Chapter 1

Overview: Global Economic Developments and Ghana's Economic Performance

Introduction

Ghana's record high GDP growth of 14.0% in 2011 (IMF, 2015a) could not be sustained in the subsequent years. For the first time since at least the last half-decade, the country's growth in 2014 of 4.2% has fallen below the Sub–Saharan African (SSA) average of 5.0% (IMF, 2015a). Furthermore, the 4.2% growth rate is against the target of 7.1% (GSS, 2015), and is much lower than the rate of 7.3% in 2013. There is, moreover, an indication that the positive effect of the oil find on Ghana's growth has petered out, with the non-oil growth rate at 4.1% in 2014, as compared with the 4.2% overall growth rate. In contrast, the respective overall and non-oil growth rates were farther apart in previous years: 7.3% and 6.7% in 2013, 8.0% and 7.3% in 2012 and 14.0% and 8.4% in 2011 (IMF, 2015a).

The inability of the Ghanaian economy to sustain its growth momentum is an issue of concern, however, falling growth rates are not exclusive to Ghana. In fact, even though advanced economies appear to be emerging from their economic doldrums, the world economy generally continues to suffer from the global economic and financial crisis with far–reaching consequences, especially for emerging and middle–income economies. The Middle East continues to be the most unstable region geopolitically as the world emerges from the financial and economic crisis. The global economic and financial crisis, together with rising social inequality and economic imbalances, may be reducing the potential gains from globalisation. Generally, though, developing countries seem to be adjusting slowly toward focusing on internal mechanisms for improving their economic conditions, rather than on international institutions and global powers for their economic growth and sustainability (IMF, 2014a).

Global Economic Performance

Ghana's continued falling growth appears to be in contrast with that of the global economy, which actually improved slightly from 3.0% in 2013 to 3.4% in 2014 (Figure 1.1). However, this improvement is attributable mainly to the increased growth in the advanced economies relative to the previous year, from 1.4% in 2013 to 1.8% in 2014, with the EU exhibiting a stronger growth of 1.4% in 2014, compared with 0.1% in 2013. In contrast, the growth of Emerging Market and Developing Economies declined from 5.0% in 2013 to 4.6% in 2014, with Latin America and the Caribbean in particular suffering a substantial growth decline to 1.3% in 2014, from 2.9% in the previous year. Meanwhile, the growth rate of Emerging and Developing Asia fell slightly from 7.0% in 2013 to 6.8% in 2014 (Figure 1.2).

Figure 1.1: World Output Growth, 2006 – 2014

Source: IMF, 2015b

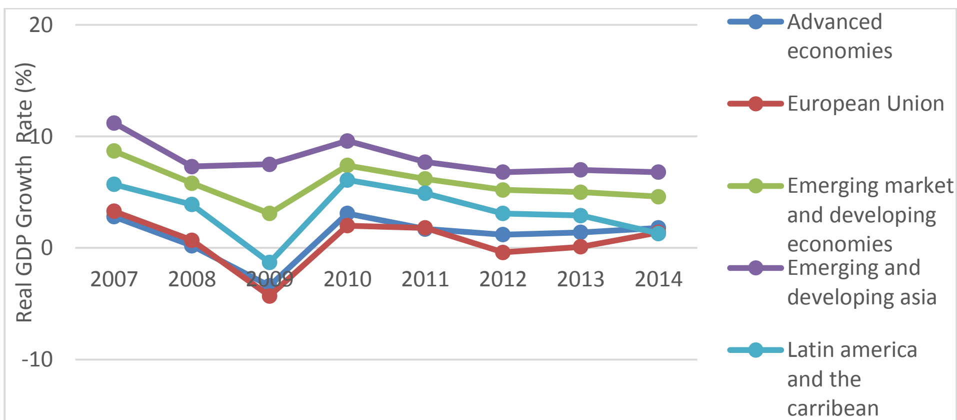
The declining prices of oil in 2014 have helped improve the recovery of the global economy generally. Correspondingly, net oil-importing countries have gained, while net oil-exporting countries have been on the losing end (IMF, 2015b). Overall, global growth is projected to be 3.5% and 3.8% in 2015 and 2016 respectively (IMF, 2014b).

From a medium-term perspective, growth rates of most regions of the world have continued to trend downward since 2010, including Emerging and Developing Asia, and Latin America and the Caribbean (Figure 1.2). The EU as a region appears to have been recovering in 2013 and 2014, however, following a steep growth decline of 2.0 percentage points between 2011 and 2012. The EU growth rate rose slightly from -0.3% in 2012 to 0.2% in 2013, and then appreciably to 1.4% in 2014. The EU's growth picked up in the fourth quarter, the result of positive net exports and increases in consumption expenditures, following rather weak growth in the first three quarters in 2014 (IMF, 2015b). That growth in the advanced economies is projected to increase further from 1.8% in 2014 to 2.4% in 2015 (IMF, 2014b); this should bode well for Sub-Saharan African countries generally, which have substantial shares of their exports destined for these economies, and for Ghana in particular.

Since 2010, growth performance in emerging markets and developing economies has continued to trend downwards, declining from 7.4% in 2010 to 6.2%, 5.2%, 5.0% and 4.6% in 2011, 2012, 2013 and 2014, respectively. Large emerging market economies such as Brazil, Russia, South Africa and Turkey continue to experience declining growth rates attributed to domestic policy weaknesses, tight domestic and external financial conditions, declining oil prices, as well as investment and supply constraints. For instance, Brazil experienced a rapid decline in growth, from 2.7% in 2013 to 0.1% in 2014 and is even projected to fall further to -1.0% in 2015. This is a worrying scenario, as these economies enjoyed rapid growth rates prior to the global economic meltdown in 2008, and had managed to recover rapidly by 2010 (IMF, 2015b).

Emerging and Developing Asia (EDA) has also continued the downward slide in its growth since the post-crisis rebound rate of 9.6% in 2010. The falling growth of the region is largely attributed to the low growth performance of China and India, though India's growth has picked up, increasing from 5.1% in 2012 to 6.9% and 7.2% in 2013 and 2014 respectively. The growth of the Indian economy is projected to increase further to 7.5% in 2015. In contrast, China's growth rate fell from 7.8% in 2013 to 7.4% in 2014, and is projected to fall further to 6.8% and 6.3% in 2015 and 2016 respectively. China's growth slowdown may be particularly troubling for African economies, Ghana inclusive, given the current importance of China's trade with these economies (IMF, 2015b).

Figure 1.2: Trends in Growth Performance of Regions of the World, 2007 - 2014



Source: IMF, 2015b

World Employment Trends

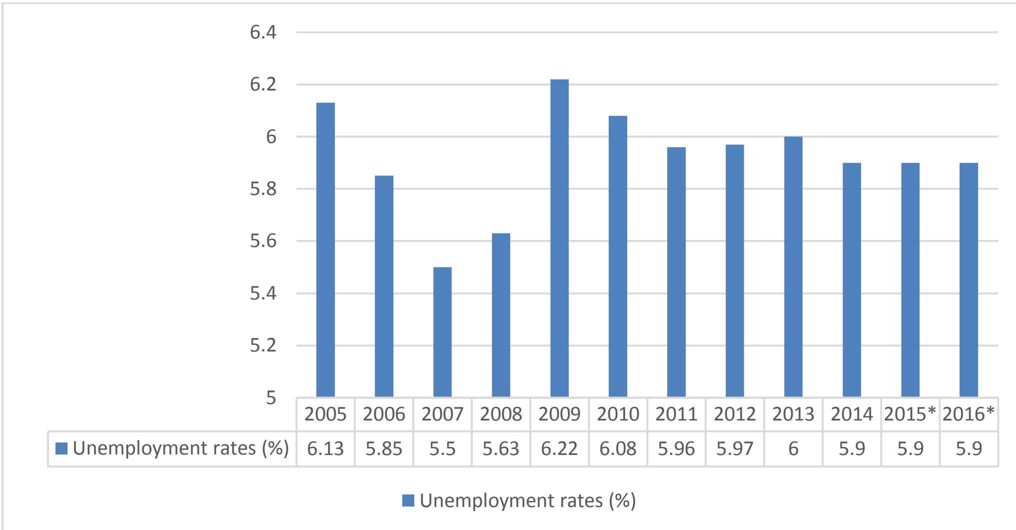
The weak global economic recovery has largely failed to improve employment levels in the wake of the financial and economic crisis. However, the global unemployment rate decreased slightly from 6.0% in 2013 to 5.9% in 2014, which is well above the pre-economic-crisis 2007 rate of 5.5% (Figure 1.3). There would have been more than 61 million jobs generated in 2014 were it not for the impact of the global financial crisis. Indeed, global unemployment has increased by 31 million since 2007 (ILO, 2015).

