WHAT FACTORS HAVE INFLUENCED ECONOMIC GROWTH IN GHANA?

by

Kwabena A. Anaman

1. INTRODUCTION

Ghana was the first country in Sub-Saharan Africa to gain political independence from European colonial powers in the 20th Century. Political independence was achieved on the 6th of March 1957. However self-government with a local Ghanaian Prime Minister was installed by the British Colonial Government in 1951 after a period of agitation by local leaders after the Second World War. The period from 1951 to 1956 and from 1957 to February 1966 was under the leadership of Dr. K warne Nkrumah and the Convention People's Party (CPP). CPP swept to power in three national elections organised by the British Colonial Government in 1951, 1954 and 1956 and two subsequent elections after independence in 1960 and 1964. From 1951 to 1966, Ghana underwent major economic transformation and development with the setting up of numerous schools and rapid improvement of transport infrastructure and the establishment of the port city of Tema, 15 kilometres outside Accra, the capital city of Ghana. The development of the Akosombo hydroelectric dam, which was to be cornerstone of the country’s industrialisation, was completed in January 1966. Modest industrialisation based on import substitution was the core government economic strategy.

From 1966 to 1981, the country underwent continuous periods of political instability. A succession of four military coups overthrew three elected civilian governments and one military government. The two elected civilian governments both had exactly 27 months of tenure, from October 1969 to January 1972 and from September 1979 to December 1981, respectively. The military coup on the 31st of December 1981 ended the third experiment with multi-party elected civilian governments. The coup established the Provisional National Defence Council (PNDC) under Flight Lieutenant Jerry Rawlings to oversee the administration of the country. The years, 1982 and 1983, were largely politically unstable with many attempted coups. The year, 1984 marked the beginning of a 23-year period of new political stability up to the current year (2006). The military government that came to power at the end of 1981 effectively
consolidated power starting in 1984 which also saw the country recover from the major drought of 1983. From mid-1983 to 1991, the new military government sought assistance from the IMF and the World Bank for a major or structural adjustment programme which sought to liberalise the economy and increase investment. The structural adjustment programme was modestly successful with increase in growth rates due to increases in total investment even though it led to increased poverty especially among the lower and middle classes.

Currently the economy is growing between 5 to 6%. Due to power rationing and energy shortages resulting from the low water level of the Akosombo Dam, which supplies 60% of the energy requirements of the country, since September 2006, it is likely that economic growth will be significantly affected in the short-term period. The current government aims to raise annual economic growth rate to 8% and higher in the medium-term period based on its new strategy called the Growth and Poverty Reduction Strategy, 2006-2009 (Government of Ghana, 2006). It also aims to lift Ghana to a middle-income country by 2015 based on the achievement of a per capita income of US$1,000 from the low level of US$380 per capita in 2005 (Government of Ghana, 2005). An increase of per capita income by 163% is expected to be achieved in just nine years.

In the light of the above discussion, it is important to identify the major factors that have significantly influenced long-run economic growth. This effort can be useful to policy makers on the choice of strategies to accelerate economic growth given the unique historical and economic conditions of Ghana. The main objective of this study was to determine the factors influencing the long-run economic growth rate in Ghana using a neo-classical econometric growth model.

Overview of Economic Structure of Ghana Since Independence

Table 1 shows the average sizes of selected macroeconomic indicators for Ghana over the 1957 to 2005 period. The economy of Ghana could be described as largely mixed with relatively modest government size as measured by total government expenditures to GDP ratio. The need to maintain the mixed nature of the economy of Ghana, with a modestly strong State and vibrant private sector, was explicitly recognised as far back as 1963 with the introduction of the Seven-Year Development Plan (1963-70) of the Government of Ghana in the CPP era (refer to the foreword of the 1963-70 Seven-Year Plan document). The average government size from 1965 to 2005 was 18.1%. Under the socialist-oriented government of the CPP Dr. Nkrumah, government size was just 25%. This was much lower than the 30% recorded for the United States and over 50% for Sweden and other Scandinavian (welfare state) countries over the last 30 years. During the 1990s, government size in Ghana averaged only 19.8% compared to government sizes of 50.0% for Brunei, 28.6% for Bahrain, 23.8% for Malaysia, 36.0% for Oman, 19.0% for the Philippines and 17.6% for Singapore as reported by Anaman (2004).

