

1: Economic Reforms in Ghana: The Miracle and the Mirage ()

However, the economic reform in Ghana was not implemented instantly. The reason being the country had some internal conflicts, which delayed the process of implementation of reforms despite the realization of the fact that it was for the reforms to get executed.

The reform policies adopted by the country were also very fruitful. Simultaneously, there was a rise in the incoming aid. Financial help was very important in maintaining a positive economic reform in Ghana. State of affairs, which necessitated the implementation of economic reform in Ghana may be summarized as under: Hyperinflation had occurred due to very lenient monetary as well as fiscal policies. Production levels subsided drastically and affected almost all the sectors of the economy. Transportation facilities were badly hit and in turn caused a lot of inconvenience to the export activities. The reason being, cocoa, which served as the main foreign exchange source was crippled because the products could not be transported to the market places from fields. As foreign exchange had declined, inputs for various industries had also subsided. This has negatively impacted the other sectors, especially the industrial segment of the economy. Need for reforms was realized but implemented quite late: However, the economic reform in Ghana was not implemented instantly. The reason being the country had some internal conflicts, which delayed the process of implementation of reforms despite the realization of the fact that it was for the reforms to get executed. After a lot of hue and cry, economic reform in Ghana was introduced. The program aimed at achieving economic stability. Once the economic reform in Ghana was underway, the country did not have to turn back but the momentum of the economy slowed down towards the nineties. Reform for bringing about stabilization to Features of the reform: This economic reform in Ghana was taken up for the stabilization as well as the liberalization of the economy. With the implementation of the latter program, several donors and financial institutions assisted the country by extending substantial aid. Improvement of the railways, ports as well as roads were also included in this program. Owing to the economic reform in Ghana, interest rates as well as price control on commodities were eradicated. However, owing to the high rate of inflation, private investment in Ghana seemed to be a distant possibility at least for the time being. Variable Reforms- to All was well until there was deviation in wages as a result of the election in the country and it made the economy of Ghana go astray. The wages increased to a considerable extent. As fiscal control, was lost, it resulted in the macro economy being unstable. This was evident from the fact that rate of inflation had gone up. During this period, the government in Ghana had worked hard to re align the fiscal stability in the country. But all efforts of the government did not go in vain as the period witnessed an increase in foreign investment and the investment rates were also quite high.

2: Ghana's New Approach to Public Sector Reform : Focusing on Delivery

Globalization and Economic Reforms in Ghana production in a decade, major improvements in infrastructure, and better credit and payment facilities for farmers.

Despite its success in advancing financial soundness, Ghana still has much to do. It needs to deepen its secondary capital markets; reform small and medium-sized enterprise finance, microfinance, and rural banking; and increase the private-sector role in the pension and insurance systems. And it must expand its equity market and ensure careful supervision of the rapidly evolving financial system. Much of the increase was funded by an increase in demand and savings deposits. Banks now account for about 70 percent of the financial sector. Improved banking supervision now gives priority to capital adequacy, bank risk management, and more on-site supervision. The plan spells out policy and legislative reforms to deepen the financial sector and build capital markets while keeping the economy stable. It also aims to increase outreach and access to financial services. The reforms have benefited from ownership by government and key stakeholders, including the private sector. Reduced direct involvement of the state has unleashed the dynamism of the financial sector. The government expects to complete selling its shares in private financial institutions by the end of 2001. Financial stability, soundness Although the Ghanaian financial system incorporates a broad range of institutions, the banking system dominates. In 2000, the ratio of total banking system assets to GDP was 100 percent. The banking system is concentrated, however, with the three largest banks accounting for 41 percent of banking sector assets. At the same time, more aggressive lending has not impaired the capital adequacy of the banking system. In fact, the capital adequacy ratio reached 100 percent. The quality of financial assets has also improved substantially, with the share of nonperforming loans in the aggregate bank credit portfolio falling to 5 percent. This was attributable to better loan recovery and rapid credit growth; to date most of the new loans are performing. But the secondary government bond market remains illiquid, as most such bonds that are not held by the central bank are bought by banks. In this connection, one priority is to broaden the local private investor base beyond the Social Security and National Insurance Trust and the State Insurance Corporation. Trading is discontinuous, the total value traded is less than 1 percent of GDP, and turnover is below 4 percent. Next steps Despite its recent achievements, the financial-sector reform agenda remains incomplete. Most important, the government must deepen secondary capital markets and reform small and medium-sized enterprise finance, microfinance, and rural banking, and the pension and insurance systems. The authorities must also address cost inefficiencies, which are keeping interest rate spreads too high. And they must continuously adapt supervision to keep the financial sector stable in the context of rapid financial deepening and the emergence of new financial instruments. The central bank, in collaboration with commercial banks, is therefore spearheading the introduction of a National Payments System "to be in place by June 2001" to ensure the delivery of financial services to all segments of the population. Firmer regulation Firmer regulation of nonbank financial institutions is a medium-term goal. For this purpose the Bank of Ghana has drafted a bill that deals with such things as licensing, capital, liquidity, and other requirements; ownership and corporate governance; accounts and financial statements; powers of supervision and control; and receivership and liquidation.