The developed world has been particularly vulnerable, with the 2013 unemployment rate, for instance, averaging 8.6% in developed countries and in the EU, well above the pre-crisis level of 5.8% in 2007 (ILO, 2015). ILO (2015) projects the incidence of vulnerable employment in emerging and developing countries to be around 45% of total employment, from 2015 to 2017. It also reports that one-half of the world's vulnerable employment is accounted for by Sub-Saharan Africa and South Asia.

Global unemployment increased by 1.2 million people in 2014 from its level in the previous year. Regions such as Sub-Saharan Africa, North Africa and the Middle East continue to suffer from high unemployment rates, averaging about 30% of the labour force. In contrast, the South East Asia and Pacific Regions enjoy lower unemployment rates. Compared to the developed world, however, the post-crisis unemployment picture for developing countries has not been as bleak. This outcome is largely due to their relatively quick recovery from the crisis, coupled with benefits from targeted stimulus packages initiated, in some countries, to mitigate the adverse labour–market impact of the crisis. However, the problems of underemployment, low wages, poor working conditions and the lack of adequate social protection schemes continue to worsen the plight of the workforce in the developing world.

Unemployment rates among the youth (persons 15-24 years of age) remain much higher than among other cohorts of the labour force in most economies, a situation exacerbated by previous episodes of slow growth in the global economy. The rate of youth unemployment increased from 12.6% in 2012 to 13.1% in 2013, though it decreased slightly to 13.0% in 2014, resulting in about 74.5 million young people unemployed globally. An increasingly worrying trend in the labour market, in the face of a growing global youth population, is the gradual withdrawal of young people from the labour market due to the difficulty of finding jobs, even though there has been an increase in the average educational attainment of young cohorts (ILO, 2014). ILO (2015) projects the global youth unemployment rate to slightly increase from its 2014 figure of 13.0% to 13.1% in 2015, and to remain unchanged through 2018.

Figure 1.3: Trends in World Unemployment Rates, 2005 - 2016



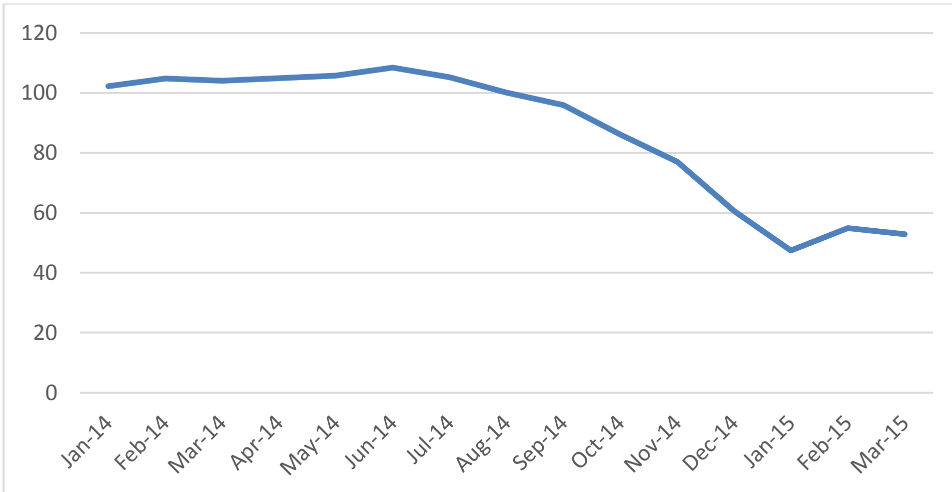
Source: ILO, 2015. * = Projected

Developments in Crude and Food Prices

World oil prices fell from an annual average of US$111.96 per barrel in 2012 to US$108.84 per barrel in 2013, and then to US$96.25 in 2014 (Index Mundi, 2015). After hitting a peak of US$108.37 per barrel in June 2014, the price has been trending downward, ending the year at US$60.55 per barrel in December 2014. The price fell further to US$47.45 by January 2015, before firming up and reaching US$52.83 in March 2015 (Figure 1.4).

IMF (2015b) reports that oil prices have declined by about 45% since September 2014. The drastic downward trend in crude oil prices beginning August 2014 has been attributed to such factors as unexpected demand weaknesses in certain major economies, especially in emerging market economies. Oil prices are projected to decline further in 2015 due to increasing supply globally. Correspondingly, energy prices have been generally flat, with falling prices from crude oil offset by rising prices of natural gas and coal since October 2013 (Index Mundi, 2015).

Figure 1.4: Trends in World Monthly Crude Oil Prices, January 2014 – March 2015

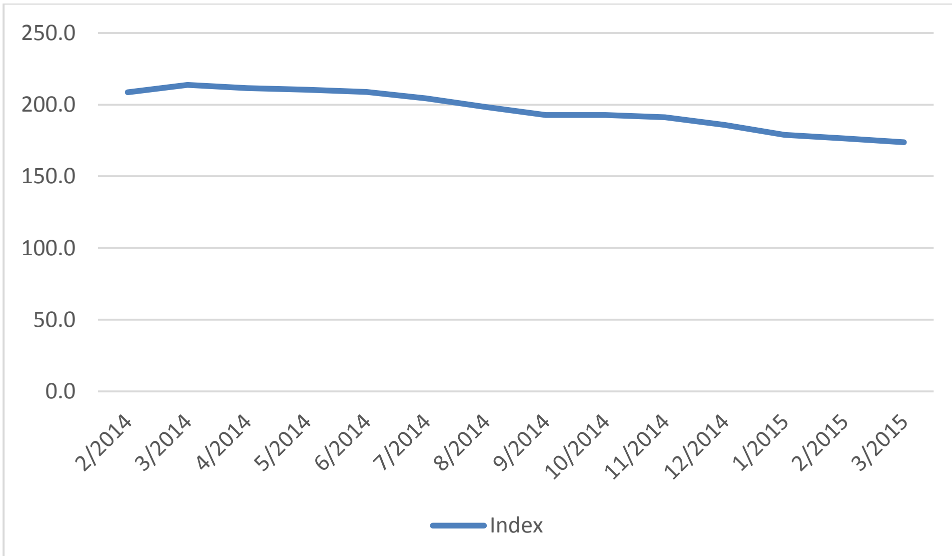


Source: Index Mundi *(2015)*

There is a historical link between energy and agricultural products, with both prices moving quite well together. Thus, correspondingly, food prices have been trending downward since April 2014, and continue to decline, except for a pause in October 2014. The FAO food price index averaged 173.8 points from March 2014 to March 2015, almost 40 points down from its level in March 2014 (Figure 1.5). The decrease is attributed to price declines in vegetable oils, cereals and meat, and to large global supplies for most commodities included in the calculation of the index (FAO, 2015).

