

The limping lion

The world's second largest producer of cocoa – and rich in natural resources, including gold and oil – Ghana was destined to lead Africa's fastest growing 'lion' economies over the next ten years. But falling gold prices and falling tax receipts have set back economic growth

Anver Versi

For the past 15 years, the management of Ghana's economy has been held up – by multilateral organisations such as the World Bank, among others – as the exemplary model for other developing countries to follow. The country has enjoyed political stability, good macroeconomic management, a steady annual growth in the five per cent range and a diversified economy based on gold mining, manufacturing and

cocoa – Ghana is the world's second largest producer. It is now also an important oil producer and has the potential to become the third largest oil producer in Africa.

Indeed, by 2010, when the country's first oil began to flow from the Jubilee field and the price of gold nudged the US\$2,000 per ounce mark, a recalculation of the country's GDP, based on more relevant data, raised GDP by 60 per cent. Growth was estimated

at around 14 per cent and Ghana entered the ranks of middle-income countries.

It seemed that Ghana was destined to lead the pack of the 'African lions' – a dozen or so fast growing countries – over the next decade at least. But during the last few months, the country's serene progress towards its medium-term annual growth target of eight per cent has suffered several setbacks and the 'black swan', in the form of a catastrophic



fall in the international price of gold, has made its dreaded appearance.

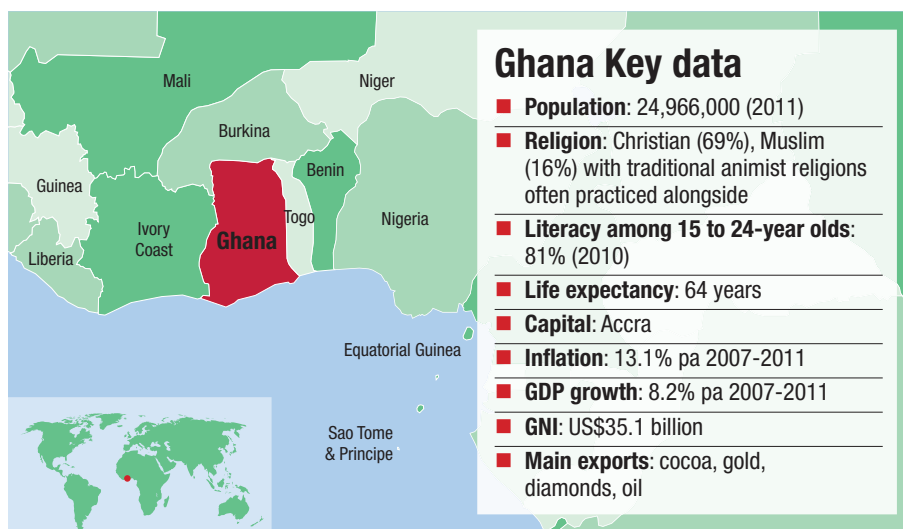
However, even before gold lost 25 per cent of its value between April and June – the biggest quarterly drop since 1968 – it was clear that all was not well with the Ghanaian economy. Expenditure had severely outrun revenue and left a 12 per cent deficit black hole that is threatening to undermine many of the gains made leading to 2012. The Minister for Finance, Seth Terkper, has blamed the deficit on shortfalls in corporate income taxes and grants from development partners, higher interest costs, fuel and utility subsidies, and higher spending on goods and services.

While Ghana's upgrading to middle income status confirms the success of its economic policies and makes it much more attractive to foreign investors, it also means that the country loses a number of its sources of donor support. "As we consolidate our middle income status and these facilities become less available to us, we should be in a position to borrow effectively from the capital markets," says Terkper. In June Ghana issued a \$1 billion Eurobond which Terkper says will help reduce the deficit to six per cent of GDP by 2015. But this will not be enough, according to the IMF.

"The government's deficit target of six per cent of GDP by 2015 will keep public debt high and buffers low so the mission recommended an additional fiscal adjustment of three per cent of GDP by 2015," says Chistina Daseking, leader of an IMF mission to Ghana. This will be a tall order for the government, especially as its tax assessment and collection regime is inefficient and many still avoid paying taxes, while the large informal sector remains outside the system. The Finance Minister has promised reforms of the system and says he will widen the net to plug loopholes.

