



CRS Report for Congress

Ghana: Background and U.S. Relations

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Summary

This short report, which will be updated as events warrant, provides background information on current developments in Ghana and U.S. bilateral relations with Ghana.

Introduction. In mid-February 2008, President and Mrs. Bush are slated to travel to five African countries, including the West African country of Ghana, which in 2006 signed a \$547 million Millennium Challenge Corporation (MCC) Compact. They are to “review firsthand” U.S. AIDS and healthcare assistance and to “discuss how the United States can continue to partner with African countries to support continued democratic reform, respect for human rights, free trade, open investment regimes, and economic opportunity” in Africa.¹ The Bushes are visiting Ghana, in part, because it is widely seen as a key U.S. partner and as an African “success story.” Ghana has undergone a successful transition to democracy, has enjoyed substantial economic gains in recent years, and is a stable country in an often volatile sub-region. Ghana has helped to mediate the political and/or military conflicts that have affected several West Africa countries over the last quarter century. It is also praised for its willingness to contribute troops to international peacekeeping operations, both in Africa and in other global regions.

Political Scene. President John Agyekum Kufuor is serving his second term before general elections in 2008, in which he will be ineligible to run again for the presidency due to constitutional term limits. Kufuor, age 70, is a former veteran opposition figure and Oxford-trained lawyer, businessman, and former deputy foreign minister and parliamentarian. He first won the presidency in 2000, in an election that led to Ghana's widely praised, first-ever democratic presidential succession. He was reelected to a second term in 2004, when he won 52% of votes in a poll that was generally calm, peaceful, and transparent, but was reportedly marred by limited violence. His closest rival, John Atta Mills, the National Democratic Congress (NDC) candidate, won a 44% vote share in his second consecutive run against Kufuor (*CIA Factbook 2008*). In simultaneous parliamentary elections, Kufuor's New Patriotic Party (NPP) increased its legislative margin by 26%, winning 128 seats, while the NDC won 94. Two smaller parties and an

¹ The five countries are: Liberia, Benin, Tanzania, Rwanda, and Ghana. See White House Press Secretary, “President and Mrs. Bush to Visit Africa,” January 25, 2008.

independent candidate won all other seats (Interparliamentary Union data). Kufuor used the slogan "So far, so good" to assert that during his first term he had achieved a solid record of economic stability, market-based reforms, steady growth, and general quality of life improvements after a period of economic stagnation under the NDC.

Kufuor's reelection victory in 2004 was the product of Ghana's fourth consecutive democratic election. It appears to have durably consolidated a transition to democratic rule that began in 1992, when Ghana's then-military leader, Jerry Rawlings, retired from the military to run as a civilian presidential candidate. Rawlings had first come to power in a 1979 military coup, after which elections were held. He led a second military coup in 1981, establishing a populist, reform-oriented ruling civil-military entity, the Provisional National Defense Council (PNDC). The formation of the PNDC followed 15 years of coups d'état and a string of military-dominated, often corrupt governments that ruled after the military ousted Kwame Nkrumah, Ghana's first elected Prime Minister, in 1966. Nkrumah, a famed advocate of African unity and socialism, was toppled shortly after he transformed Ghana into a one-party state. He led Ghana to independence from Britain in 1957; in 2007, Ghana celebrated 50 years of independence.

2008 Election. The 2008 presidential race is expected to be hard fought, but many expect the NPP to win it because minor opposition parties have reportedly rejected an electoral alliance with the NDC, according to press reports. The NDC was also weakened when a dissenting faction left to form a new splinter party. Public dissatisfaction over electricity and water shortages, utility price hikes, and reports of corruption, however, may mean that the NPP will have to fight to win a slim victory, in spite of its largely positive economic performance. The opposition NDC has again nominated Atta Mills as its presidential candidate, despite his two earlier losses as its nominee. The NDC may face an uphill electoral battle, given recent economic growth and the NPP's forecast of continued economic growth funded by prospective oil revenues.