An important characteristic of the economy of Ghana since independence has been the generally declining per capita GDP. With a fast increasing population, the growth of GDP has not been enough to meet the needs of the population. The population of Ghana was reckoned to be about 21 million in 2006. The per capita GDP of Ghana in 1960 was higher than the newly industrialised country of South Korea. In 1960, the per capita GDP
of Ghana was 198.6 United States dollars (US$) as compared to US$151.4 for South Korea. These estimates are based on data from International Financial Statistics Yearbook issues from 1989 to 2005. During the 1957-1965 period, the average growth rate of real GDP of Ghana was about 4.62% (refer to Table 1). The average growth rate of real GDP of South Korea during 1960 to 1965 period was modestly higher at 6.1%. However the real GDP of South Korea grew throughout the 1960s to the present date at the fast pace of 6% or more, while Ghana entered into the period of political instability from 1966 to 1983 until the emergence of the new period of political stability starting in 1984 when average growth rates began to stay around 4% over five-year periods.

Economic growth was moderate in the first post-independence period under Dr. Nkrumah and the CPP. Average annual growth rate was 4.62% during this period. This average rate dropped to 0.33% during the instability period from 1966 to 1983. The major structural adjustment programme contributed to reversing the growth rate. Average growth rate during the 1984 to 2000 period was 4.44% (refer to Table 1). During this period, economic growth returned to the rates observed during Nkrumah and CPP era. As can be observed in Table 2, the overall economic growth rate since independence calculated from 1958 to 2005, (3.0%) had been just about the size of population growth rate (2.8%) suggesting a per capita economic growth rate of about 0.2%. The low per capita economic growth rate could be attributed to low labour productivity, low level of government investment and relatively low total investment/GDP ratio. The politically unstable period from 1966 to 1983 was especially marked by low levels of investment.

Over the 1957 to 2004 period, inflation averaged 28.5% in Ghana. However it was relatively low during the NkrumahJCPP 1957 to 1965 era with annual inflation of only 7.8% compared to 39.9%, 27.8% and 21.8% for the 1966 to 1983, 1984 to 2000 and 2001 to 2004 periods respectively. Nevertheless, the inflation rate was modestly high at 13.6% and 26.3% in 1964 and 1965 respectively, during the last two years of NkrumahJCPP rule. The inflation rate was highest for the years, 1977 and 1983, the rate was 111.1% and 121.7% for those two years respectively. Those two years were also the worst in terms of drought. Agricultural production was at its lowest in the annals of the country's history leading to political unrest and several attempted coups.

The economy of Ghana has traditionally been dependent on the export of cocoa and minerals especially gold. Export of cocoa beans has accounted for about 54.5% of total exports over the 1957 to 1997 period (refer to Table 1). This proportion had declined in recent years with cocoa only accounting for about 38.6% of total exports during the 1984 to 2000 period. The decline in the contribution of cocoa has been due to the increased prominence of gold and other minerals as export items. However the export section is still largely dependent on cocoa, gold and timber. The growth rates of several major macroeconomic indicators are summarized over the 1957 to 2005 period in Table 2. Exports grew at a constant annual rate of only 0.36% during the 1957 to 1997 period; however over the 1984 to 1997 period, exports grew at annual rate of 10.71%.
Table 1: Average Sizes of Selected Macroeconomic Indicators for Ghana Over the 1957 to 2005 Period.

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<tbody>
<tr>
<td>Relative Government Size</td>
<td>Measured as Government Spending Divided by GDP</td>
<td>18.13%</td>
<td>25.31%**</td>
<td>17.22%</td>
<td>18.01%</td>
<td>20.43%</td>
</tr>
<tr>
<td>Total Investment-GDP Ratio</td>
<td></td>
<td>14.01%</td>
<td>18.61%</td>
<td>9.27%</td>
<td>16.59%</td>
<td>NA</td>
</tr>
<tr>
<td>Private Investment-GDP Ratio</td>
<td></td>
<td>6.41%*</td>
<td>7.29%**</td>
<td>3.48%</td>
<td>10.11%*</td>
<td>NA</td>
</tr>
<tr>
<td>Government Investment-GDP Ratio</td>
<td></td>
<td>5.41%*</td>
<td>10.85%**</td>
<td>5.42%</td>
<td>5.06%*</td>
<td>NA</td>
</tr>
<tr>
<td>Annual Growth Rate of Real GDP</td>
<td></td>
<td>3.0%</td>
<td>4.62%</td>
<td>0.33%</td>
<td>4.41%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Size of Real GDP in Constant 2000 Million US Dollars</td>
<td></td>
<td>6740.0</td>
<td>4285.6</td>
<td>5740.9</td>
<td>7501.0</td>
<td>11752.5</td>
</tr>
<tr>
<td>Size of Population in Millions</td>
<td></td>
<td>12.4</td>
<td>6.9</td>
<td>9.7</td>
<td>15.4</td>
<td>21.0</td>
</tr>
<tr>
<td>Real GDP Per Capita in 2000 Constant US Dollars</td>
<td></td>
<td>543.06</td>
<td>621.1</td>
<td>591.8</td>
<td>481.2</td>
<td>559.6</td>
</tr>
<tr>
<td>Annual Inflation Rate</td>
<td></td>
<td>28.5%</td>
<td>7.84%</td>
<td>39.88%</td>
<td>27.78%</td>
<td>21.75%</td>
</tr>
<tr>
<td>Cocoa Beans Exports as Proportion of Total Exports of Goods</td>
<td></td>
<td>54.5%</td>
<td>58.9%</td>
<td>67.3%</td>
<td>38.6%</td>
<td>NA</td>
</tr>
</tbody>
</table>