In the meantime, efforts to claw back the deficit by raising the taxes of corporations that do pay their taxes, such as those in the mining industry, could rebound badly, especially when the outlook for gold is becoming dimmer by the day. Corporate mining tax was increased from 25 per cent to 35 per cent, capital allowance standardised to 20 per cent and a bill to introduce a 10 per cent windfall tax is on its way.

The mining sector is already the largest taxpayer in the country, contributing 27 per cent of total direct taxes to the Ghana Revenue Authority's domestic collections. It also contributed 37 per cent of the total corporate tax collected in 2012. Mining companies complain that the cost of production in Ghana is already steep and ate up 70 per cent of the \$4.6 billion in revenue gener-



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ated from gold mining in 2011. The extra burden could be the last straw. "Excessive taxation on mining could be disruptive and kill the goose that lays the golden eggs," director of analysis, research and finance at the Chamber of Mines, Sulemanu Koney, points out.

In June, Nick Holland, Gold Fields CEO, said: "The industry is not sustainable at \$1,230 an ounce, which is where the gold price is at the moment. We're going to need at least \$1,500 an ounce to sustain this industry in any reasonable form."

Some 40 per cent of Gold Field's output comes from Ghana. Other major miners include AngloGold Ashanti and Newmont. In 2011, Ghana produced 91 tonnes of gold, contributing roughly 12 per cent



Going for gold: the Ghanaian gold mining industry had a turnover of \$4.6 billion in 2011



Each cocoa pod holds between 30 and 50 seeds that are white when picked, turning brown when dried

► to the country's GDP. Despite the anticipation drummed up by oil, mining and cocoa will remain the main pillars of the Ghanaian economy for at least the rest of this decade and both require handling with velvet gloves. Several gold mines around the world and in South Africa have already been mothballed until the gold price recovers to a

level when mining is again sustainable.

Despite these setbacks, however, the Ghanaian economy has been built on solid foundations and whatever it may lose on the gold swings in the short run, it can gain on the oil roundabouts when production rises from its current 125,000 barrels per day (b/pd) to 250,000 b/pd when phase

two of the Jubilee project is completed and several more fields begin production. If all the commercial discoveries made so far come on stream, Ghana could well become the third largest oil producer in Africa after Nigeria and Angola.

In addition, the Ghana Gas Company, set up in 2011 to avoid the wasteful flaring of natural gas that characterised the early years of the Nigerian oil industry, was expected to start production in July, but delays in the release of funds from the Chinese government have held up the project.

Gas will be supplied to the Tema and Takoradi power plants, while the 400 MW Bui hydro scheme, which is being developed by Sino Hydro, will add to the energy mix and, hopefully, not only end the country's chronic shortage of power but also leave a surplus for export.

While Ghana has made enormous strides, its economic planners now have to show a nimbleness of foot to cope with unexpected hurdles, fiscal discipline to put a cap on spending while raising domestic tax revenue and imaginative leaps to create more job opportunities and spread the fruits of growth far more equitably than at present. The middle-distance race has more or less been won – now comes the long haul of the marathon. Does Ghana have the staying power? ●



SADA-led dry season irrigation farming has taken off in various Northern Region ecological zones to produce crops for export to the European market. Additional benefits are job creation and a curb on rural-urban migration



Savannah Accelerated Development Authority

Bridging the poverty gap between the north and south
– Ghana's Sustainable Development Initiative for the Northern Savannah

SADA was established in 2010 as an Independent and Autonomous Statutory Corporation to provide a framework for the comprehensive and long-term development of the Northern Savannah Ecological Zone (NSEZ).

Situated within several natural resources and economic opportunities, SADA's mandate is to bridge the development gap between northern Ghana and the rest of the country. The SADA enclave is a competitive economic zone which covers more than half of Ghana's landmass.

SADA's Vision

Creating a Forested, Green and Peaceful society in a stable and dynamic economy, doubling per capita incomes and reducing the incidence of poverty in the Northern Savannah Ecological Zone (NSEZ) to less than 20 per cent within 20 years.

Mission

To build a bold and strong co-ordinating institution for accelerated development that is based on ownership and participation by the people of the NSEZ.

