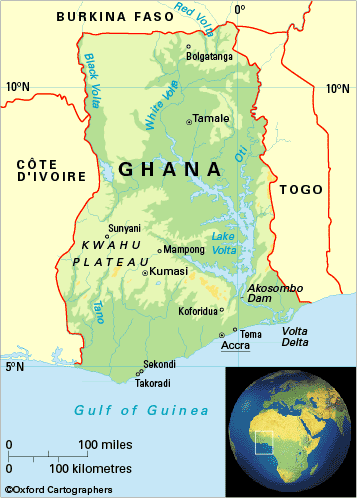
Ghana Development Report



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# Introduction

When one reads about the condition of West Africa, news is very rarely good. Côte d’Ivoire is perennially in chaos, Liberia is considered by many to be the most impoverished country in the world, and the injustice of the diamond mines in Sierra Leone is infamous. It is astounding that, amongst this misery, there is one country that has the potential to break out of this cycle of despair and join the ranks of developing countries. That country is Ghana.

When one reads about Ghana, there is some discussion of the 10.5% of citizens that live under the poverty line but one also reads about average GDP growth over the last ten years of more than 6%[[1]](#footnote-1). Ghana certainly has many of the curses that have befallen West Africa. Nonetheless, it also has many blessings such as gold, oil, and cocoa. While the story of much of West Africa is one of misery, the story of Ghana is one of potential.

In our paper we will first formulate a working definition of what precisely development means. This theory will then be compared to several existing schools of thought in order to defend and elaborate on our choice. After we have justified our theoretical position, we will use our theory to examine the development level of Ghana and, more importantly, the reason *why* Ghana is at that level. We will first examine the economy of Ghana, focusing primarily on capital flows and the two-gap. Next, we will move on to the state of agriculture in Ghana, followed by education. Once we have examined these aspects of the country, we will give an analysis of the Ghanaian state, more specifically the quality of government, provision of healthcare, and infrastructure. Our paper will end with a few tentative suggestions of proposals that might be able to help correct some of Ghana’s problems that we have illustrated.

## Definition of Development

We will develop a definition of what development means in order to measure Ghana’s progress. U Thant, the third Secretary General of the United Nations, summarizes development as economic growth plus social change. [[2]](#footnote-2) We have chosen to adopt this definition of development. Development is an interrelationship between economic and noneconomic elements of society. Economic growth is defined as the increase in GDP or other measures of aggregate income. Economic growth can be driven by improvements in domestic savings, trade balance, and international investment position, to name a few. Using the one, two, and three gaps, we will paint a picture of how Ghana can use economic measures to develop. Social change, the second component of our definition, refers to the alteration of the social order of a society. This can be completed by changing human development indicators. This paper has several key variables of human development including education, healthcare, and infrastructure.

We chose this definition of development because many theorists will solely look at either economic growth or human development (e.g. Amartya Sen)[[3]](#footnote-3) as individual factors in assessing development. We found that both factors were important in the definition because you cannot have one without the other. For an example, you can increase a country’s GDP, but the country would not succeed if the entire population were plagued by disease. However, adequate healthcare cannot be provided without the necessary financial support. This paper places both human development and economic measures at the center of our objective. No single variable can accurately define the current development potential of the country; therefore, we will use a multi-pronged approach in order to show the numerous developmental challenges facing Ghana.

Since Ghana’s development success rate differs in the various spheres we chose to measure, it is necessary to use the three stages of development to categorize each criterion. These three stages are defined by the United Nation Development Programme’s Country Classification System. “To capture the multifaceted nature of development it is a composite index of three indices measuring countries’ achievement in longevity, education, and income.”[[4]](#footnote-4) This classification system, using the Human Development Index, divides the countries into low, medium, and high developed countries. The first level, that of a low-developed country, is one that cannot fulfill the basic needs of its population. This includes basic nutrition, healthcare, and education. Most of its population earns less than $1.25 a day. The majority of Sub-Saharan Africa falls under this category. The second level, that of a medium-developed country, contains states that have met the most basic needs of their population, but still have a medium to low standard of living. These countries are working to institute a more industrialized economy and to establish an effective government, while constantly improving the quality of life of their population. Ghana fits into this category of development in most of the indicators that we researched. The third level, that of a high-developed country, provides high standards of living and has overcome the problems facing the first two levels. The requisites for development are available to the entire population.