Notes:
* Data available from 1965 to 1997
** denotes data available for only 1965.
NA denotes not available.

Source: Statistical analysis conducted with data from the International Financial Statistics Yearbook issues from 1986 to 2005 published by the International Monetary Fund, Washington, D.C., United States. Data from most recent issues were used for the economic variables.
Table 2: Estimated Annual Constant Compound Growth Rates of 12 Selected Macroeconomic Variables for Ghana Since Political Independence, From 1957 to 2005, Expressed in Percentages Based on Real Values and Estimated Using the Semi-logarithmic Function.

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<tr>
<td>Real GDP</td>
<td>2.08</td>
<td>4.46</td>
<td>0.82</td>
<td>4.46</td>
<td>5.46</td>
</tr>
<tr>
<td>Inflation</td>
<td>3.39</td>
<td>0.50</td>
<td>19.57</td>
<td>-0.97</td>
<td>-20.44</td>
</tr>
<tr>
<td>Population</td>
<td>2.77</td>
<td>2.49</td>
<td>2.38</td>
<td>3.12</td>
<td>2.17</td>
</tr>
<tr>
<td>Labour Productivity</td>
<td>-0.85</td>
<td>-1.03</td>
<td>-1.61</td>
<td>1.35</td>
<td>NA</td>
</tr>
<tr>
<td>Private Consumption</td>
<td>1.71</td>
<td>3.85</td>
<td>1.96</td>
<td>3.76</td>
<td>NA</td>
</tr>
<tr>
<td>Government Consumption</td>
<td>1.45</td>
<td>10.01</td>
<td>-3.23</td>
<td>8.16</td>
<td>NA</td>
</tr>
<tr>
<td>Exports</td>
<td>2.45</td>
<td>-3.07</td>
<td>-10.22</td>
<td>12.13</td>
<td>1.91</td>
</tr>
<tr>
<td>Imports</td>
<td>3.60</td>
<td>1.24</td>
<td>-9.66</td>
<td>14.96</td>
<td>0.51</td>
</tr>
<tr>
<td>Total Investment</td>
<td>2.59</td>
<td>6.52</td>
<td>-5.95</td>
<td>12.79</td>
<td>NA -</td>
</tr>
<tr>
<td>Private Investment</td>
<td>5.28</td>
<td>-</td>
<td>-3.99</td>
<td>13.70</td>
<td>NA</td>
</tr>
<tr>
<td>Government Investment</td>
<td>0.03</td>
<td>-</td>
<td>-3.96</td>
<td>15.53</td>
<td>NA</td>
</tr>
<tr>
<td>Government Revenues</td>
<td>1.72</td>
<td>-</td>
<td>-6.80</td>
<td>10.02</td>
<td>NA</td>
</tr>
<tr>
<td>Government Expenditures</td>
<td>2.29</td>
<td>-</td>
<td>-3.68</td>
<td>10.42</td>
<td>-8.17</td>
</tr>
</tbody>
</table>

NA denotes not available

Source: Statistical analysis conducted with data from the International Financial Statistics Yearbook issues from 1986 to 2005 published by the International Monetary Fund, Washington, D.C., United States. Data from most recent issues were used for the economic variables.
2. LITERATURE REVIEW

The traditional growth accounting approach based on aggregate production function originally developed by Solow (1956) is a common method for analysing factors that determine economic growth of countries. The historical development of economic growth models has been reported by Barro (1997) and also reviewed by Rogers (2003). This analysis has encompassed both neoclassical growth models initially developed by Solow (1956) and endogenous growth models originally developed by Romer (1986) and Rebelo (1991). Endogenous models have been expanded to incorporate human capital and schooling, knowledge spillovers and the quality of institutions. These extensions are discussed by Rogers (2003).