3: Financial Sector Reform In Ghana | World Finance

There existed some form of economic planning even before Ghana's independence in and, over the years, government controls in resource allocation became marked, particularly so during the.

The reform policies adopted by the country were also very fruitful. Simultaneously, there was a rise in the incoming aid. Financial help was very important in maintaining a positive economic reform in Ghana. State of affairs, which necessitated the implementation of economic reform in Ghana may be summarized as under: Hyperinflation had occurred due to very lenient monetary as well as fiscal policies. Production levels subsided drastically and affected almost all the sectors of the economy. Transportation facilities were badly hit and in turn caused a lot of inconvenience to the export activities. The reason being, cocoa, which served as the main foreign exchange source was crippled because the products could not be transported to the market places from fields. As foreign exchange had declined, inputs for various industries had also subsided. This has negatively impacted the other sectors, especially the industrial segment of the economy. Need for reforms was realized but implemented quite late: However, the economic reform in Ghana was not implemented instantly. The reason being the country had some internal conflicts, which delayed the process of implementation of reforms despite the realization of the fact that it was for the reforms to get executed. After a lot of hue and cry, economic reform in Ghana was introduced. The program aimed at achieving economic stability. Once the economic reform in Ghana was underway, the country did not have to turn back but the momentum of the economy slowed down towards the nineties. Reform for bringing about stabilization to Features of the reform: This economic reform in Ghana was taken up for the stabilization as well as the liberalization of the economy. With the implementation of the latter program, several donors and financial institutions assisted the country by extending substantial aid. Improvement of the railways, ports as well as roads were also included in this program. Owing to the economic reform in Ghana, interest rates as well as price control on commodities were eradicated. However, owing to the high rate of inflation, private investment in Ghana seemed to be a distant possibility at least for the time being. Variable Reforms- to All was well until there was deviation in wages as a result of the election in the country and it made the economy of Ghana go astray. The wages increased to a considerable extent. As fiscal control, was lost, it resulted in the macro economy being unstable. This was evident from the fact that rate of inflation had gone up. During this period, the government in Ghana had worked hard to re align the fiscal stability in the country. But all efforts of the government did not go in vain as the period witnessed an increase in foreign investment and the investment rates were also quite high. More Information Related to Economic Reform.