In order to address the needs of the citizens of Ghana, using the definition of development above as a standard, we will work with existing structures, institutions, and resources in order to decide where Ghana’s development currently stands and what its potential is for the future. We plan to look at the government of Ghana, the economy, and the human development programs it currently has in place.

## Measuring Development

We chose to measure Ghana’s development by comparing it to its neighboring countries, Burkina Faso, Togo (low-developed states), and Côte d’Ivoire (a medium-developed state). Many times information was not present for these countries and we had to resort to using data from other countries that were nearby in the Western African region. When available, we used regional data from developing Sub-Saharan Africa to demonstrate Ghana’s progress. A world average was also used when possible to further the perspective of Ghana’s development. While Ghana was ahead of Sub-Saharan Africa in many cases, it often fell short of world averages. We also wanted to include a country that Ghana could aspire to in reaching a higher level of development. For economics, we chose Nigeria because its GDP per capita is approximately 50% higher than Ghana’s. We did not use Nigeria in other sections because its development factors were generally too similar, and we wanted to include a country that Ghana could aim to reach. Nigeria has a high GDP, but low development, because of massive inequality caused by the oil industry. For human development factors, we chose to use South Africa because it is widely regarded as a successful African state to which Ghana could aspire.

# Theories of Development

It is necessary to examine Ghana’s development potential through the framework of various schools of thought in order to explain why Ghana is in its current development state. Here we will explain Ghana’s position in regards to each of the following theories. Ghana has not followed one unified path of development, but follows multiple theories in different aspects of its development.

## Modernization Theory

Modernization Theory suggests that undeveloped countries can be modernized by emulating the steps towards development that western countries used in the past. It claims that urbanization, creation of a middle class and the decline of traditional systems, and political and social development are the outcome of economic growth. Development is a linear process whereby developing countries progressively become industrialized.

The main flaw of modernization theory is that these theorists see the reasons for underdevelopment solely from internal factors, for example, in their traditions or lack of sufficient capital investment. Through seeing traditions as obstacles to economic growth, modernization believes that while modernization may deliver radical change for traditional societies, it was worth the price.

In a sense, Ghana has been acting as modernization theory would predict, especially in the past decade. It has developed a democracy that is often cited by Western states as the model of Western Africa. Its democracy not only is based off of the United Kingdom’s government system, but it also is known to provide rights to its citizens and be relatively free of corruption. Also, Ghana’s poverty rate is 20% of its population, with only about 10% in severe poverty. This shows that there is a developing middle class. Ghana is by no means a high-developed country, but it is generally taking westernized methods to try to progress towards that level. Ghana has not followed one unified path of development, but it has adopted some of modernization theory’s principles in its own development.

## Dependency Theory

Dependency theory is useful when linking Ghana to the international system. A former British colony, Ghana was the first African state to gain independence in 1957. Andre Gunder Frank, a leader dependency theorist, makes the claim that colonization hurts states by creating a metropolis-satellite relationship. The metropolis, a major city in the country or possibly a city in the colonizing state, uses the satellite territory for its primary products and resources. This allows the metropolis to develop more advanced products and become more competitive. When the relationship ends, the satellite is left with less purpose and an uncompetitive primary products industry. While the British certainly valued Ghana for its gold resources, shortly after independence Ghana had a stable government and was making improvements for its people. This relationship did not develop to the degree it has elsewhere in the global system. Ghana does rely heavily on loans and outside investment, however, which causes its reliance on other states and institutions. It also runs the risk of falling increasingly behind, due to lack of infrastructural necessities such as roads. Without adequate transportation, investment in rural areas is poor. Ghana has a large agricultural sector, in part because it is extremely difficult for it face foreign competition in any other sector, such as technology. The recent discovery of oil in Jubilee Field will challenge this relationship.