Strategic objectives:

- Repositioning the NSEZ as a competitive economic zone in the Savannah/Sahel Region of West Africa.
- Expand the scope and numbers of private sector firms and entrepreneurs investing in value addition in the NSEZ.
- Empower people in the NSEZ to participate effectively in the 'new economy' through human resource and business skills development; micro and small-scale enterprises; and fiscal regulatory incentives.

Other interlinked objectives include:

- Catalyse infrastructure development in a strategic way to link markets and production.
- Facilitate environmental renewal and regeneration.
- Co-ordinate a region-wide social protection, livelihood and peace-building agenda.
- Create opportunities for private sector investments in mechanised agriculture for export, electricity, road infrastructure, housing, air, sea and land transport.
- Strengthen governmental and non-governmental institutions for development.

Investment opportunities in the SADA Zone

SADA adopts a three-prong approach in programme/project design to achieve its set objectives:

1. A growth strategy that accelerates the pace of economic development in the NSEZ where investors can play a key part.
2. Concentration of resources in specific localities to promote agro/industrial growth poles using private-public partnerships.
3. Key human development interventions.

Critical areas for SADA to realise its goal include:

- Opening up areas for increased production through access to food production and processing; market/export and facilitation of private sector investment; and integrated solar and hydro-electricity energy/irrigation.
- Water and air transport.
- Production of solar energy; mining and tourism using the private sector.
- SADA is collaborating with the Free Zones Board in Ghana to create a SADA free zones enclave for industrial and manufacturing activities in the NSEZ.
- SADA is collaborating with the Ghana Investment Promotion Centre to take advantage of incentives being provided for disadvantaged areas and to give a special dispensation to investors interested in opening companies, factories and other types of investments in the NSEZ.

Come and invest in the NSEZ to make profits, promote human development and protect the environment.

Adding fuel to the fire: seven difficult months for Mahama

Seven months ago, John Dramani Mahama came into office as a president in his own right, although his position is being challenged at Ghana's Supreme Court. With the case hanging over his head – capped by a series of major fires and a controversial rise in pump prices – Mahama is finding it difficult to deliver on electoral promises

Baffour Ankomah

Some presidents get lucky in their first few months in office, but nature and circumstances appear to have conspired to haunt Ghana's President John Dramani Mahama since his controversial electoral victory last December, which the opposition candidate, Nana Addo Dankwa Akufo-Addo, is still disputing at the Supreme Court.

Seven months have passed since his inauguration on 7 January 2013, and if politicians were given to introspection, Mahama would be the first to admit that these have not been seven easy months at all.

Misfortune after misfortune appears to dog his government's every step and, as such, forced them to behave more like firefighters than soldiers under control of a plan, the government has not achieved much in the half year it has been in office.

Mahama first came to power on 24 July 2012 when his boss, President John Atta Mills, suddenly died on that day. As Vice President at the time, Mahama was made President six hours after Mills' death in accordance with Ghana's constitution, to finish Mills' remaining term of office – which

ended at last December's elections. As 'interim president' (as many people saw him), Mahama was not given a hope in hell's chance of winning the December presidential election, so his victory by a narrow margin confounded the pundits. According to the Electoral Commission (EC), Mahama won 50.7 per cent of the vote to challenger Nana Akufo-Addo's 47.7 per cent.

Akufo-Addo cried foul and sought redress at the Supreme Court to overturn the EC-announced result. After initial pre-trial hearings lasting three months, the court started hearing



President John Mahama is still awaiting the results of a legal challenge to the election results

the substantive case on 17 April, broadcast live on both TV and radio.

The counsel for the petitioners, Philip Addison, concluded his cross-examination of the Electoral Commissioner Kwadwo-Afari-Gyan mid-July to bring the trial to an end. At the time of going to press, the parties involved were required to appear before the court on 31 July to present their final addresses. Judgement is to be delivered within 15 days after this.

The case has dominated the political discourse since Mahama's inauguration, and caught the imagination of the population because of the live broadcasts.

As expected, these legal wrangles have polarised the politics of the country and appear to be distracting Mahama's government from its course. The ruling party, the National Democratic Congress (NDC) and its supporters have accused Akufo-Addo and his New Patriotic Party (NPP) of being sour losers who want to destabilise the country through unbridled political ambition.