On the ruling NPP side, 18 candidates fiercely vied for their party's nomination in the lead-up to the party congress on December 22, 2007. Former Foreign Affairs Minister Nana Addo Dankwa Akufo-Addo secured the nomination in the first round of voting. This surprised some observers, as former Trade Minister Alan Kwadwo Kyerematen had reportedly been favored by President Kufuor. Akufo-Addo's decisive win was made possible because the remaining candidates were reportedly prepared to back his candidacy. The NPP nomination process was seen as cash-intensive, and some critics were concerned that it was not open to candidates who are not wealthy or could not raise large amounts of cash to rally support. NPP contenders each had to pay a \$25,000 nomination fee in a country with an average income of about \$520. Several leading contenders, dubbed the "monetocracy," were said to have spent large amounts to court NPP delegates. Delegates were chosen by a process of district-based election, nomination, or selection that was reportedly open to monetary influence. Questions over the funding sources of some losing NPP contenders reputed to have close ties to business interests were raised in the press. President Kufuor has proposed the possibility of reforming the political party financing system, but no pre-2008 election changes are seen as likely.²

² *Africa Confidential*, "Ghana: 'Who spends, wins'," November 30, 2007, among others.

Ghana generally enjoys inter-ethnic harmony, but regional rivalries and disparities that are sometimes viewed in ethnicity terms play a role in politics. The NPP, which has fielded an ethnic Akan presidential and a vice-presidential candidate from the north since the reinstatement of multiparty politics in 1992, is viewed as predominating in the Akan south and southeast; Kufuor is Akan. The NDC's traditional base of support, by contrast, is in the multi-ethnic, largely Islamic north and among Ewes in the south. Prior to the NPP Congress, some observers had suggested that the campaign tactics of Alhaji Aliu Mahama, the sitting Vice-President and only northern Muslim among the NPP contenders for the 2008 nomination, might unduly politicize ethnicity and regionalism during the 2008 election. Mahama had promoted himself as the only candidate likely to draw both broad northern and southern Akan support and as the one most likely to bring development gains to the relatively poor north. He was criticized for this, as well as for his alleged use of the assets of incumbency to promote his candidacy and interests.³

Kufuor Record. Kufuor's first-term agenda emphasized efforts to bolster national unity and social equity after the somewhat divisive 2000 election; to fight reportedly widespread corruption; to reassert the rule of law; and to revive a flagging economy, a key challenge. Upon taking office, he faced a raft of poor economic indicators: flat economic growth, currency deflation; poor or declining prices for key commodity exports (gold and cocoa); high inflation, interest, and unemployment; and dependence on foreign aid. Kufuor vowed to tackle these problems aggressively, but faced a roughly evenly party-divided legislature and an NDC-dominated bureaucracy. He met these challenges by taking steps to privatize state firms, diversify the economy, increase Ghana's world market access, and pursue politically difficult fiscal austerity policies. Ghana continues to face diverse economic challenges, but the Kufuor administration has achieved many of its initial goals, including substantial utility deregulation and an increase in hard currency reserves and high economic growth rates.

Economy. Ghana's export earnings have grown in recent years; they stood at about \$3.7 billion in 2006 and are projected to increase to \$4.1 billion in 2007 according to the Economist Intelligence Unit (EIU), a business risk analysis firm. In June 2007, the reported discovery of offshore light crude oil reserves estimated in the 450-550 million barrel range, with significant additional upside potential, has boosted prospects for future export earnings. The economy has grown at an annual rate of 5.6% to 6.2% in recent years, and its growth rate is forecast to rise slightly in the next two years, (EIU, December 2007 data). Current inflation, around 10%, is low by historical standards. Domestic savings rates are rising, and a large influx of expatriate remittance investments has boosted growth, notably in construction. The small Ghana Stock Exchange has boomed in recent years and in 2003 Ghana received its first sovereign credit rating, which has since been upgraded. In September 2007, it successfully and for the first time raised \$750 million in international Eurobond issues. Ghana's economic progress and macro-economic stability, including its largely successful fulfillment of its World Bank and International Monetary Fund (IMF)-backed Ghana Poverty Reduction Strategy (GPRS), also led the IMF to approve Ghana's attainment of its "completion point" under the enhanced Heavily Indebted Poor Countries Initiative. Ghana received further debt relief in 2006 under the Multilateral Debt Relief Initiative. This is leading to additional international financial institution assistance, and has resulted in a series of actual or

³ *Africa Confidential*, "Ghana, "Race to the top," December 14, 2007, among others.

planned debt write-offs by bilateral creditors estimated to total \$3.5 billion. The World Bank's 2006/07 *Doing Business* report ranked Ghana third among 10 global "Top Reformers" based on gains in public service provision, contract mediation processes, import operations, and reductions in red tape for property and business start-ups. Social indicators have steadily improved. Ghana reportedly may become the first African country to surpass the United Nations Millennium Development Goal of halving poverty by 2015.