## Orthodox School

The orthodox school is rooted in the tradition of classical liberal economics. It emphasizes the role of the market over the state and claims that laissez-faire is superior to central planning. The idea is that individual entrepreneurs have a much better understanding of the market and the needs of consumers than the state and can thus produce goods much more efficiently. Laissez-faire encourages innovation because those who create new goods reap the rewards more than in a state-run economy.

The main flaw in the orthodox school is that it confuses the meaning of development with that of consumption. Classical economics has the goal of maximizing aggregate consumption. This is a present-orientated outlook that is not usually compatible with the future-looking orientation of development theory. For example, a society would be better off now if it used up its entire natural resource stock for consumption; this would be very detrimental in the long run.

For the purpose of our analysis, the orthodox school will be very important. We advocate many market-based strategies in Ghana such as private ownership of the means of production, the promotion of entrepreneurship, and the encouragement of Foreign Direct Investment. In some cases, however, we do not agree with orthodox theory. For example, we believe the government should intervene in capital flows in order to make sure Ghana does not run a trade or current account deficit. Thus, it can be said that while the orthodox school is essential to our report, it is not the entirety of our report.

## Radical School

The radical school is concerned mostly with studies of dependency and imperialism. A key tenet is given by Bahran, who said, “capitalism depends upon conditions it itself cannot bring about.” This claims that the reason the West is so wealthy is not because of an innate virtue or because of better policies, but because it exploited other countries. As the historical record shows, European powers subjugated native populations, stole their mineral wealth, and destroyed their nascent industries. For example, the British destroyed the impressive Indian cloth industry and opened India up as an importer of British goods.

The flaw with this school of thought is that misses many good kinds of interactions that occur between developing and developed powers. For example, developing powers can share technology with and finance developing powers through FDI and other means. It would be hard to claim these are inherently bad things. It is also hard to come up with a plan of development using the radical school. If the West gained its wealth through exploitation, then there is no hope for the rest to follow in its path.

Altogether, while the radical school brings some good points to the table, we do not feel that it can sufficiently provide the framework for Ghana’s development. The one contribution it has is in the analysis of foreign interactions with Ghana. It is important to assess whether those interactions are for the benefit or detriment of the country.

## State Planning School

The State Planning School gives a role to the state to expand the market and ensure that the market is running both justly and efficiently. It emphasizes the strength, autonomy, and efficiency of the state. It claims that certain development factors such as infrastructure, water, education, transportation, and communication are the responsibility of the state.

The main flaw of state planning theory is that states do not always have the resources to carry out all these operations on their own. This is shown by Ghana’s own troubles in having a state central government for two decades.

Ghana went through a stage of central planning and having a closed economy from 1960-1983. This period was characterized by the use of state power to create an array of financial institutions. Ghana had a strong central bank that had control over all foreign exchange, interest rates, and state-owned banking institutions. By 1983, Ghana had amassed many financial problems, including a high inflation rate, negative rates of interest, and a sharp depreciation in currency. Professor Kwesi Jonah, of the University of Ghana, said that Ghana would not be able to attain their needed economic growth if the government continued to rule red lines that placed huge market restrictions on the private sector. He claimed that in Ghana the centrally planned economy paradigm overstretched and dwindled government financial reserves, making it difficult to promote development in other areas of the economy.[[5]](#footnote-5) Ghana has introduced many new initiatives including the National Health Insurance Scheme, Free School Uniforms, and the School Feeding Programme to correct the mistakes of the structural adjustment programme. Ghana no longer practices state planning to the extent that it used to. It still has a few agricultural subsidies in place, but overall, the state does not play a big role in regulating the market. This has helped Ghana resolve many of its past issues hindering development.