World cereal production is expected to increase to 627.5 million tonnes by the end of 2015, representing an 8.3% increase from the previous period, its highest level in 15 years (FAO, 2015). World wheat inventories are also expected to increase to 192.4 million tonnes over the same period, also their highest level since 2003 (FAO, 2015). By the end of 2015, moreover, world rice production is anticipated to increase by 0.7% to about 40 million tonnes.

Figure 1.5: Trends in Monthly FAO Food Price Index[1], January 2014 – March 2015



Source: FAO, 2015

Economic Performance in Sub–Saharan Africa

The growth of Sub-Saharan Africa, which stood at 5.0% in 2014, was higher than all other regional blocks in the world except Emerging and Developing Asia (6.8%), even in the face of the Ebola epidemic and declining commodity prices. Although growth in the affected Ebola countries such as Guinea, Liberia and Sierra Leone declined sharply, overall growth in SSA fell only slightly from 5.2% in 2013 to 5.0% in 2014. The decline in growth in SSA is attributed to factors such as decreases in oil prices, the prevalence of the Ebola disease, electricity supply constraints, and deterioration in fiscal and current account balances among SSA countries. Oil exporters (excluding Nigeria) experienced a decline in growth, from 6.5% in 2013 to 4.4% in 2014 (IMF, 2015a), as a result of the lower global oil prices. The drivers of SSA's growth rate of 5.0% in 2014 were strong investments in the Mining and Infrastructure sub-sectors as well

[1] Food Price Index: consists of the average of commodity group price indices (meat, dairy, cereals, oils and fats and sugar) weighted, respectively, by the 2002 - 2004 average export shares

as buoyant private consumption, especially in low-income countries (IMF, 2015a).

The SSA region has weathered the 2008 financial crisis relatively well. Its growth performance during the post–crisis period is below only that of the Emerging and Developing Asia Region. Indeed, it is the only region, except the EU, whose growth rate remained buoyant between 2012 and 2013. Although the region is yet to return to its pre-crisis growth level, many of the economies are growing at rates close to their pre-crisis averages. Real GDP growth in SSA, which fell from its 2010 value, as in the rest of the world, has risen substantially since 2102 and appeared robust in 2014, falling only slightly from its 2013 rate of 5.2% (Figure 1.6). Such resilience is a departure from the region's responses to previous crises, due in considerable part to improved governance (Fosu, 2013a).

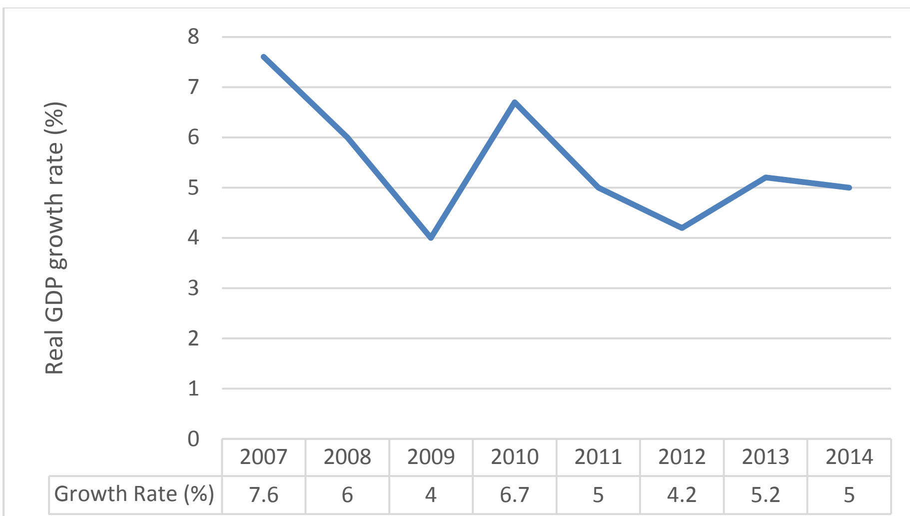
Economic growth has been robust in low-income and fragile states.[2] The post–crisis growth performance of this group of countries has actually generally surpassed that of their middle-income counterparts (Fosu, 2013a). Considering the two largest SSA economies (Nigeria and South Africa), Nigeria, Africa's largest economy and oil exporter, was adversely affected by the negative oil price shock, with government revenues falling from 11.0% of GDP in 2013 to 9.8% in 2014; similarly, even the country's non-oil GDP growth fell to 4.1% in 2014 from 6.7% in 2013.[3] South Africa's overall growth also declined from 2.2% in 2013 to 1.5% in 2014, partly as a result of mining strikes and electricity supply constraints (IMF, 2015a).

[2] Fragile states include: Burundi, Central African Republic, Comoros, Democratic Republic of the Congo, Côte d'Ivoire, Eritrea, Guinea, Guinea-Bissau, Liberia, São Tomé and Príncipe, Togo and Zimbabwe. This list does not include certain fragile countries where oil sales account for a major share of exports and government revenue, which are classified as oil exporters.

[3] Unfortunately, there appears to be an error in the IMF data for the overall GDP growth, which is shown (likely erroneously) to have increased from 5.4% in 2013 to 6.3% in 2014 (table SA1). The error seems to be one of transposition of the 2013 and 2014 numbers, since IMF (2014a) reports the 2013 growth rate as 6.3%. The present conjecture is further buttressed by the observation that when Nigeria is excluded from the SSA average, GDP growth falls more substantially, from 6.4% in 2013 to 5.6% in 2014, compared with 5.2% and 5.0% respectively. Indeed, the apparent error may have overstated overall SSA growth!

The SSA region's growth is projected to fall from 5.0% in 2014 to 4.5% in 2015 (IMF, 2015a). This projection is underpinned by such factors as the adverse effects of the continuous decline in oil prices, especially on the eight oil exporters, and lower prices of export commodities of non-oil exporters. It should be noted, nonetheless, that SSA's projected growth rate of 4.5% in 2015 is the highest among all the major regional blocks, except Emerging and Developing Asia at 6.6% (IMF, 2015b). The main threats likely to hinder progress include armed conflicts in parts of the region, growing youth unemployment, limited structural transformation, and diversification of production and exports (IMF, 2015a).

Figure 1.6: Trends in Real GDP Growth Rate (%) for SSA, 2007 – 2014

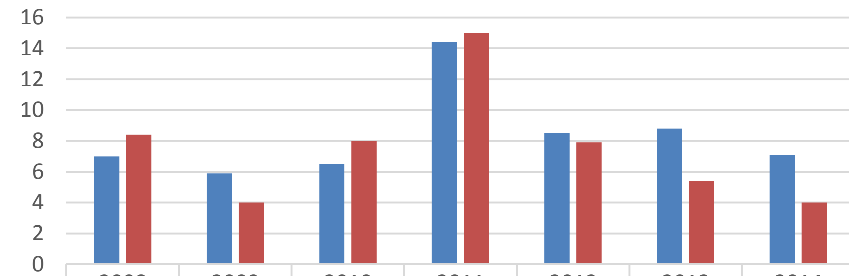


Source: IMF, World Economic Outlook, 2015a

Economic Performance in Ghana

Ghana's economic growth has been fairly resilient in the face of the global recession, though the rate has been declining since 2011. The economy's real GDP growth rate of 4.2% in 2014, however, is short of the targeted rate of 7.1% (Figure 1.7). This negative outturn is the second largest since 2008, with the highest one occurring in the previous year.