The polarisation of politics has been so acute that the King of Asante, Asantehene Otumfuo Osei Tutu II, felt obliged to make it the central plank of an address he gave at this year's Annual Democracy Lecture organised by the National Commission for Civic Education (NCCE) in Accra in May.

The King, who normally does not dabble in national politics, in accordance with Ghana's constitution, warned the nation that "the politicisation of everything in society was threatening the very foundations of the country", and that if it did not stop, Ghana would be "in such a dangerous political minefield that one risks getting blown apart by the incendiary force of combined misinformation, misrepresentation and misconception".

At the conclusion of the trial, pastors, priests and other civil leaders held meetings urging the supporters of both parties to accept the final ruling of the supreme court. Whether they will do so or not could well dictate the shape of Ghanaian politics in the near future.

In fact, political polarisation has not been Mahama's only headache. A combination of misfortunes and brash decisions have made life difficult for his government. First was the fuel price. Ghana started producing oil in December 2010, but production has not reached a level to have a serious impact on the economy or affect the politics of the country. In the meantime, Mahama's new government felt compelled by the world market price of crude oil to increase the domestic pump price a few weeks after coming into office.

1992

Year that the new constitution was approved by a national referendum

275

Number of members who sit in parliament, raised from 230 for the 2012 elections

66.6%

Adult literacy rate (2009)

84.8%

Percentage of population with mobile phone subscriptions (2011)



80%

Proportion of rural population with access to clean drinking water

It was a controversial decision, as most Ghanaians were expecting a cut, rather than a rise, in the fuel price. Traditionally, fuel price increases in the country have been accompanied by sudden jumps in the prices of goods and services right across the board. Because of the inflationary side-effect leading to a diminution in political popularity, previous governments have been reluctant to go down that route. To elect to bite the bullet after only a few weeks in office showed Mahama and his government to have no fear. But little did they know what was waiting for them at the next corner.

Days after the fuel price hike, the lights in the country went dim – and then out. The government explained that the West African

gas pipeline that brings gas from fields in Nigeria to Benin, Togo and Ghana had developed unforeseen problems, disrupting supply to Ghana's thermal plants at Aboadze in the Western Region and thus reducing the nation's capacity to generate enough electricity for all.

As the fault was being repaired, the government promised to introduce electricity rationing as a short-term measure, but 'load sharing' as electricity rationing is known in Ghana, was still in force four months later.

Then followed water shortages in Accra and Kumasi, the nation's two largest cities, and people began to wonder what was happening. But worse was to follow.

Between April and early June, nine markets across the country (six in Accra, two in Kumasi in the Ashanti Region, and one in Tamale in the Northern Region) were gutted by fire, compounding Mahama's headache and conjuring in the minds of his supporters an army of arsonists, or even terrorists, who want to make matters worse for the already beleaguered government.

A worried Mahama moved quickly to set up a five-man committee to investigate the spate of fire outbreaks and report back in 21 days. It is a serious issue if one market burns down in Ghana. For nine to burn down on the trot is a grave political matter.

Unlike most modern nations, Ghana does not have a supermarket or shopping mall culture. In fact supermarkets and shopping malls are new concepts in the country, and even now they are few and far between.

But the market has always been king. Without an industrial sector to write home about, the market is where the wheels of the national economy turn, and the place where over half of the country's 24 million population, mostly women, make their living. Thus if a market burns down a lot of livelihoods and national revenue go down with it.

The only saving grace for Mahama, in the midst of the misfortunes, has come from the Supreme Court where Akufo-Addo's election case has been struggling to gain the expected traction. The case has equally paralysed the main opposition party, the NPP, as it is waiting to see the outcome before embarking on a rejuvenation drive.