# Economic Growth

Before examining the development potential of Ghana, it is important to give a picture of its general wealth to use as a frame of reference. While this paper is primarily about why Ghana is at its present level of development, this would be difficult to explain without at least a rudimentary idea of what that level is. The most commonly used measure of wealth is Gross Domestic Product (GDP), which is defined as the sum of value added by all resident producers in a country plus any product taxes (less subsidies) not included in the valuation of output.[[6]](#footnote-6) Simply put, this means that it is the final value of all goods and services produced within a country. GDP is usually corrected for exchange rate and inflation discrepancies using the Purchasing Power Parity (PPP) measure of conversion. PPP converts GDP in a way that equates the price of a basket of identically traded goods and services in two countries[[7]](#footnote-7). Therefore, citizens of vastly different countries with the same GDP will have roughly the same standard of living regardless of the price level in their respective countries.

For comparative purposes, we graphed Ghana’s GDP from 1999 to 2009 as well as the GDPs of 6 neighboring West African countries (*Figure 1*). Côte d’Ivoire, Burkina Faso, Togo, and Benin were chosen because of their physical proximity to Ghana. It can be seen that Ghana’s GDP is roughly equivalent to the average of this group. Nigeria and Liberia were chosen as model countries that illustrate two directions in which Ghana could progress. Nigeria, with a GDP more than 50% larger than Ghana’s, is one of the most economically successful countries in Africa and stands as a model that Ghana could emulate. Liberia, by contrast, is considered by many to be one of the most impoverished countries in the world, with a GDP less than 30% of Ghana’s. It represents a cautionary warning sign for the consequences of mismanaging Ghana’s development. We believe these are the best countries to compare Ghana to in terms of economic development and they will be consistently referred to throughout the economic portion of this paper. In other parts of our paper, however, they may not be as appropriate and the examples used in them may differ.

*Figure*

Looking closer at Figure 1, one can see that Ghana has been growing at a faster rate than any country except Nigeria. Ghana’s GDP jumped from $897 in 1999 to $1552 in 2009, a 58% increase in only 10 years. By contrast, many countries such as Liberia, Togo, and Côte d’Ivoire, showed barely any improvement over the last 10 years. The reasons for Ghana’s impressive growth will be discussed later in the paper. For now, however, it is important to note simply that Ghana’s exceptional rate of growth is one reason why it is comparatively more developed than many other countries in West Africa.

## Equality

The way wealth is distributed throughout a country is equally as important as the amount. A country with a high GDP but low equality would be considered an economic success by some viewpoints, and therefore developed. According to our definition of development, however, it is important that all parts of society enjoy the fruits of economic growth. Therefore, the extent to which wealth in a society is distributed is an important explanation for why or why not we would consider a country developed. It is also a causal explanation for many other factors of development, such as the extent to which social services are provided in a country. Countries with a better wealth distribution tend to provide better for their citizens in many respects. As our measure of equality, we will use the Gini coefficient, which measures the degree of inequality in the distribution of family income in a country[[8]](#footnote-8)[[9]](#footnote-9).

The Gini coefficients of Ghana and our sample countries are displayed on the table below[[10]](#footnote-10)[[11]](#footnote-11) (*Figure 2*). Also displayed is each country’s rank compared to the rest of the world from least to most equal.[[12]](#footnote-12) For example, the least equal country in the world is Namibia with a Gini coefficient of 70.7 and a rank of 1. It is evident that Ghana fares very well on this chart. It is much more equal than both Nigeria and Côte d’Ivoire and the same as Burkina Faso. Only Benin is judged to be more equal. In fact, Ghana scores even higher than the United States, which has a coefficient of 45 and a rank of 40. Therefore, it can be deduced that Ghana is a decently equal society. Because wealth is better distributed in Ghana than in many of its peer nations, this would be an explanation for why Ghana is comparatively more developed.