Figure 1.7: Trends in Target and Real GDP growth rates, 2008 - 2014

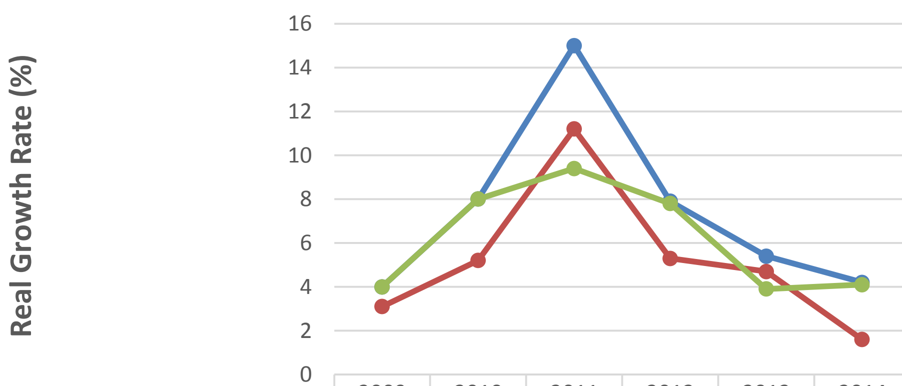


	2008	2009	2010	2011	2012	2013	2014
Target	7	5.9	6.5	14.4	8.5	8.8	7.1
Actual	8.4	4	8	15	7.9	5.4	4

Target Actual

Source: ISSER, SGER 2014; GSS, 2015

Figure 1.8: Ghana: Trends in Real GDP, Non-Oil GDP and Per Capita GDP Growth Rates, 2009 - 2014



	2009	2010	2011	2012	2013	2014
Real GDP Growth Rate	4	8	15	7.9	5.4	4.2
Real GDP Per Capita Growth Rate	3.1	5.2	11.2	5.3	4.7	1.6
Real Non-Oil GDP Growth	4	8	9.4	7.8	3.9	4.1

Source: IMF, 2015a

Since 2011, Ghana's growth has been buoyed by oil exports, but that was not the case in the year 2014. In 2013 for instance, Ghana recorded a non-oil GDP growth rate of 3.9% compared with 5.4% growth for overall GDP (Figure 1.8). In 2014, however, Ghana's non-oil GDP growth was 4.1% compared with a 4.2% growth rate for overall GDP. The oil sector failed to contribute significantly to overall GDP growth, thanks to falling oil prices. Oil has become an increasingly important share of exports, about 40% in 2012, for instance, as compared to 0.3% in 2010 (World Bank, 2014). This signals, however, that the Ghanaian economy might be becoming oil-dependent. This issue is worthy of future investigation, especially given the potential for the 'oil curse' associated with oil-dependent economies.

Per capita GDP growth tracks GDP growth quite closely (Figure 1.8). This is not surprising, since population growth seldom changes significantly in the short run. Correspondingly, therefore, real per capita GDP growth fell from 4.7% in 2013 to 1.6% in 2014, compared with a GDP growth decline from 7.3% to 4.2% over the same period. Indeed, per capita GDP growth in 2014 was the lowest since 2009's rate of 3.1% (Figure 1.8).

Disaggregating Growth

Service, the largest sector, registered a growth rate of 5.6% in 2014, down from 10.0% in 2013. Despite the sector's decline in growth, in 2014 it still remains the largest sector with a share of 49.6% of GDP, falling only marginally from its 2013 share of 49.8%. The industrial sector, which is the second largest sector, grew even much slower at 0.8% in 2014, down from 6.6% in 2013. Growth of the agricultural sector also fell from 5.7% in 2013 to 4.6% in 2014 (Table 1.1).

Thus the growth rates of all the three sectors fell between 2013 and 2014. However, with the strongest growth in 2014 being in services, followed by agriculture, and then distantly by industry, this permutation is different from 2013 when the strongest growth was also recorded in services, but followed by industry. The rather precipitous decline in industrial growth between 2013 and 2014 is worrisome, given the country's quest for industrialisation.

Table 1.1: Selected Economic Performance Indicators, 2011 – 2013

Indicator (% unless otherwise stated)	*2013 Actual (C1)*	*2014 Target (C2)*	*2014* Actual (C3)*	*Difference (C3-C1)*	*Difference (C3-C2)*
National Nominal GDP (GH¢ million)	86,596.0		114,654	280,958	
Real GDP growth	5.4	6.9	4.2	-1.2	-2.7
Real per capita GDP growth	2.8		1.6	-1.2	
Sectoral growth rates (%)					
Agriculture	5.7	5.2	4.6	-0.6	-0.6
Industry	6.6	6.8	0.8	-5.8	-6.0
Services	10.0	7.2	5.6	-4.4	-1.6
Fiscal Indicators (%)					
Domestic primary revenue/GDP	22.4		21.6**	-0.8	
Domestic expenditure/GDP	28.8		11.9**	-16.9	
Tax revenue/GDP	17.4		11.7**	-5.7	
Primary balance/GDP	-0.3		2.8**	3.1	
Overall balance/GDP	-9.8		-5.9	3.9	
Broad money supply (M2+) growth (year-on-year)	19.1		36.8	17.7	
Reserve money growth	15.2		30.2	15	
Inflation (year-on-year)	13.5	13.0	17.0	3.5	4.0
Inflation (yearly average)	11.7		15.5	3.8	
Interest Rates					
Demand deposits (annual av.)	3.4		3.61	0.21	
Savings deposits (annual av.)	5.8		5.4	-0.4	
Time deposits (annual av.)	12.5		11.5	-1.0	
Lending rates (annual av.)	25.6		27.0	1.4	
91-day bills (end period)	23.1		25.81	2.71	
Exchange Rates					
Interbank rate	2.2				
Forex bureau rate	2.4				

*****Provisional , **Provisional (Jan - Sept, 2014)

Source: Government of Ghana Budget Statement for 2015; Ghana Statistical Service (2015); Bank of Ghana (2014); ISSER, SGER (2014) and IMF, Regional Economic Outlook (2015)

The Inflation Picture and Monetary Policy: At a Glance

The end–of–year inflation rate in 2014 was 17.0% compared to 13.5% in 2013 and 8.8% in 2012. This outturn far exceeds the targeted rate of 13.0% in 2014. Broad money supply including foreign currency deposits (M2+) grew by 36.8% in 2014 compared to 28.8% in 2013, thus ratifying the higher inflation rate.

Interest Rates and the Cedi Exchange Rate: At a Glance

Between 2013 and 2014, the interest rates for demand deposits increased, but those for savings and time deposits decreased. Meanwhile, the lending and 91-day treasury-bill rates rose (Table 1.1), and the cedi depreciated by 31.0% (computed based on 'nominal effective exchange rates' data from IMF, 2015a, table SA23).

Detailed Sectoral Performance

As already observed, the service sector remained the largest sector of the economy in 2014, even though growth of the sector fell from 10.0% in 2013 to 5.6% in 2014 (Table 1.2). The fall in the sector's growth can be attributed to declines in the growth rates of several sub-sectors, including: 'community, social and personal service activities' (-38.1%), 'hotels and restaurants' (-25.8%), 'financial intermediation' (-23.5%), and 'trade, repair of vehicles, household goods' (-16.1%). In contrast, sub-sectors improving on their respective growth rates between 2013 and 2104 include: 'real estate, professional, administrative and support service activities' (16.0%), and 'information and communication' (14.1%). For the latter sub-sector, the 2014 growth rate of 38.4% was an improvement over the 24.3% in 2013 (Table 1.2).

As previously noted, industry, the second largest sector, grew by only 0.8% in 2014, a far cry from its growth rate of 6.6% in 2013. Performance in the sector over the years has been underpinned primarily by growth in Mining and Quarrying, with Petroleum the main contributor. Except for the Manufacturing and the Water and Sewage sub-sectors, which marginally recorded higher growth rates above their 2013 respective figures, all other sub-sectors grew more slowly in 2014 (Table 1.2).