A major finding of the report by the World Bank (1993) was that most of the growth in East Asia was due to the accumulation of human capital suggesting the importance of productivity growth in increasing economic growth. The study by the World Bank indicates rapid economic growth rates of several East Asian countries. The evidence of rapid growth rates for East Asia is supported by findings from other research studies (see for example Drysdale and Huang, 1997). However there has been considerable debate as to whether the high growth rates of East Asian countries has been due to productivity growth or due to the accumulation of physical capital. Krugman (1994) suggests that the rapid growth rates of East Asian economies was largely driven by capital accumulation and not productivity growth as indicated by World Bank (1993) and Drysdale and Huang (1997).

The relationship between government size and economic growth has been extensively studied. Karras (2001) suggests that government activities may accelerate or hinder economic growth. This depends on the net impact of the activities. The negative impact of government size on economic growth is due to the inefficiency of government, excess tax burden and the distortions of market-based incentive system as government becomes relatively larger. The positive impact of government is largely due to the correction of various forms of market failures, the development of physical infrastructure and the establishment of a legal administrative system necessary for the economy to function (Ghali, 1998). Some literature suggest that increasing government size often negatively affects economic growth especially for developing countries (Barro, 1991; Guseh, 1997) but may also increase economic growth. Recent literature indicates that government size may affect economic growth in a cubic fashion. As shown empirically by Anaman (2004) for Brunei, relatively small sizes of government hamper economic growth, moderate government sizes enhance economic growth and very large government sizes stifle economic growth. The evidence of Anaman (2004) for Brunei has been corroborated by new findings for 14 countries in Eastern Europe based on panel data analysis covering the period, 1994 to 2001 (refer to Kustepeli, 2005). The relationship between government size and economic growth is also investigated in this study for Ghana.

In a developing country context, the effectiveness of foreign aid to increase economic growth and development has been researched (see for example, the analysis for Ghana as reported by Lloyd et al., 2001). Foreign aid is supposed to enhance economic growth partly through increased government financing that allows the
expansion of government investment (Hansen and Tarp, 2000). Foreign aid has been justified because the recipient countries have insufficient savings and/or inadequate export earnings. The foreign aid effectiveness debate has revolved around the argument that foreign aid is only effective given the establishment of good government policies (World Bank, 1998). A contrasting view has been advanced by other researchers that good policies are not necessary for effectiveness of foreign aid. Another view is that it is actually political stability that is the key catalyst for advancing economic growth (Gounder, 1999). Political stability is essential for the formulation and implementation of any policy and is therefore the basic underlying driver of economic growth. Thus in the presence of political stability, economic growth may be enhanced regardless of the actual source of additional investment generated by the country (either domestic savings or foreign aid).

This brings to light another view of economic growth that emphasises the "luck" element or random factors in the advancement of growth. It is asserted by some authors that random factors (luck) are important determinants of economic growth as indicated by large intertemporal variation in growth rates among many developing countries (Easterly et al., 1993; Rogers, 2003). Expounding from this view, it can be argued that some developing countries might have good economic policies but might have been unlucky to have been caught up by external pressures such as the Cold War rivalry of super powers as happened to several African countries during the Cold War era from 1950 to 1990.

Further some countries simply registered negative or low economic growth rates because they were invaded by stronger neighbours such as Kuwait being invaded by Iraq in 1990. Kuwait had negative or low economic growth rates throughout the 1990s. While East Asian countries have exhibited strong economic growth rates over the last 30 years, a major element has been the luck or random factor due to the alignment of these countries with the major Western countries during the Cold War era and the geographical closeness of these countries to Japan which invested heavily in those countries. The evidence from East Asia suggests that most of these high-growth countries were not necessarily democratic but essentially one party states (for example, Indonesia under Suharto where over one and half million alleged communist activists were killed in the mid-1960s with little complaint from Western countries). Countries such as Malaysia, Singapore, Taiwan, and South Korea have been or were essentially one-party states or guided democracies, for most part of the period that their economies exhibited strong economic growth rates.