*Figure 2*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ***Country*** | ***Gini Coefficient*** | | ***Rank*** | | ***Date of Information*** |
| Ghana | 39.4 | 64 | | 2005-2006 | |
| Côte d'Ivoire | 44.6 | 42 | | 2002 | |
| Burkina Faso | 39.5 | 63 | | 2007 | |
| Benin | 36.5 | 82 | | 2003 | |
| Nigeria | 43.7 | 45 | | 2003 | |

## Poverty

In addition to the importance of wealth equality, it is vital for a society to not have a large population of severely impoverished citizens. People who are severely poor are not able to maximize their full potential and therefore hinder the development of a country. Thus, the incidence of poverty in a country can be used as an explanation for why a country is at a certain development level. As many countries have different criteria for poverty, we used the World Bank’s $2/day and $1.25/day criteria. Anyone living under the equivalent of $2 a day is considered poor while anyone living under $1.25 a day is said to be living in abject, or extreme, poverty. We compiled a chart showing the population percentage that falls below both these values in Ghana and our sample countries[[13]](#footnote-13)[[14]](#footnote-14) (*Figure 3*).[[15]](#footnote-15) The data shows that out of all the neighboring countries, Ghana has the lowest incidence of both abject and non-abject poverty. Like our measures of equality, this shows that if Ghana were to grow economically, that growth would benefit more people than in a country with higher poverty rates. This is because people not in poverty have a foot on a rung of the economic ladder in a country. Any action that benefits the economy of their country would benefit them. People in poverty very seldom benefit from a growing economy because they have little skills and opportunities that they can use to cash in. A country with less of its population below the poverty line is therefore making better use of its human capital because its citizens are more productive. Ghana can be more productive than its neighbors. The comparatively low incidence of severe poverty in Ghana vis-à-vis other African countries is one reason why Ghana is comparatively more developed.

*Figure 3*

## One-Gap Analysis

We can now begin to study how Ghana arrived at the point it is today. The best start in this process is to examine Ghana’s one-gap, which highlights the relationship between GDP growth, investment, and savings. The one-gap is calculated using the Harrod-Domar equation, which states *ΔGDP* = (1/*k*)\**I*.  *I* represents gross fixed investment and *k* represents the capital output ratio of a country, which is the amount of capital required to achieve a given level of output. Therefore, the lower *k* is, the more efficiently a country uses its capital. The world average is about 5. If a country’s value is 5 or below, then the most effective way to increase GDP growth is by increasing investment. If *k* is over 5, however, then the country’s capital stock is not adequate enough to make the most of current levels of investment and increasing investment would have little impact. In this case a country would be better off improving its human capital and finding more ways to better make use of available resources.

In the case of Ghana, we took the average of GDP growth as an annual percentage and gross fixed capital formation as a percentage of GDP (a way of measuring *I*) from 2005 to 2010.[[16]](#footnote-16) We then used these values to derive *k*. Next, we compared Ghana’s values to the values for our sample countries[[17]](#footnote-17) (*Figure 4*). The result was that Ghana posted the second highest levels of GDP growth, at about 6.1% annually. The only country that surpassed it was Liberia, which started with such a low GDP that its fast growth rate is unsurprising. The reason for this high growth is primarily due to the current high global commodity prices. Ghana’s economy is heavily reliant on exporting gold and cocoa.[[18]](#footnote-18) In fact, Ghana’s previous name under British colonization was the “Gold Coast.” Due to the global financial crises and inflation fears, gold is in very high demand. Cocoa prices are high because of perennial unrest in neighboring Côte d’Ivoire, where most recently the incumbent president Laurent Gbagbo has refused to give up power after losing an election. Ghana has also recently discovered oil, which should propel GDP growth even higher.