Table 1.2: Sectoral and Sub-Sectoral Growth Rates (%)

Sector	*2013** Actual (C1)*	*2014*** Target (C2)*	*2014* Actual (C3)*	*Difference (C3-C1)*	*Difference (C3-C2)*
AGRICULTURE	**5.7**	**5.3**	**4.6**	**-1.1**	**-0.7**
Crops	5.9	3.6	5.7	-0.2	2.1
o/w Cocoa	2.6	4.3	4.3	1.7	0
Livestock	5.3	5.3	5.3	0	0
Forestry and Logging	4.6	16.5	3.1	-1.5	-13.4
Fishing	5.7	7.1	-5.6	-11.3	-12.7
INDUSTRY	**6.6**	**4.6**	**0.8**	**-5.8**	**-3.8**
Mining and Quarrying	11.6	6.9	3.2	-8.4	-3.7
o/w Petroleum***	18.0	18.2	4.5	-13.5	-13.7
Manufacturing	-0.5	-8.0	-0.8	-0.3	7.2
Electricity	16.3	6.7	0.3	-16	-6.4
Water and Sewage	-1.6	0.1	-1.1	0.5	-1.2
Construction	8.6	12.8	0.0	-8.6	-12.8
SERVICES	**10.0**	**4.6**	**5.6**	**-4.4**	**1.0**
Trade, Repair of Vehicles, Household Goods	14.5	-1.5	-1.6	-16.1	-0.1
Hotels and Restaurants	24.6	0.8	-1.2	-25.8	-2
Transport and Storage	-0.5	6.0	0.3	0.8	-5.7
Information and Communi-cation	24.3	1.9	38.4	14.1	36.5
Financial Intermedia-tion,(Indirectly measured)	29.5	20.7	6.0	-23.5	-14.7
Real Estate, Professional, Administrative & Support Service Activities	-17.5	-2.7	-1.5	16	1.2
Public Administration and Defence, Social Sec.	8.4	11.4	-4.7	-13.1	-16.1
Education	6.9	4.8	7.1	0.2	2.3
Health and Social Work	7.8	-7.0	-1.7	-9.5	5.3
Community, Social and Personal Service Activities	36.5	5.0	-1.6	-38.1	-6.6
Financial and Insurance Activities	23.2		22.9	-0.3	

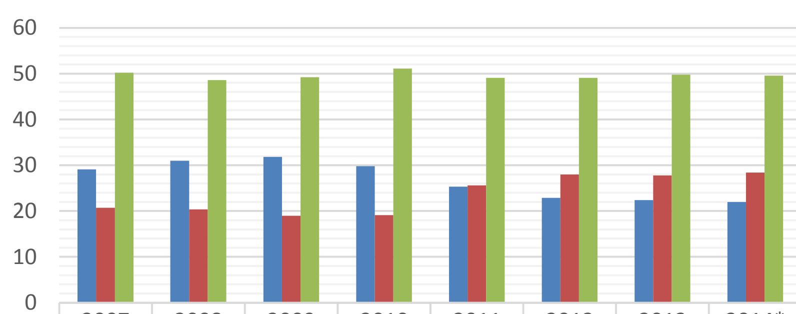
**Revised* **Provisional ***Ministry of Finance projected

Source: ISSER, 2014; GSS, 2015

As already noted above, agriculture recorded growth of 4.6% in 2014, which was lower than the growth rate of services but much higher than it was for industry (Table 1.2). Except for 'fishing', which actually declined considerably in 2014, all the sub-sectors recorded positive growth in 2014. Thus, the sector seems to have been making gains recently, with its growth having earlier also increased substantially from 0.8% in 2011 to 1.3% in 2012 and to 4.9% in 2013 (SGER, 2014). It should be noted, however, that cocoa is the only sub-sector registering a higher growth rate in 2014 than in 2013, thus resulting in the reduced decline in the sector's growth between the two years.

Sectoral contribution to GDP in 2014 largely follows the pattern observed in 2011, 2012 and 2013 (Figure 1.9). The importance of the services sector continues. Services the largest sector since 2007, contributed 49.6% to GDP in 2014, only marginally lower than the 49.8% in 2013. Meanwhile, industry, as the second largest sector, constituted 28.4% of GDP in 2014, a lower share in comparison to the respective 27.8% and 28.0% shares in 2013 and 2012.

Figure 1.9: Sectoral Contributions to National Output, 2007 – 2014 (% of GDP; at Basic Prices)*



	2007	2008	2009	2010	2011	2012	2013	2014*
Agriculture	29.1	31	31.8	29.8	25.3	22.9	22.4	22
Industry	20.7	20.4	19	19.1	25.6	28	27.8	28.4
Services	50.2	48.6	49.2	51.1	49.1	49.1	49.8	49.6

* *Revised*
Source: Ghana Statistical Service, 2015.

Despite the solid growth of agriculture in recent years, its contribution to national output continues to decline. This has been the trend since the sector peaked at a 31.8% share of GDP in 2009, with the sector again experiencing a slight decline in its share of GDP to 22.0% in 2014, compared to 22.4% in 2013. This trend has largely resulted from the rapid expansion in the oil and services sectors, which have shrunk the contribution of the agricultural sector in relative terms, even though the sector has been expanding in absolute terms.

Fiscal Developments

Macroeconomic stability through prudent fiscal policies has been at the forefront of the government's agenda to ensure economic growth. Efforts to expand the tax base and mobilise higher revenues to offset the huge wage bill resulting from the implementation of the Single Spine Pay Policy were paramount in 2012 and have been high on the agenda in 2013 and 2014 as well. The objective was to reduce the fiscal deficit (including grants) to 8.8% of GDP in 2014, but this objective was not met. The overall fiscal balance, including grants in 2014, however, shows a lower deficit of 9.8% of GDP (10.5% excluding grants) than for 2013 when the deficit was 10.9% of GDP (11.3% excluding grants)[4] (IMF, 2014a).

Government total revenue, comprising tax and non–tax revenues (but excluding grants) as a percentage of GDP, increased from 16.0% in 2013 to 17.7% in 2014. Meanwhile, total government expenditure, as a percentage of GDP, increased from 27.3% in 2013 to 28.2% in 2014 (IMF, 2014a). Thus the observed reduction in the deficit between 2013 and 2014 is attributable entirely to the increase in government revenue, rather than to public expenditure reductions (IMF, 2015a).

According to the Medium-Term Expenditure Framework (MTEF), government expenditure is divided into discretionary and statutory components. The largest components of discretionary expenditure in

[4] Unfortunately, Table 1.3, which traditionally contains detailed data, is woefully incomplete, since most of the available data for 2014 is only provisional (January-September, 2014); hence no appropriate comparisons can generally be made with those of previous years based on the statistics provided in this table

2014 as in previous years were: Personal Emoluments, Administration & Service and Arrears Clearance. Personal Emoluments have been consistently rising since 2009, increasing to GH¢9,448.6 million in 2014, representing a 16.4% increase from 2013 and 41.8% from 2012 (Table 1.4). Even though Total Investment as a percentage of GDP declined from 32.0% in 2012 to 23.2% in 2013, it rose to 24.7% in 2014 (IMF, 2014a).