4: IMF Survey: Ghana's Reforms Transform Its Financial Sector

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Overview In Ghana held its first elections in over a decade, taking a decisive step in the return to democratic rule. Although many countries in Africa moved to democracy in the s, Ghana had reached that point only after a virtual meltdown in the early s. A democratic environment is characterized primarily by free elections, an effective legislature, and an independent judiciary. This is not all, however. True democracy also involves regular consultation with civil society and the prominence of the rule of law, as well as transparency and accountability in government. All these ingredients have been present in Ghana since , although much still needs to be accomplished before one can claim that democracy has matured. Within Ghana, a rich economic and political debate informs and influences government policies. Newspapers and magazines keep the public aware of current economic affairs. In-depth television interviews on economic themes are common, providing an opportunity for different views to be aired. Independent economic institutes, such as the Center for Policy Analysis, the Institute of Economic Affairs, and the Institute of Statistical, Social, and Economic Research provide analysis of economic trends and policies. Consultation with stakeholders is the norm in many areas of policymaking. Transparency and accountability are increasing, and institutions such as the Commission on Human Rights and Administrative Justice and the Serious Fraud Office help ensure that the rule of law is respected. This paper focuses on economic policies in Ghana since the return to multiparty democracy in . This introductory section explores the key relationships between participatory democracy and successful economic development and reviews the early steps of participatory decision making in Ghana. Economic Development and Democracy In recent years the IMF has emphasized the importance of a participatory approach to decision making Ouattara, . The participatory approach to economic development promotes the application of key elements of a democratic environment--consultation, the rule of law, and transparency and accountability--to economic policymaking. Because a participatory approach aims at broad consultation and consensus building, it fosters strong ownership of the economic program by civil society, a crucial element in making the program a success. It also increases the chances that government policies will be well conceived and fair. Yet a democratic environment and a participatory approach to economic policies are no panacea. Consultation and consensus building can and do delay policy implementation. The strategies chosen sometimes involve too many compromises or are too timid. Protection of minority rights and interests can be overlooked under the guise of majority rule. Consultations with stakeholders can become perfunctory and fail to really take their views into consideration. Deadlocks may halt reforms, and elections may encourage politicians to spend unwisely in an attempt to impress voters. Nevertheless, with all its temporary setbacks and potential delays, a democratic environment supported by a participatory approach to decision making remains a key ingredient in any successful strategy for sustainable development. Rawlings, the leader of the December military coup, described to the country in a broadcast on January 2, , the kind of democracy he hoped would emerge in Ghana: To many of us, if not all of us, democracy does not just mean paper guarantees of abstract liberties. It involves, above all, food, clothing, and shelter, in the absence of which life is not worth living. However, it was not until that the NCD began to fulfill its functions. During and early , the NCD held a number of political seminars in the various regional capitals to help define the key characteristics of a Ghanaian approach to the democratic process. Early on, the NDC decided that any participatory system of democracy in Ghana would have to be strongly grounded in the localities. Therefore, in its so-called Blue Book report, published in July , the commission proposed a system of elected local assemblies aimed at involving the largest possible number of people in policymaking decisions. This report was further discussed in another round of seminars in every region of Ghana. The process culminated in October in PNDC Law , which set out a new system of elected government at the district level. Voting for the district assemblies began in some districts in November and was completed by the end of February . PAMSCAD represents an early example of the application of a participatory approach to decision making on economic policy. The program was originally conceived as a