*Figure 4*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ***Country*** | ***GDP growth (annual %)*** | ***Gross fixed capital formation (% of GDP)*** | ***k (GFCF/GDP growth)*** | ***Gross domestic savings (% GDP)*** |
| **Ghana** | 6.1 | 25.3 | 4.15 | 5 |
| **Côte d’Ivoire** | 2.18 | 9.78 | 4.49 | 12 |
| **Burkina Faso** | 4.87 | 19.9 | 4.09 | 12.5 |
| **Togo** | 2.43 | 20.1 | 8.27 | 9 |
| **Benin** | 3.92 | 20.42 | 5.21 | 10 |
| **Liberia** | 6.7 | 19 | 2.84 | -74.5 |

Also impressive is Ghana’s *k* value of 4.15, which is significantly lower than the global average. This is good because it means that Ghana is very efficient in the use of its capital. These results are shown graphically below (*Figure 5*). It can be seen that Ghana falls above the regression line, meaning that Ghana grows more with each unit of investment than the regional average. This is due to its low *k*. Considering Ghana’s impressive GDP growth and capital output ratio, as well as the fact that a growth rate over 6 is very good, we see no need to increase investment.

*Figure 5*

While the relationship between GDP growth, the capital output ratio, and investment in Ghana are irrefutably optimistic, the difference between Ghana’s investment and savings rates is not. The technical definition of the one-gap is the difference between desired investment and available domestic savings. In the case of Ghana, where current levels of investment can be considered the same as desired levels, investment is 25.3% of GDP[[19]](#footnote-19). The domestic savings rate on the other hand, is only 5% of GDP. This means that the one-gap for Ghana is very large, at 20.3% of GDP. Therefore, Ghana requires external financing of 20.3% of GDP for growth to continue at 6.1% annually. This is shown graphically below (*Figure 6*).

*Figure 6*

Therefore, in summarizing the one-gap, it can be said that Ghana exhibits strong potential for growth. Its GDP growth rate is impressive and is likely to become even more so as its oil reserves are developed. Capital efficiency is also very good. Together, both these variables explain why Ghana is significantly more developed than many other African countries, such as Liberia. Ghana is comparatively wealthy because it uses its resources efficiently and is fortunate enough to export goods that are both valuable and in high demand. The one area where Ghana is lagging, however, is in savings. Foreigners provide a very large percentage of the total investment in Ghana. This is not uncommon in the developing world, but it is an issue that Ghana should combat through policies to increase savings. This will be explored further in the two-gap analysis.

## Two-Gap Analysis

Having elucidated Ghana’s reliance on external finance, the role that capital flows play in its development must be explored. One way to evaluate the impact and desirability of external financing is the two-gap analysis. The two-gap is defined as the difference between necessary and available foreign exchange, also known as “hard currency.” We will examine Ghana’s currency, balance of payments, and capital flows to determine if a two-gap exists.

The most rudimentary way to probe the existence of a two-gap in any country is by looking at changes in the exchange rate of its currency. Ghana’s currency is known as the cedi (₵) after the Ghanaian word for cowry shells, which were once used as legal tender. The cedi was introduced on July 1, 2007, and is sometimes referred to as the “new” cedi in listings to distinguish it from the “old” cedi. When the currency was first introduced, old cedis were exchanged for new ones at a ratio of 10,000 to 1 in order to fight inflation.[[20]](#footnote-20) We plotted the value of the cedi against the dollar at the start of every fiscal quarter from its birth on July 1, 2007 to the start of the current quarter (*Figure 7*). From the outset, it can be seen that the cedi has been declining against the dollar since its adoption. The rate is not consistent, however. In the year between July 2008 and July 2009, the cedi dramatically dropped in value by roughly 33%, from about $1 to about $0.66. According to Finance Minister Dr. Kwabena Duffuor, this is attributed to “larger than expected twin deficits (fiscal deficit and current account deficit) in 2008, depletion of foreign reserves at the Central Bank, and uncertainties in the domestic and global financial markets.”[[21]](#footnote-21) This trend was finally bucked in the third quarter of 2009, when the cedi appreciated slightly due to a recent influx of foreign exchange associated with loans from multilateral agencies (these are the typical drivers of currency movements). We will document these factors below. Included was $1.2 billion in interest-free loans from the World Bank.[[22]](#footnote-22) Since this intervention, the cedi has remained relatively stable at about $0.70. Nevertheless, the rapid decline of the cedi in such a short period gives an initial suggestion that Ghana has a two-gap.