If Akufo-Addo loses the case, the NPP is likely to replace him as leader. If he wins, Ghana will be in a constitutional crisis – how Mahama's supporters will take his removal from office at the say-so of the Supreme Court is anybody's guess. ●

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A lavish feast for the senses

Ghana's cultural heritage, dating back thousands of years, is still very much part of its more modern, cosmopolitan lifestyle. *Global* savours the sights, sounds and tastes of Ghana's incredibly rich and diverse cultural milieu

Juliet Hight

Early travellers to the West Coast of Africa, landing in what we now know as Ghana, gave that country an epithet that stuck – the Gold Coast. They were stunned by the magnificence of the courts of the local kings, and not just by the gold glistening in the sun all around them, but also by the wealth of other symbolic paraphernalia, of stools and staffs, swords and silk umbrellas and, not least, the sumptuous, rich and complex woven material known as Kente.

Happily, these medieval European envoys wrote down what they witnessed as they entered the presence of the Asantehene, the revered king of the vast, powerful Ashanti empire – the last of the African kingdoms to be conquered. His person was considered so august that neither his feet nor his buttocks might touch the ground.

Describing the king's messengers first, these dazzled visitors managed to register the magnificence of their appearance, before moving on to their king: "They wore Ashanti cloths of extravagant price from the costly foreign silks which had been unravelled to weave them in all the varieties of colour as well as pattern. They were of an incredible size and weight and thrown over their shoulders exactly like the Roman toga."

From the 15th century onwards, Portuguese, Dutch and other Europeans had noted the abundance of gold body ornaments, which are still worn on ceremonial occasions – particularly by the Ashanti, who had united the Akan kingdoms, in whose forests large gold deposits had originally been discovered, in the 18th century.

So why is gold so significant in Ghana? It was believed that the king or chief, personified by his bearing and appearance, embodied the power, prestige and wealth of the community. The more opulent his regalia, the more important he was considered to be.

Gold was believed to come from the sun and the gods, and to possess fetish powers. Only the ruler, who communicated with the ancestors on behalf of the people, could be the correct channel. Therefore, it was accepted that gold belonged to the king or

It was always African slaves, ivory and that substance prized above all else – Ghanaian gold – that foreigners fought to obtain. In return, Ghana wanted guns and liquor

chief, and any that was discovered in rivers or diggings should be deposited with him, so that he could mediate over and control the community's proper order of life, whether temporal or spiritual.

It was always African slaves, ivory and that substance prized above all else – Ghanaian gold – that foreigners fought to obtain. In return, Ghana wanted guns, liquor, silk textiles (to unravel), decorative items

like brass vessels – and beads. Imported glass beads soon became symbols of wealth and rank, each kingdom favouring different designs. Those that particularly appealed to the African sense of style were the highly decorative Venetian Bugle beads, infused with millefiori patterns called 'eyes', with flowered, striped and mosaic designs.

Every significant event in a Ghanaian woman's life is marked by celebration, at which she receives gifts of jewellery. They are handed down as heirlooms from grandmothers to their female descendants, or specially commissioned. Almost all Ghanaian jewellery is composed of beads and gold, sometimes used separately, often together. This jewellery builds up her personal fortune, and marks her own and her family's status in society. But it's not just for adornment – most of it has deeper, symbolic meaning.

Antique and spiritually symbolic beads, such as the Aggrey and the Bodom, are highly valued. In the past, one Bodom bead could buy its owner seven slaves and royal babies were washed and powdered with ground Bodom to make them grow.

Many experts believe that the Aggrey bead is of Egyptian origin. By the end of the second millennium BCE, glass beads had become common in Arabia, and in particular Egyptian blue faience was highly valued by Egypt's trading partners. The great trans-Saharan camel-trains of early trading routes transported beads from Egypt, India and Venice, and later, during Europe's medieval period, ships landed on Ghanaian shores, bringing beads from Portugal and Holland.

Through the ages

1471 The Portuguese become the first Europeans to set foot on what would later be known as the Gold Coast. They set sail to explore the area 50 years earlier, lured by rumours of gold and ivory for the taking



1874 The British invade Asante territory under the command of Sir Garnet Wolseley, spurring the Sagrenti War. After their defeat, the Asante agree to sign a peace treaty, while the British win another onslaught in the Volta Region. The entire coastal area is proclaimed a crown colony



1400

1800



1697 King Osei Tutu establishes the Asante (Ashanti) Empire, building up its army and starting expansion efforts. Successive kings continue the expansion and consolidation of territories, gaining access to coastal trade

1957 Ghana emerges as the first African country south of the Sahara to regain independence from colonial rule. Dr Kwame Nkrumah, then Prime Minister, proclaims: "Ghana, our beloved country is free forever."