Expenditure on HIPC-related projects and programmes and Multilateral Debt Relief Initiative (MDRI)-financed investments ceased in 2011. Allocation to the Ghana Education Trust Fund (GETFund) increased by 117.6%

Table 1.3: Selected Government Fiscal Indicators, 2008 – 2014 (% GDP)

Indicator	*2008*	*2009*	*2010*	*2011*	*2012*	*2013**	*2014*
Total Receipts	**31.6**	**25.4**	**28.8**	**24.3**	**23.2****	**23.9**	***
Total Revenue	**15.9**	**15.5**	**16.8**	**20.8**	**21.6**	**22.4**	**21.6**
Tax Revenue	**14.3**	**12.7**	**13.7**	**17.4**	**17.2**	**17.4**	**11.7****
Direct Taxes	4.2	4.7	5.3	7.2	7.7	6.7	5.3**
Indirect Taxes	5.1	4.4	4.3	5.5	4.9	5.2	4.0**
International Trade Taxes	2.4	2.1	2.5	2.7	2.8	3.4	2.4**
Non -Tax Revenue	**1.4**	**2.4**	**2.7**	**3.2**	**4.0**	**4.6**	**2.9****
Grants	**2.7**	**3.0**	**2.4**	**2.1**	**1.6**	**0.2**	**0.6**
Other Receipts	**11.5**	**6.9**	**8.6**	**5.4**	**12.2**	**0.0**	***
Divestiture	3.3	0.0	0.0	0.0	0.0	0.0	0.0
Project Loans	1.7	3.0	3.1	1.2	2.3	2.8	2.1
Programme Loans	0.5	0.9	0.6	0.4	0.3	0.0	0.0
Exceptional Financing	0.3	0.2	0.2	0.2	0.1	0.0	***
Net Domestic Financing	5.3	2.9	4.7	3.5	9.6	7.6	4.6
Total Payments	31.6	25.4	28.8	24.3	32.9	23.6	18.3**
Statutory Payments	7.8	6.7	7.6	7.9	7.1	8.8	***
Discretionary Payments	23.8	18.7	21.2	16.4	25.8	21.3	***
Overall Budget Balance	**6.6**	**-5.6**	**-6.5**	**-4.3**	**-12.2**	**-10.1**	**-9.3**
Primary Budget Balance	**-5.9**	**0.3**	**0.1**	**2.9**	**-2.2**	**-0.7**	**2.3**

*** Note: Provisional figures (2014, Jan-Sept)* ***Not available
Source: ISSER, 2014; GSS, 2015; and GOG, 2014

Table 1.4: Composition of Government Discretionary Expenditure Framework (MTEF) Format, 2011 – 2013 (GH¢ million)

Component	*2012* (C1)	*2013** (C2)	*2014*** (C3)	*Diffe-rence* (C3-C1)	*% Change*	*Diffe-rence* (C3-C2)	*% Change*
Discretionary	**18,512.0**	**19,858.0**	***	***	***	***	***
Personal Emoluments	6,665.0	8,115.4	**9,448.6**	2,783.6	41.8	1,333.2	16.4
Administration & Service	1,321.0	938.5	**1,776.6**	456.6	34.5	838.1	89.3
Total Invest-ments	4,616.0	4,347.8	***	***	***	***	***
Domestic Financed	1,049.6	1,691.2	**1,265.2**	215.6	20.5	-426	-25.2
Other Cash Expenditure	1,851.0	1,639.7	**1,217.7**	-633.3	-34.2	-422	-25.7
Net Lending Foreign Fi-nanced	-2,534.6	-2,656.6	**-4,831**	-2,296.4	90.6	- 2,174.4	81.8
VAT Refunds	-163.0	-181.6	**-156.6**	-6.7	4.1	-25.0	-13.8
Arrears Clea-rance	3,829.0	2,138.2	**2,857.90 (jan-sept)**	-971.1	-25.4	719.7	33.7
Utility Price Subsidies	185.0	1,079.1	**0.00**	-185.0	-100	- 1,079.1	-100
HIPC Financed Expenditure	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00
MDRI Financed Investment	0.00	0.00	**0.00**	0.00	0.00	0.00	0.00
Outstanding Commitments	-3,666.0	***	***	***	***		***
Reserve Fund	1,072.0	797.7	**0.00**	-1,072	-100	-797.7	-100
Other Trans-fers	2,383.0	***	***	***	***		***
Repayment of Domestic Debt	6,897.0	3,588.4	***	***	80.5		-48.0
Statutory Payments	**5,133.0**	**8,265.4**	***	***	**86.4**		**61.0**
External Debt	1,180.0	1,448.9	***	***	63.2		22.8
Principal	624.0	817.1	***	***	39.9		30.9
External Interest	556.0	608.7	**975.5**	419.5	75.4	366.8	60.3
Domestic Interest	1,880.0	3,588.4	**5,959.9**	4,079.9	217.0	2,371.5	66.1

Table 1.4: Composition of Government Discretionary Expenditure Framework (MTEF) Format, 2011 - 2013 (cont'd)

Component	*2012* (C1)	*2013** (C2)	*2014*** (C3)	*Difference* (C3-C1)	*% Change*	*Diffe-rence* (C3-C2)	*% Change*
DACF	407.0	498.9	**330.31**	-373.69	-91.82	-168.59	-33.79
Transfers to Households	512.0	***	***	***	***		***
Education Trust Fund	363.0	151.1	328.75	-34.25	-9.4	177.65	117.6
Road Fund	195.7	191.0	224.98	29.28	15.0	33.98	17.8
Petroleum Related Fund	9.0	8.5	4.9	-4.1	-45.6	-3.6	-42.4
National Health Fund	587.0	752.8	947.2	360.2	61.36	194.4	25.82

Source: ISSER, SGER (2014), BOG (2015) and GOG, 2014
* Provisional
*** Not available

For Domestic Financed, GH¢2, 436 million was reported in the SGER (2013) for the year 2012
For Net Lending Foreign Financed, GH¢2,179 million was reported in the SGER (2013) for the year 2012
For Domestic Interest Rate, GH¢3,788.3 million was reported in the SGER (2013) for the year 2013

between 2013 and 2014 and to the National Health Fund rose by 25.8% over the same period. The large increase in the GETFund in 2014 might be due to the need to compensate the Fund in the wake of a substantial decline in 2013, most likely in the form of arrears payments. In contrast, the allocation to the National Health Fund rose considerably in both 2013 and 2014. The Petroleum Fund, however, also saw a reduction of 42.4% in 2014 after experiencing a slight decline of 5.6% in 2013 (Table 1.4).

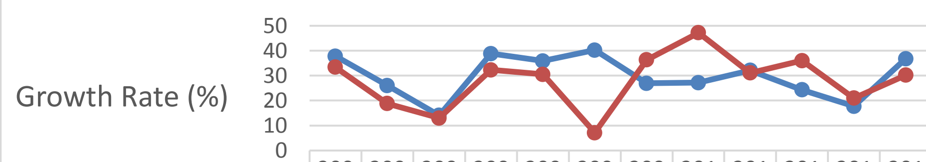
Details of Monetary and Financial Developments: The Inflation Rate

The inflation targeting regime of the Bank of Ghana (BOG) has been largely sustained over the past few years with policies aimed at keeping the inflation rate at a single digit as well as maintaining exchange rate stability. However, 2014 registered a double-digit annual average inflation rate of 15.5%, up from the 11.7% and 8.8% recorded in 2013 and 2012 respectively. The end-of-year inflation rate for 2014 was 17.0%, as compared to 8.6% and 13.5% in 2012 and 2013 respectively. Inflation performance in 2014 was mainly driven by movements in non-food prices. The increase in the inflation rate in 2014 was also attributed to the effects of the sharp depreciation in the Ghana Cedi during the first eight months of 2014, resulting in higher prices of imported items. Food prices increased at an annualised rate of 5.8% in September 2014, but the rate increased to 6.8% in December 2014, while non-food inflation declined marginally from 24.1% in September 2014 to 23.9% in December 2014. The trend in food inflation during the year was partly explained by the good harvest recorded as a result of good rainfall (BOG, 2015).

Money Supply Growth

Growth in the broad money supply (M2+) was 36.77% by the end of December 2014, compared with the rate of 17.7% by the end of December 2013. The higher growth rate in 2014 resulted mainly from the higher growth in foreign currency deposits, while reserve money growth also increased to 30.2% by the end of December 2014, from 21.0% in 2013 (Figure 1.10).