*Figure 7*

A more comprehensive way of determining if Ghana has a two-gap is by analyzing its current account balance and national accounts. The current account balance of a country is the sum of net exports of goods, services, net income, and net current transfers.[[23]](#footnote-23) Essentially, this means it adds up total exports and subtracts imports. We plotted Ghana’s current account balance from 2000 to 2009 and compared it to our collection of neighboring countries[[24]](#footnote-24) (*Figure 8*). It can be seen that from 2000 to 2003, all of the countries are roughly equivalent. While some ran current account surpluses and other ran deficits, these differences are generally comparatively small. By 2006, however, Ghana, and to a lesser extent, Burkina Faso, were running large deficits while Côte d’Ivoire was running a large surplus. The rest of the countries showed no significant change. By 2008, the difference is stark. The current account deficit that led to Ghana’s currency drop can be clearly observed. This deficit, equivalent to 5.8% of GDP in 2008, was due to both “economic mismanagement” and an increase in imports.[[25]](#footnote-25) Looking toward the government, Ghana’s fiscal policy in 2008 was extremely expansionary due to it being an election year, which lead to inflation. Ghana also fell victim to rising oil prices, which increased the cost of imports.

*Figure 8*

Even after the World Bank loan, Ghana has continued to struggle with its deficit because of a decline in remittances and investment.[[26]](#footnote-26) The inflows of both remittances and Foreign Direct Investment (FDI) from 1999 to 2009 are given (*Figure 9, Figure 10)*.[[27]](#footnote-27) It can be seen that both dropped significantly in the 2008–2009 period. This was due mostly to the global financial crisis.[[28]](#footnote-28) Therefore, because of its deficit issues, it can be said with certainty that Ghana’s current account balance reflects a two-gap.

*Figure 9*

*Figure 10*

For more detail concerning Ghana’s current balance, we have also provided a Balance of Payments table (*Figure 11)*.[[29]](#footnote-29) It is displayed, as with the current account balance, that Ghana is running a deficit in both goods and services. This is offset by transfers in the form of aid, and to a much smaller extent, remittances. Other transfers, such as loans, need repayment, however. This is the reason for the negative net income, which illustrates funds leaving the country to pay back loans and other financing items. The net reserves are also negative, most likely due to the Ghanaian government’s efforts to keep the cedi from depreciating faster than it did.

*Figure 11*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Balance of Payments (In Millions of US Dollars) | | | | | |
|  | 2005 | 2006 | 2007 | 2008 | 2009 |
| Exports (f.o.b) | 2802.21 | 3726.68 | 4194.72 | 5269.73 | 5839.71 |
| Imports (f.o.b) | -5347.32 | -6753.68 | -8061.32 | -10268.51 | -8046.26 |
| Services (net) | -166.6 | -134.09 | -159.78 | -497.18 | -773.41 |
| Income (net) | -187.12 | -127.36 | -138.62 | -258.67 | -298.77 |
| Transfers (net) | 2125.42 | 2248.26 | 2043.18 | 2211.5 | 2077.98 |
| Financial and Capital Account | 834.49 | 1484.57 | 2652.3 | 2806.41 | 3067.06 |
| Net Errors and Omissions | 23.26 | -29.26 | -117.37 | -204.02 | -707.53 |
| Reserves and Related Items | -84.34 | -415.12 | -413.11 | 940.75 | -1158.78 |

The third important measurement in assessing whether or not Ghana has a two-gap is International Investment Position (IIP). This is defined as net foreign assets – liabilities. In the case of Ghana, the average IIP from 1990 to 2007 was -$5262.78.[[30]](#footnote-30) This consistently low value over such a long time period is indicative of a two-gap.