The Kufuor administration has attributed its achievements to its firm fiscal discipline, controls on state expenditures, and improved revenue collection. Rising commodity prices, notably of key exports like cocoa and gold, have also played a major role in stimulating growth. Liberal economic reform goals continue to define the government's policy agenda. President Kufuor has promoted a concept, "Ghana Incorporated," by which he suggests that development and public goals must be pursued through the use of "businesslike" policy approaches, private sector-led growth, and popular participation in governance. He has promoted good governance as a "critical pivot" for socio-economic development and improved private sector competitiveness and development. His government has strongly backed efforts to improve the general standard of living through increased state investment in education, healthcare delivery, communications, and infrastructure. The latter is fairly developed by regional standards but in many cases is aging or inadequate to meet future demands. In 2008, a state task force is slated to examine possible socio-economic and regulatory challenges arising from a prospective rise in oil earnings. It will propose policies to ensure that such funds are used for socially equitable economic diversification projects of benefit to the broad public. The task force will also address associated legal and regulatory reform, infrastructure, and human resource needs in the nascent oil sector. The government also plans to create a national stabilization fund to minimize economic growth shocks and revenue volatility associated with its dependence on cocoa, gold, timber and oil exports.

Prospects. Despite much economic success, poverty remains widespread, notably among the rural majority. From 1997-2003, 40% of Ghanaians lived below the poverty line, and the average income in 2006 was \$520 per capita, according to the World Bank. Joblessness also remains high. Poverty rates are slowly declining, however, and average incomes have grown markedly from the 2003 level of \$310. The economy remains highly rural and agricultural, though Ghana's urban population, about 47% of the total, is high by regional standards. Agriculture employs about 60% of workers, and contributes about 38% of annual gross domestic product (GDP). Services, notably the information technology and financial sectors, have expanded rapidly and are eclipsing agriculture; they contribute about 40% of GDP (EIU data). Ghana has established a small off-shore call and information processing industry, and several new banks have been created. Industry, notably the gold mining sector, has also grown substantially; it provides nearly 25% of annual GDP. The government supports the extensive small-scale and informal sectors through the use of micro-loans and small business-friendly policies. A key challenge is an insufficient electricity supply, which the government is addressing by pursuing a range of national and international regional power projects and efforts to liberalize the national electricity sector. Other challenges include low wages and productivity rates and recent high oil prices. Floods in 2007 also devastated towns and the farm sector in the north.

Transparency and accountability are key goals of the Kufuor administration. It backed passage of several anti-corruption and public sector transparency laws, made Ghana a participant in the Extractive Industries Transparency Initiative (EITI), an

international revenue transparency effort), and signed and ratified the African Union convention on corruption, among other actions. Corruption, nevertheless, remains a problem. Public sector bribery is reportedly common, and there have been several high profile corruption cases involving top officials. Some non-governmental good governance advocacy groups contend that anti-corruption law enforcement is often weak or ineffective. Notwithstanding the Kufuor government's private sector orientation and social services improvement efforts, the State Department's FY2008 Congressional Budget Justification, mirroring the views of many observers, states that Ghana "remains a difficult place to do business; contract sanctity, clear land title, and expeditious licensing regimes present daunting challenges. Schools are inadequate, and quality health care is unavailable for many, particularly, for the poor and the disenfranchised."

International Relations. Ghana's government has actively mediated in crises in Liberia, Cote d'Ivoire, and Togo. Some observers believe that its relations with the late Gnassingbe Eyadema, former president of Togo, may have caused it to take a moderate stance vis-à-vis Togo's 2005 leadership succession and electoral crisis, which led about 12,000 Togolese to enter Ghana as refugees. Some human rights advocates also criticized Ghana's decision to facilitate the return of Charles Taylor, former president of Liberia, to his country from peace talks in 2003 in Ghana after he was indicted for war crimes by the U.S.-backed Special Court for Sierra Leone.⁴ Ghana contributes a considerable numbers of troops for international peacekeeping operations, notably within West Africa. It is seen as having an increasingly professional military, following decades of military intervention in state politics. Ghana is also active in helping to develop African peacekeeping capacities; it hosts a regional peacekeeping training center. U.S. training and equipment have been provided to the center, using regional peacekeeping funds and via the State Department's Global Peace Operations Initiative and predecessor programs. Ghana was elected to chair the African Union in 2007, and hosted the 9th African Union Summit in July 2007. It also served as a U.N. Security Council member, 2006-2007. Like many African countries, Ghana is pursuing greater economic cooperation and trade ties with China, and has increased its exports to China, notably manganese and cocoa.