*Figure 1.10: Developments in Monetary Aggregates, 2003 – 2014**



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*	2014
Broad Money(M2+)	37.8	26	14.1	38.8	35.9	40.2	26.9	27.2	32.1	24.3	17.7	36.77
Reserve Money	33.4	18.8	13	32.3	30.5	7.1	36.3	47.2	31.1	36	21	30.2

*provisional
Source: BOG, 2015; and SGER, 2014

The rise in the growth of M2+ between 2013 and 2014 was attributed to higher increases in both Net Foreign Assets (NFA) and Net Domestic Assets (NDA) of the banking system. NFA and NDA grew, respectively, by 57.7% and 31.1% in 2014, with M2+ totaling GH¢36,843.1 million and representing 32.5% of GDP at the end of December 2014 (BOG, 2015).

Interest Rates

The year 2014 experienced an upward trend in interest rates. The policy rate was adjusted to 19.0% in September 2014, from 16.0% in September 2013, by the Monetary Policy Committee (MPC). The MPC further increased the policy rate to 21.0% during the fourth quarter of 2014.The interest rate on 91-day Treasury Bills increased from 23.1% in 2013 to 25.8% at the end of December 2014. The interest rate on 182-day bills also increased to 26.4% at the end of December 2014, from 22.9% in 2013. The average interest on savings deposits during the third quarter of 2014 decreased by 75 basis points to settle at 5.00%. Meanwhile, the average lending rate increased from 25.56% in 2013 to 28.98% in 2014 (**Table 1.5**).

In real terms, most of the interest rates have declined appreciably between 2013 and 2014, with the exception of interest rates on 182-day and 3-year treasury instruments. For example, interest on the 91-day Treasury Bill fell from 9.6% in 2013 to 8.8% in 2014. The real saving rate became even more negative in 2014 at -12.0% compared to -3.6% and -7.8% in 2012 and 2013 respectively. In addition, the real lending rate declined marginally to 11.98% from 12.06% over the same period, though this level remains too high for investment purposes (Table 1.5).

The Exchange Rates

The Central Bank continued with its policy of smoothening out the fluctuation of the cedi against the major trading currencies. However, the exchange rate of the domestic currency came under intense pressure against all the major currencies in 2014, falling by 31.2% against the US dollar in the first three quarters. The cedi also depreciated by 29.3% and 23.6%, respectively, against the British pound and the euro over the first three quarters in 2014. In the fourth quarter of 2014, however, the Ghana cedi traded relatively strongly against the major trading currencies. For instance, it depreciated by only 0.1% against the US dollar in the fourth quarter of 2014 as compared to 6.1% in the third quarter; and, the cedi appreciated against the pound sterling and the euro by 4.3% and 4.1%, respectively, in the fourth quarter. The relatively strong performance of the cedi in the fourth quarter is attributed to improvements in the supply of foreign exchange from cocoa exports as well as from the proceeds emanating from the country's borrowing from the Eurobond market (BOG, 2015).

Table 1.5: Money Market Instruments (Real and Nominal Rates) 2012 – 2014

	Nominal Rates			*Real Rates*		
Instruments	*2012**	*2013**	*2014*	*2012**	*2013**	*2014*
91-day	21.86	23.10	25.81	13.06	9.60	8.81
182-day	20.62	22.90	26.41	11.82	9.40	9.41
1-year	22.90	22.50	22.50	14.10	9.00	5.5
2-year fixed	23.00	23.00	23.00	14.20	9.50	6.0
3-year fixed	21.00	19.20	25.40	12.20	5.70	8.4
Savings Rate	5.25	5.75	5.00**	-3.55	-7.75	-12.0
Lending rates	25.72	25.56	28.98	16.92	12.06	11.98

**From ISSER, 2014*
***Jan-Sept, 2014*
Source: ISSER, 2013; BOG, 2015
External Sector Developments

Exports

The value of merchandise exports for the year 2014 was (provisionally) estimated at US$13,216.06 million, representing a decline of 4.0% from the level at the end of 2013 of US$13,751.92 million (Table 1.6). This decline is attributed to the fall in the price of gold on the international market. Merchandise export receipts declined from US$13,751.92 million in 2013 to US$13,216.6 million in 2013, representing 34.5% of GDP in

2014, compared to 28.3% in 2013 (Table 1.6). This decline may be partly attributed to the fall in export revenue from gold in 2014. Crude oil exports in 2014 increased from US$2976.06 million in 2013 to US$3724.97 million in 2014, a 25.3% increase (BOG, 2015). Cocoa exports increased by 15.4% in total value, from US$2,267.39 million in 2013 to US$2,612.87 million in 2014, while total earnings from gold exports declined by 22.2%, from US$ 5,643.27 million in 2013 to US$4,388.06 million in 2014 (BOG, 2015).

Ghana's exports continue to be dominated by primary commodities, predominantly gold and cocoa, and by crude oil since 2011. During the year under review, gold exports recorded US$4,388.06 million, declining from its 2013 value of US$ 4,965.7 million (BOG, 2015). On the other hand, cocoa exports amounted to US$2,612.87 million, increasing from its 2013 value of US$ 2,267.3 million. The decline in gold revenues resulted from a fall in the price of gold on the international market by 12.1%, even though the volume of gold exported increased by 3.4%. Cocoa and gold exports together accounted for 53.0% of total export receipts in 2014, a slight increase in its 2013 share of 52.6%.

The country's main export destinations are France, Germany, Italy, Japan, Netherlands, United Kingdom, Industrial Countries and United States (BOG, 2015). In 2014, Ghana's top three export destinations were the rest of the world (36.5%), excluding the countries mentioned above, Industrial Countries (20.0%), and the Netherlands (11.9%) (BOG, 2015).

Imports

Ghana's imports are mostly industrial supplies, capital and consumer goods, oil and foodstuffs, with China, United States, Belgium, United Kingdom, and France as the main sources. There was a substantial decrease in the import bill, from US$17,064.1 (50.9% of GDP) in 2013 to US$14,566.23 (38.0% of GDP) in 2014 (GSS, 2015).

External Balance and Reserves

The year 2014 recorded a lower balance of trade (goods) deficit of US$1,350.17 million (3.5% of GDP), as against the huge trade deficits of US$4,210.82 million (10.4% of GDP) and US$3,848.32 million (9.0% of GDP) recorded in 2012 and 2013 respectively. The reduction of the goods trade deficit in 2014 was largely underpinned by the substantial decrease in the import bill. The current account deficit also declined from US$5,704.0 million (13.2% of GDP) in 2013 to US$3,331.12 million (8.7% of GDP) in 2014. The larger current account deficit than goods deficit, suggests a larger service deficit and a decreasing trend in net income in-flows (remittances relative to income from foreign assets in Ghana) and/or ODA receipts. However, the 2014 current account deficit is the smallest in recent years.[5]

Table 1.6: Summary of External Sector Performance, 2011 – 2014

Indicators (US$ million *unless otherwise stated*)	2011	2012	2013	2014*
Merchandise Exports	12,785.4	13,541.4	13,751.92	13,216.06
% of GDP	*37.7*	*41.6*	*28.3*	*34.5*
Merchandise Imports	-15,837.7	-17,762.8	-17,064.	-14,566.2
% of GDP	*50.3*	*54.4*	*50.9*	*38.0*
Trade Balance	-3,052.3	-4,221.4	-3,848.32	-1,350.17
% of GDP	*-7.9*	*-10.4*	*-9.0*	*-3.5*
Current account	-3,675.1	-4,921.5	-5,704.03	3331.12
% of GDP	*-9.1*	*-12.2*	*-13.2*	*-8.7*
Gross International Reserves (GIR)	5,400.0	5,348.9	5,212.1	5,679.1**
GIR in Months of Imports (Goods and Services)	*2.9*	*2.9*	*2.9*	*3.0*

**Provisional in the case of the dollar values*
***(Jan - Sept, 2014)*
Source: ISSER, 2014; BOG, 2015; and IMF, 2015
Note: Figures in millions of Ghana cedis are taken from ISSER, 2014, Budget Statement, 2015 and BOG, 2015; percentage figures are taken from IMF, 2015a

[5] The current account deficit averaged 8.1% of GDP during 2004-2008. It has indeed been worsening since attaining a respectable level of 5.4% in 2009. In recent years (since 2005), the second largest deficit was recorded in 2012 at 12.2%, followed by 11.9% earlier in 2008 (IMF, 2014a).