Among the great surprises in store for today's visitors to Ghana are the old forts and castles, which lie scattered along its coast. Nowadays they play little part in the life of the country, except as a tragic tourist site. An eerie silence, a gloomy atmosphere hangs over these massive, crumbling complexes, which once teemed with life. In their dismal dungeons, thousands of slaves sent up desperate prayers, before being transported across the notorious Middle Passage.

These melancholy monuments vary greatly in importance and size, from the massive El Mina – once the headquarters of the Portuguese and later of the Dutch – and Cape Coast Castle, built by the British, to Christianborg in Accra, which was bequeathed by the Danes. These huge castles had several big guns, including cannon, large garrisons, resident commercial and government officials and, at a later stage, local craftsmen. In many respects they were like miniature cities, each establishment having a considerable number of its own slaves, toiling away like worker bees.

However, a palpable air of prosperity and a relaxed ability to enjoy life characterises Accra today. As one drives through the tree-lined avenues of middle-class homes from Kotoka Airport, the atmosphere of decades of good fortune respectably earned is immediately apparent. One can't help noticing how many churches there are, the focus of many a society wedding or christening, whose participants glow in Kente and gold.

Ghana was the first African nation to achieve independence and it has a large population of high-flying, cosmopolitan professionals. Of course, there's poverty too, and few 'respectable' Ghanaians would venture to Jamestown fishing village, on the 'rougher' side of town, but tourists certainly do to see the traditional canoes of the local Fanti people, painted with symbolic patterns and motifs relating to the underlying philosophical content of Ghanaian life, hardly affected by slavery, colonialism or Christianity.



Celebrations are marked by gifts of jewellery

Accra's Makola Market is controlled by usually large, imposing, and often very wealthy, Market Queens. It's the heartbeat of the capital, where you will see rows of cloth-sellers and love potions, as well as a few pieces of the beautiful local pottery, which have almost entirely been replaced by plastic ware.

The smells of fish in the gruelling heat – despite only being two hours old – and of the pomade worn by traders from the north add to the atmosphere. The colours of the market are stunning too – women in their every-day printed wrappers and head-ties, piles of chillies, tomatoes and spices. Contrary to expectations, not every dish in the varied battery of Ghanaian cuisine is red-hot. Ghanaians employ a variety of herbs and flavourings. Its characteristic 'freshness' stems from the use made of local ingredients, such as crab, crispy fried prawns and a selection of green leaves.

There's a range of traditional stews made with groundnuts and palm nuts, and often

meat is cooked with fish. Savoury dishes are served with a balance of carbohydrates, such as pounded yam or cassava, and variations on the plantain theme are endless. Plantain is a member of the banana family and is cooked using at least 19 savoury or sweet methods.

Most Ghanaians will reminisce about balmy evenings, sauntering along with a loved one, picking at *kelewele* – fried plantain bought from a street stall. Stepping out at night, the gilded youth of Accra and other Ghanaian cities groove at chic clubs, while others sip beer and enjoy local music at lively open-air venues.

Stevie Wonder cried when he came to Black Star or Independence Square, to play at the legendary Soul-to-Soul concert. He had come face-to-face with his ancestors. ●

Juliet Hight is an author and photographer specialising in travel, the arts and culture

1960 Ghana is proclaimed a republic with Dr Kwame Nkrumah as president



1979 Flight Lieutenant Jerry John Rawlings leads a military coup and his Armed Forces Revolutionary Council (AFRC) takes power. In a bid to end widespread corruption, Rawlings tries and executes former government leaders including Acheampong, Akuffo and Afrifa. Hundreds of officials and businessmen are imprisoned

2007 Major offshore oil reserves are discovered, estimated to total three billion barrels



1960

2000

2013

1969 Multi-party elections are held under the new constitution and a new civilian government is formed under Dr Kofi Busia and the Progress Party



1992 A referendum passes a new constitution, introducing a multiparty system. Political prisoners are freed, and free press and human rights organisations emerge. Rawlings is elected president

2010 Offshore oil production begins