U.S. Relations. U.S.-Ghanaian relations are close, and a small population of Americans, many of African-American descent, has settled permanently in Ghana. Ghana hosts the regional headquarters of the U.S. Agency for International Development (USAID). According to the Bush Administration's FY2008 foreign operations budget request, Ghana is "a key African partner" due to its role in promoting international security; its development of a "vibrant and stable" democracy; and its role as a key market-oriented African U.S. trading partner. Ghana is a leading African buyer of U.S. goods, though bilateral trade is small in global comparison. In 2005 and 2006, annual U.S. exports to Ghana averaged \$313 million. U.S. imports from Ghana, which averaged \$175 million in the same period, have grown steadily, from \$115 million in 2002 to \$192 million in 2006, (Commerce Department data). Ghana is eligible for all U.S. trade benefits offered under the African Growth and Opportunity Act (AGOA), and in mid-2007 hosted the 6th African Growth and Opportunity Act Forum.

U.S. democratization assistance to Ghana supports greater citizen participation in governance, notably at the local and regional level; improved parliamentary law-making

⁴ Human Rights Watch, "Liberian President Must Be Arrested," June 4, 2003.

and oversight skills; better local government service capacity; and efforts to build civil society capacities to influence government policy making. It will also help train civil society election observers prior to the 2008 elections. U.S. health sector assistance to Ghana focuses on preventing HIV/AIDS, malaria, and tuberculosis infections; increasing access to improved reproductive and other health services and education; and improving institutional healthcare planning and management capacities. Ghana will be a new President's Malaria Initiative country in FY2008. Development Assistance (DA) programs focus on aiding farmers in delivering their produce to local and international markets, in part by bolstering small businesses' ability to comply with regulatory and market-driven standards. They also support policy reforms aimed at supporting macro-economic stability, liberalizing agricultural input markets, and supporting policy-making capacities related to finance, labor and land regulation, energy, and information and communication technology. A 174-member U.S. Peace Corps contingent pursues diverse projects, broadly under the categories of secondary school education, small business capacity development (notably in ecotourism), environmental sustainability, and health care promotion focusing on water and sanitation access and the prevention of HIV/AIDS and other diseases. In response to widespread flood damage in northern Ghana in September 2007, USAID's Office of U.S. Foreign Disaster Assistance (OFDA) provided \$50,000 in emergency relief supplies to 5,000 recipients in the Upper East Region, the most flood-affected area.

In August 2006, Ghana signed a \$547 million, 5-year Millennium Challenge Corporation (MCC) Compact. It supports investments in agriculture, production and income growth projects (e.g., increasing exports and value-added business capacity, and improving irrigation and land tenure systems); transportation; and investment in rural government, social, and financial services. Under the Administration's Foreign Assistance Framework, Ghana is a "Transforming" state, i.e., one "with low or lower-middle income, meeting MCC performance criteria, and the criterion related to political rights." Under the Administration's FY2008 budget request, U.S. assistance to Ghana in FY2008 would decline to \$44.29 million from the FY2007 level of \$64.16 million (exclusive of MCC). The bulk of this decrease would be under the DA and P.L. 480 (food aid) accounts, but some might argue that the DA decline would be offset in part by the ongoing MCC compact; DA and MCC program goals are designed to be complementary. Food aid funding, which is allocated from a central account, often rises during the year to levels well above requested amounts.

Limited Foreign Military Financing, International Narcotics Control and Law Enforcement, and Nonproliferation, Antiterrorism & Demining funds support police and law enforcement capacity and the ability of Ghana to counter growing cocaine trafficking. Modest International Military Education and Training programs support Ghana's military professionalism. Ghana was among the first recipients of peacekeeper training under the African Contingency Operations Training and Assistance (ACOTA) program, and acts as a base for periodic regional U.S. military activities, such as crisis response actions or exercises. It also participates in the National Guard State Partnership Program, which links U.S. states (North Dakota in the case of Ghana) with partner nations in support of U.S. security cooperation and broad bilateral goals.