series of small-scale projects originating at the local level. People in the villages were asked to identify their local needs, such as repair and rehabilitation of primary schools or the building of new health clinics, and about 1, of these projects were selected for financing by international aid agencies that had pledged funds to PAMSCAD. In the NCD turned its attention to the national level; between July and November of that year it conducted 10 regional seminars on a democratic structure for central government. This took critics by surprise as they had expected that some system of grassroots democracy, without parties, would be recommended. The government accepted these recommendations in April, and a special committee of constitutional experts was quickly set up to formulate specific constitutional proposals by July. On August 26, , the member Consultative Assembly began its proceedings. Also in , the government set up the National Development Planning Commission NDPC , charged with formulating and implementing an enhanced economic strategy to consolidate the gains achieved by the Economic Reform Program ERP and to lay the foundations for accelerated economic growth and poverty reduction into the 21st century. Throughout its deliberations, the NDPC was to critically evaluate economic policies and continually adapt them to the overall goals of raising living standards and reducing poverty. During the first half of the s, the NDPC established working groups made up of academicians, consultants, nongovernmental organizations NGOs , and researchers from the public and the private sectors, in an attempt to make the development effort as broad-based as possible. It was from these early efforts that the Ghana--Vision strategy would emerge in the mids. In this context it was felt that the private sector had to play a dominant role in generating substantial increases in saving, investment, and exports. Therefore the Private Sector Advisory Group was set up in and charged with responsibility for making recommendations on how to improve the environment for private sector investment. Presidential and parliamentary elections followed in November and December, respectively. The process of participatory decision making has continued and strengthened, leading to economic reforms that have produced mostly satisfactory results. The Participatory Process The constitution is clearly based on principles of participatory democracy. Article 35 provides that "the state shall make democracy a reality by decentralizing the administration and financial machinery of government to regions and districts and by providing all possible opportunities to the people to participate in decision making at every level of national life and in government. It directs the president, within two years after assuming office, to "present to Parliament a coordinated program of economic and social development policies" Article 36, clause 5. The first version of the Ghana--Vision strategy was prepared in early , presented to a three-day national workshop in April, and published in May. It was further elaborated and presented to parliament in January A private sector roundtable consisting of a broad spectrum of Ghanaian entrepreneurs was also convened in to deepen the work begun by the Private Sector Advisory Group. In true participatory fashion, a number of important workshops took place in 1997 and were influential in refining the strategy. As described by its organizers, the National Economic Forum was aimed at consolidating a "national consensus on pragmatic policy measures for accelerated economic growth within the framework of Ghana Vision " NDPC, , p. The main topics of the National Economic Forum were macroeconomic stability, economic growth, employment generation, and human development. Participants were keen on defining concrete actions to be taken in each of these areas, which were then included in a program of action published in June Government of Ghana, Financing for the new economic development strategy was put together by the World Bank, together with other bilateral and multilateral donors, in connection with the November Consultative Group meeting in Paris. The government, through both the NDPC and sectoral roundtables, also stepped up the coordination of its development needs with the international community in an effort to use external resources more efficiently and to avoid overlap among donors. In particular, sectoral investment programs were drawn up for health services, education, and infrastructure. Despite this extensive consultation, critics of the government often claimed that the participatory process had so far been more rhetorical than real. There is, however, still room to deepen grassroots involvement in macroeconomic decision making, and the government is expected to formalize the consultation process in the context of the Poverty Reduction Strategy Papers that will serve as a basis for new lending from the World Bank and from the Poverty Reduction and Growth Facility of the Fund. Economic Highlights From an economic perspective as well, was a crucial year. In March, private traders were allowed

for the first time to purchase the cocoa crop in competition with the state-owned Produce Buying Company; domestic and export trade in coffee, shea nuts, and cocoa products had been privatized in early the export levy on coffee had also been eliminated in . Significant changes also took place in monetary and exchange rate policies. A floating exchange rate system based on an interbank market was introduced in March to replace the weekly exchange rate auctions. A new pay and grade structure for the civil service was introduced in July. A new social security system had also been introduced in . The completion of the banking sector reforms was felt to be at hand, and initiatives to improve the investment climate for the private sector, such as the Private Sector Advisory Group, were on course. In summary, the economy was poised for significant, sustained growth. Unfortunately, the period since is not one of clear-cut successes and economic development. The same elections that restored representative democracy to Ghana also encouraged the government to spend excessively, in part because the government faced a series of strikes. Doctors went on strike in May, nurses in June, workers of the Cocoa Board in July, and railway employees and civil servants in September. Pressed for time and concerned about the elections, the government granted large salary increases, which worsened macroeconomic imbalances and rekindled inflation. The fiscal balance turned from a surplus of 1. The government implemented policies in 1994 with the object of regaining control over the budget deficit but had only limited success. Instead of taking structural measures that would address the weaknesses in the public sector, the government used large receipts from the divestiture of state enterprises to finance the fiscal deficit in . Growth in the money supply accelerated that year, however, mainly because of an increase in borrowing by the national petroleum corporation from the central bank, and this further intensified inflationary pressures. Similar events in , when new elections were held, highlight the difficulties that Ghana has confronted in carrying out economic adjustment and structural reforms in a democratic environment. Since mid the government has strengthened its economic policies and made considerable progress in restoring macroeconomic stability see section III for details. Despite some difficult external shocks--an energy crisis in and a terms-of-trade shock in the economy has continued to show reasonably good results, with real GDP growing by 4. The average inflation rate has also continued its downward trend from . The primary domestic surplus was, on average, 2. The external current account deficit declined sharply in to 4. Because of these external price shocks, has been a difficult year. Nevertheless, the macroeconomic and structural reforms have progressed to such a point that, if the government stays the course of adjustment, Ghana will be well on the road to achieving the objectives of the Ghana--Vision strategy. The Paper in Brief This paper describes the main economic developments and policies pursued in Ghana during 1999, when the authorities gradually developed a participatory approach to decision making. Clearly, not all economic decisions during this period reflected a truly participatory process. However, Ghana can be recognized as one of the first African countries to seek more widespread participation of civil society in development planning. The purpose of this paper is to tell the story of this effort, both its successes and its shortcomings, so as to learn from it. The IMF fully recognizes this as crucial to ensuring that development efforts will be sustained. Therefore, section II focuses on how poverty reduction became central to the Ghanaian development strategy. It describes that strategy, its implementation and monitoring, and the lessons learned. It concludes that significant progress has been made in poverty reduction since , but that still more remains to be achieved. Section III analyzes the obstacles to growth in the pre period and how economic policies adopted since then have helped mitigate these constraints. It points to the potential for further growth and identifies the policies that are crucial to fully realizing this potential.

