District and to ensure the preparation and submission to the Government for approval of the Development Plan and budget for the District.

### **6.1.4 Role of the Private Sector**

The private sector has been described as the engine of growth for long without significant initiatives to make this real. Under the current initiative, beyond the traditional role of the private sector in the manufacturing, agricultural and services sectors, the private sector would be encouraged to widen the scope of its activities to include the modernisation of agriculture, the provision of social and technical infrastructure, and greater participation in technology development. The approach of public-private partnerships will be the main strategy for enhancing private sector participation.

### **6.1.5 Role of Civil Society**

There is certainly abundant evidence that without civil society involvement in the management of development initiatives, there is greater difficulty in garnering communities to participate meaningfully in such initiatives. Civil society thrives best when it acts as partner to the public and private sectors. Its traditional role of providing information to development planners on the needs of communities and other groups has seen considerable expansion to include the implementation of development programmes, particularly where public projects are missing. One area where this has been most prominent is the provision of water and sanitation facilities by NGOs. The involvement of religious groups in education and health has been very important to

this economy and society. In a few instances, however, the uncoordinated presence of both public and civil society organisations has led to considerable duplication of facilities when other equally needy areas are not served.

We will encourage civil society organisations to coordinate their activities with District Assemblies in the preparation of their medium term plans. Civil society will be active partners in the preparation of such plans, helping to identify the development problems of areas, determination of objectives and the formulation of strategies in accordance with this policy framework. Consequently all the development projects of civil society bodies, including NGOs and religious bodies, should be managed so that they lead to the attainment of the ideals and goals of this policy framework document.

## **6.2 Monitoring and Evaluation System**

For the purpose of monitoring and evaluating the implementation of the plans that will ensue, it is the responsibility of NDPC to ensure that the development plans of all MDAs are intended to achieve the goals and objectives of this policy framework.

NDPC will design an appropriate assessment format for all MDAs, the objective of which exercise is to ascertain the extent to which the contents and implementation arrangements of development plans satisfy the requirements of this policy framework and other government initiatives to achieve complementary objectives.