At three (3) months of imports of goods and services, Ghana's international reserve level in 2014 was only marginally higher than the levels in recent years. Against the recommended three months of import cover, this reserve level signals a precarious foreign-exchange position for the country, with adverse implications for the value of the cedi.

Outlook for Ghana's Economy and the Way Forward

Despite the projected slight improvement in economic growth in the global economy in 2015 and 2016, Ghana's GDP growth rate is projected to fall in 2015 but then rise in 2016 (IMF, 2015a). This scenario is in concert with the projected pattern for SSA generally.

Structural limitations in infrastructure, labour markets and declining commodity prices contribute greatly to the slowdown in the growth momentum in many emerging and developing economies, including Ghana. The near-term for Ghana seems quite bleak, given the infrastructural challenge, particularly in the energy sector. The instability in electricity – '*dumsor*' – continues to play considerable havoc with productive economic activities, with negative implications for employment via decreasing derived demand for labour.

Macroeconomic management also remains a real challenge, with the following factors as adverse signals for the Ghanaian economy (data source: IMF 2015a):

- The inflation rate is very high, even by African standards; it is at least three times the average rate in SSA.
- Interest rates remain extremely high, especially amidst very low rates globally.
- The domestic fiscal and external current account deficits are large, with either roughly three times the SSA mean.
- Government debt, about twice the SSA average and nearly double its value just five years ago, is huge by both historical and SSA

standards,[6] with a rapidly increasing share being owed to the private sector.[7]

Furthermore, the infrastructural challenge remains daunting, as exemplified at least by the ongoing '*dumsor*' problem. These challenges suggest that Ghana needs to undertake a serious prioritisation of its public finances. Such an undertaking would entail major political decisions. In addition, there has been substantial proliferation of private tertiary institutions in the country, while the share of the public budget spent on education, especially tertiary education, currently is very high.[8]

Finally, despite Ghana's current ranking in the top quintile of SSA countries on measures of institutional quality (IQ), the country's scores on 'government effectiveness', an indicator of the quality of public services, have fallen below the world average since 2009.[9] Yet, this measure of IQ is critical if Ghana is to maintain the level of 'developmental governance' that is required to sustain the economic growth and development success accruing from the reforms beginning in the 1980s.[10]

Backed by strong investment in the oil and gas sectors, as well as by public infrastructure and favourable commodity prices, Ghana can sustain continuous economic growth well into the future, *provided*

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6 The total debt/GDP ratio has ballooned from 36% in 2009 to 68% in 2014

7 Only 50% of the debt is currently owed to Official Creditors compared to 61% in 2004 - 2008. Thus, Ghana is unlikely to benefit as much from any future debt forgiveness

8 In 2011, the latest year for which data is currently available, 33% of public expenditure was on education in Ghana, as compared to the SSA mean of 16%. Since 2011 might be an aberration due to payments under the Single Spine Pay Policy, the average share during 2004 - 2014 was computed as 26%, compared with the SSA mean of 17% over the same period, and against respective averages of 17% and 15% for Ghana and SSA (World Bank, 2015; Fosu, 2007). Meanwhile, the share of tertiary education in the educational budget averaged 23% over 2004 - 2010 for Ghana, as compared with the SSA mean of about 18%

9 See World Bank (2014b), World Governance Indicators, 2014: http://info.worldbank.org/governance/wgi/index.aspx#home

10 By 'developmental governance' it is meant 'economic policy coherence (free-market policies), public-service effectiveness, and limited corruption' (Alence, 2004)

the country improves its macroeconomic management which requires bold efforts to reduce its budget imbalances. Unemployment remains a key challenge, however, and opportunities for employment in the industrial sector remain limited and highly specialised.

The composition of Ghana's trade continues to be dominated by the primary commodity exports, gold and cocoa, however the advent of oil production seems to be changing the pattern of the country's exports. Is Ghana teetering toward an oil-dominated economy, or might the proceeds from oil exports be employed wisely to diversify the economy?

In order to ensure that medium-term growth targets are met, there is the need for massive investment in productive infrastructure and the need to prioritise non-traditional exports. That the country's manufacturing share of (non-fuel) exports improved substantially from about 1% in the pre-reform period to average over 25% during 2005 - 2011 was a welcome development.[11] However, this share fell precipitously to 14% in 2012 from 26% in 2011 (World Bank, 2014a). Such an outcome should indeed be of major concern if Ghana's industrialisation efforts are to succeed. There is little doubt that infrastructural bottlenecks, especially in the electric power sector, and as reflected in deteriorating 'government effectiveness', have played a major role in this retrogression.

On the fiscal side, the urgent need for prudent management of government resources looms large. While increased efforts to mobilise revenue through an expanded tax base should be pursued, the main culprit for recent huge deficits is the expenditure by government, which should be reined in over the short-to-medium term.

Key risks to monetary policy include adverse developments in world commodity prices and foreign investment inflows. The Bank of Ghana has scaled up its policy rate in 2014, prompting slight increases in the money market and bank rates, with average base rates increasing marginally.

[11] For developing countries, Fosu (1990; 1996) for instance finds that given international competition, manufacturing exports tend to be the growth-enhancing component of exports in the longer term

The risk is that these rates may go even higher as the inflation rate has picked up, further raising inflationary expectations. Such a development would likely adversely affect private sector investment. Ghana's weak infrastructural systems, especially in the energy and transportation sectors, and ineffective public administration structures undermine efforts to make investing in Ghana a worthwhile venture.

With respect to Ghana's broader development, the implementation of the Ghana Shared Growth and Development Agenda I (GSGDA I) ended in 2013. The GSGDA II, which covers the period 2014 - 2017, is being implemented. Its underlying thematic areas include:

- Ensuring and sustaining macroeconomic stability;
- Enhancing competitiveness of Ghana's private sector;
- Accelerated agriculture modernisation and sustainable natural resource management;
- Oil and gas development;
- Infrastructure and human settlements development;
- Human Development, Productivity and Employment;
- Transparent, Responsive and Accountable Governance.

The next development strategy for Ghana from 2014 onward should focus on the following, as suggested in Asante and Owusu (2013) and in Fosu (2013b), inter alia:

- Policies of inclusive growth with the objective of ensuring sustainable economic growth and human development. These policies would entail a focus on the equitable participation of all, including women, the youth and persons with disabilities in the economic growth process. Spatial inequality must also be tackled more effectively;
- Pursuit of an employment-centred economic growth strategy that will ensure that employment expands along with production and that the benefits of growth will be widely shared through better job opportunities and enhanced incomes, particularly for the growing unemployed youth. Labour productivity must also rise, commensu-

rate with higher wages, especially for public employees under the Single Spine Pay Policy;

- Ensuring sustainability in the exploitation of Ghana's natural resource endowments, including agriculture, minerals, as well as oil and gas, supported by *strategic* investments in human capital, infrastructure, science, technology and innovation;
- Engagement in *strategic* infrastructural (physical, human and institutional) development as well as the application of science, technology and innovation to enhance the creation of employment and income earning opportunities for rapid and sustained poverty reduction. *Physical* infrastructural and *human-quality* development should be accorded special priority, in order to substantially increase absorption of the apparent oversupply of graduates from the various tertiary institutions;
- Given the present proliferation of private tertiary institutions, *tighter regulation* is required to ensure the quality of education received from such institutions. Meanwhile, *the ongoing efforts to expand the public tertiary educational sector should cease*; instead, greater attention must be paid to enhancing the *quality* of the graduates from the public sector by *allowing these institutions to raise the necessary resources for achieving that objective*.

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