5: Economic Reform In Ghana | Economy Watch

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This program was implemented because the economy in Ghana had not been performing as per expectations. The ERP or the Economic Recovery Program in its preliminary phase, which was during the period to concentrated on the stabilization process of the economy. During this period of financial sector reform in Ghana, the other aspects, which were taken care of included stringent fiscal policies, devaluation of the currency, prices were liberalized and so were the rates of interest. Earlier the financial sector in the country was backsliding and was mainly characterized by ceilings fixed for interest rates, credit guidelines for different sectors, ceilings fixed for credits. The country also used monetary control instruments, which were direct. The rates of interest were gradually liberalized. It was only in the year September that the rules pertaining to minimum deposits as well as maximum deposits were abolished. The interest rates, which were embraced thereafter was more inclined towards the market conditions. It can be attributed to the fact that the reform agenda was equally and very precisely spaced out. Moreover, the execution of the financial sector reform in Ghana was consistent and the financial reforms were not characterized by any drastic changes in the economy with regard to modifications in the major polices. As a result of the reforms, there was an increase in the rates of lending as well as nominal deposits in the country, which registered an increase in the year in unison with the process of liberalization. The first 12 months of the reform revolved around liberalization as well as stabilization of the interest rates. There was considerable improvement in the rate of real deposits, which escalated by approximately Therefore, it was observed that after the implementation of the financial sector reform in Ghana, deposit rates were enhanced by Owing to these results, which were achieved by the stabilization process, the rate of inflation was also low. Due to the financial sector reform in Ghana, which encompassed stringent fiscal policies, the private sector gained prominence and flourished manifold. The government in Ghana also adopted a measure wherein the budget deficit was greatly lowered. The period of adjustment during the reform implementation manifested more stability in the macroeconomic indicators of the Ghana economy. There was considerable improvement in investment, savings as well as financial mediation. This indicates that the real gross domestic product had also improved than before. Sources, which determine investment in the private sector were also recognized as such improvement of the private sector and its growth were also attempted at. It is being said that financial sector reform in Ghana has been successful to a large extent because the different resources were assigned in an optimum manner. However, there are certain areas, which failed to live up to the effects of the financial sector reform in Ghana. Some feel that the improvement in the financial sector has taken place only superficially. More Information Related to Economic Reform.

6: Economic Reforms in Ghana: The Miracle and the Mirage - Google Books

PwC's prediction as a good year for banks in the country is a clear confirmation of government implementation of solid economic policies that translate into strong economic reforms especially.

7: Ghana: Economic Development in a Democratic Environment--IMF Occasional Paper No.

Since independence in , Ghana has tried a number of approaches to achieving acceptable rates of growth and development. A period of rapid industrialization in the s, then control measures and further state interventions in the s, was followedby a comprehensive programme from the mids based on a policy of economic liberalization.

8: Germans affirm support for reforms in Ghana | GhHeadlines Total News Total Information

ECONOMIC REFORMS IN GHANA pdf

Germans affirm support for reforms in Ghana a country with great momentum of reform and strong economic growth. Ghana has been an anchor for democracy and stability in Africa for many years.

9: Economy of Ghana - Wikipedia

Ghana's economic strategy since has focused on macroeconomic stabilization and structural reform in a democratic environment. Within Ghana, a rich economic and political debate informs and influences government policies.

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