3. METHODOLOGY

The neoclassical economic growth model used in the study allows for the incorporation of political stability, temporary shocks such as very high energy prices and impact of government size on growth. This model is based on the concept of an aggregate production function of the whole economy. Output of the economy is measured by real GDP at a point in time t (RGDP). This output is a function of total capital inputs (K) and labor (L) at time t. The aggregate production function is denoted below.

\[ GROWTH_t = B_0 + B_1 \text{GOVSIZ}_t + B_2 \text{GOVSIZ}^2_t + B_3 \text{GTEXPORT}_t + \]
B4GTLABOU + B5GTCAPITAL + B6STABLEP + B7ENERGYS - U,

Where GROWTH, is the annual growth of RGDP in time t;

GOVSIZ, is government size in time t;

GOVSIZ2 is the square of GOVSIZ;

GTEXPORT is the annual growth rate of the real value of total exports;

GTLABOUR is the annual growth rate of total labor force;

GTCAPITAL is the annual growth rate of total human-made capital and

Ut is the error term.

Total investment/GDP ratio was used to approximate the annual growth of human-made capital (GTCAPITAL). The economic growth function was estimated using multiple regression techniques based on available data from 1966 to 2000. Data on investment were not available from 2001 to 2005. Government size data were not available before 1965. The data used for the analysis were sourced from the International Financial Statistics published by the International Monetary Fund and the Ghana Statistical Service.

4. RESULTS

The results showed that long run economic growth was positively influenced by political stability. The world oil price shocks of the mid-1970s and early 1980s led to reduced economic growth. Government size influenced economic growth in quadratic equation fashion with increasing government size resulting in increasing growth until a point is reached beyond which growth would actually fall with increasing government size. Growth of exports strongly affected economic growth. However increase in total investment-GDP ratio did not significantly affect long-run economic growth though the expected positive relationship between the two variables was captured by the analysis. Growth of labour did not influence economic growth suggesting insignificant marginal labour productivity at the aggregate level. Short-run economic growth was mainly influenced by political stability.

5. POLICY RECOMMENDATIONS

Economic growth rate over the last five years, from 2001 to 2005, (beyond the years used for the econometric analysis of this study) has averaged about 5.2%. This moderately high growth rate has been driven by a number of factors. These include prudent macroeconomic management partly the result of the establishment of the law that gives the Central Bank (Bank of Ghana) independence from the Executive Branch in 2002. Prudent macroeconomic management has led to substantial reduction in the inflation rate. Average annual inflation rate fell from 32.9% in 2001 to 11.0% in 2006. Other factors that have influenced growth rates for the 2001 to 2005 period are relatively high export commodity prices, good weather and high amounts of donor funds that the country has attracted including monies available to the government through the total cancellation of all Ghana's multilateral debts owed to World Bank, IMF and African Development Bank. Several of these factors such as high international commodity prices and good weather are positive random shocks modestly offset by high world oil prices.
Another major factor that appears to have contributed to the current moderately high growth rates is the high investment-GDP ratios from 1993 to 2000. The average total investment-GDP ratio was 22.7% over the 1993-2000 period. This high level of investment increased substantially the total capital stock of the economy from 1992 to 2000. Thus the new civilian government which took power in January 2001 inherited from its civilian predecessor, political stability and an economy that has been revamped with high levels of investments. However this government also inherited an economy with moderately high average annual inflation rate of about 25% in 2000 which it has gradually lowered to the current rate of 11% in 2006. Overall the short to medium-term economic growth prospect of Ghana depends critically on the resolution of the current energy rationing, due to the low water at the Akosombo Dam, which has significantly reduced the production capacity of industries such as cement production and mining.

Several policy recommendations can be derived from this study. First, political stability is clearly shown to be a key factor influencing long-run economic growth. Therefore the new political stability currently being enjoyed in Ghana with the maturing and development of democratic institutions through elections should be protected and enhanced. The intervention by the military in the government business as happened four times during the 1966 to 1983 period should be a thing of the past. Successful multi-party democracy in Ghana, as elsewhere around the world, for example in India, implies extensive decentralisation and effective local government, and the emergence of viable parties other than the two main parties. The continuous rift between the two main parties in Ghana (NPP and NDC) resembles situations in parts of Asia such as Bangladesh, Pakistan, Philippines and Thailand. These latter countries have similar chequered political history such as Ghana. Over the last five years, these four countries have all experienced various forms of military intervention after initial smooth transition to multi-party democratic rule mainly due to bitter and intense rivalry between the two main political parties/groups in those countries. The entrenchment of political stability in Ghana requires the deepening and broadening of multi-party democratic governance based on the emergence of viable third political parties through political reform such as financing of political parties to break the quasi two-party political system with its underlying tensions, stresses and proneness to violence. Both major political parties acquired their current status partly through the use of the power of political incumbency.

The ruling NPP, in its 2000 Election Manifesto enshrined deeper and extensive decentralisation, the direct election of District Chief Executives and State financing of registered political parties as some of the core activities that it would implement if it were elected by the people of Ghana. Since December 2000, the Ghanaian voting public has twice elected the NPP in both Presidential and Parliamentary Elections. With exactly two years left for new national elections to be held in December 2008, the coming year (2007) should be the start of an intensive programme by the NPP for the effective implementation of extensive decentralisation and financing of political parties outlined in its 2000 Election Manifesto. Efforts also need to be made by civil society groups in Ghana to improve the working relationship between leaders of the
Second, growth of exports is clearly linked to long-run economic growth. The composition of exports in Ghana has largely been made up of primary products whose prices are under the vagaries of international commodity markets characterised by unstable and declining real prices. While export of primary products in Ghana has diversified with the production of more mineral products to reduce the dependence on cocoa, it is imperative that the export base be expanded to include more manufacturing and services. The government should continue to pursue concerted actions to diversify the export base of the country even in the current period of high commodity prices.

Third, while the macroeconomic stability of recent years is commendable, it is apparent that macroeconomic stability is not adequate for economic development if it does not translate into the pockets of people especially through increased employment. There is a need for more government investment in the establishment of labour-intensive public works to accelerate economic growth and reduce unemployment. Possible candidates for such public works include the development of a rail network to serve the Accra- Tema area and adjoining towns of 60 kilometres radius such as Aburi, Winneba and Dodowa. Such an investment is likely to reduce the perennial congestion in Accra, allow many students attending schools and universities in the Accra- Tema area to live further away from their schools and travel by train to school each day as is done routinely in many countries around the world. An intra city rail network will also create many jobs especially around the nodal points and reduce the pollution resulting from the use of an increasing number of cars. It is important to emphasise that such public projects must be assessed as economically viable before their implementation in order to achieve sustainable growth.

Fourth, the government strategy of using agriculture, tourism and information and communication technology as the main drivers of growth to allow Ghana to reach middle-income status by 2015 as outlined in its Growth and Poverty Reduction Strategy document (Government of Ghana, 2006) may not be prudent. It is important to look for other growth drivers such as the construction industry. As shown by Anaman and Osei-Amponsah (2006), the growth of the construction industry precedes the growth of gross domestic product in Ghana suggesting the possibility of using the construction industry as a major driver of growth. The desire to make investment to have more significant impact on economic growth may need to involve the coordination of productive sectors of the economy with programmes that expand physical infrastructure such as roads, electricity and water. For example, in the rural areas that account for about half of Ghana’s GDP, the development of rural roads, electricity and water supply should be linked with the development of modern multi-purpose farmers’ and village market centres with modern amenities such as pipe borne water, water closet toilet facilities, electricity and cold stores, that together can act as a driver that accelerates the production of rural goods and services and creates increased employment for the youth.

Fifth, the problem of low labour productivity needs to be addressed. The government needs to devote more resources to enhance non-formal education with strong emphasis on basic literacy and skills
training. The reform of the pre-university educational system scheduled to start in 2007 is in the right direction. However more resources need to be devoted to expanding technical and vocational education. The improvement of low labour productivity, especially in the public sector, can be achieved through some modest cultural reform. Reform is part and parcel of every human being and every society. Just like the evolutionary processes of biological organisms (including human beings), reforms are a permanent feature of human societies. A major area of current concern in Ghana is the large amounts of money spent on funerals which are disproportional compared to the low per capita GDP of the country. Related to expensive funerals is the large amounts of lost labour time due to absenteeism, early departures from offices and late arrivals to work due to attendance of funerals. These clearly affect labour productivity. Labour productivity, in both the private and public sectors, is also affected by the severe road congestion in the major cities of the country. This congestion also leads to considerable lost labour time due to late arrivals to work.

Sixth, the very high income inequality between the three northern regions (Northern, Upper East and Upper West Regions) and the rest of the country needs to be urgently addressed by the government. For all the major indicators of human welfare enshrined in the Millenium Development Goals of the United Nations set to be achieved by 2015, the three northern regions fare badly. Annual economic growth in the three northern regions is thought to be less than one percent. If growth in these regions were to increase modestly, it would enhance the chance of Ghana becoming a middle-
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REFERENCES