Connected to IIP is the amount of debt a country has. We compared the present value of external debt of Ghana in 2009 with our collection of neighboring countries[[31]](#footnote-31) (*Figure 12*). The result is that Ghana is about average in terms of indebtedness. It is vastly better off than Côte d’Ivoire and Togo, but not as good as Burkina Faso, Benin, or Nigeria. This suggests a two-gap, although the data is not as jarring as with other measures.

*Figure 12*

## 

## Three Gap Analysis

The three-gap is defined as the difference between required government expenditures and available government revenues. Ghana faces both budget deficit and debt problems. Since Ghana’s expenditures exceed its revenues, it is said to be running a budget deficit. In the year 2010, it had revenues of $5.518 billion and expenditures of $7.025 billion. This results in a budget deficit of $1.507 billion, or 3.9% of GDP. The public debt was 59.9% of GDP in 2010 and 55.2% of GDP in 2009. This records the total of all government borrowings minus repayments, denominated in a country’s home currency.[[32]](#footnote-32)

Based on the numbers above, the International Monetary Fund (IMF) has warned Ghana about its unsustainable debt build-up. In 2009, the IMF passed a $602.6 million loan in order to ease the strains that were placed on the country by the global economic crisis. The IMF is continually worried about the debt crisis in Ghana because its 2011 initial estimates are showing larger budget deficits and public borrowing than originally envisioned. The two main causes that are cited for the increasing budget deficit are the costly public sector pay regime (explained thoroughly in the Education section which follows) and the rise in external borrowing in order to fund infrastructure projects.[[33]](#footnote-33)

In terms of the budget deficit, Ghana’s tax revenues were less than 14% of GDP in 2010. This is far below the average of 20% of GDP for lower middle-income countries. If tax administration and collection is poor, this can result in revenues being lower than they should. Ghana’s Finance Director, Dr. Kwabena Duffuor, claims the government is working to control expenditures and develop a comprehensive strategy for managing debts and other obligations.

Figure 13 below shows the budget revenues for the year of 2009. Revenues are primarily derived from tax revenues (70.9%), followed by grants (16.3%), and non-tax revenues (12.8%). The following graph, Figure 14, shows the budget expenditures for the year of 2009. Expenditures are derived from non-interest expenditures (55.1%- transfers, goods and services, personal emoluments), interest payments (12.4%- domestic and external interest), development (9.6%- education, infrastructure, petroleum, other), and foreign finances (19.5%). It is important to notice that Ghana is not making new debts, but just repaying off old debt from years passed. The government must restructure its budget to provide more money to development, in order to see improvements in the future. [[34]](#footnote-34)

*Figure 13*

*Figure 14*

The arrival of oil in 2011 provides great opportunities, but also many risks. It is crucial to use oil revenues in an effective, transparent, and accountable way. This money could be used to promote a new growth agenda for Ghana. Other sectors of the economy must continue to be focused on, including promoting private sector development and agriculture modernization. If the government can use these funds in a productive manner, with the help of the IMF, its budget deficit and debt could be turned around more quickly than expected.

## Oil Discovery

Oil was discovered in 2007 by the US firm Kosmos. It is estimated that the Jubilee Field contains approximately 1.8 billion barrels of oil. On December 15, 2010, Ghana started to pump oil for its first time. The first phase will have a production of 55,000 barrels of oil per day. The International Monetary Fund has predicted that government revenues from oil and gas could reach a cumulative US$20 billion over the production period of 2012–30 for the Jubilee Field alone. The revenues from this discovery are expected to help Ghana meet the UN Millennium Development goals by 2015. In order to complete these, Ghana must not fall into the oil curse that has so frequently overcome other African nations.[[35]](#footnote-35) In an article published in the 2003 edition of the Foreign Service Journal, author Thomas Palley explains that the natural resource curse “occurs because the income from these resources is often misappropriated by corrupt leaders and officials instead of being used to support growth and development.[[36]](#footnote-36) Moreover, such wealth often fuels internal grievances that cause conflict and civil war.” Oil wealth tends to erode democratic accountability and institutions and many Ghanaians share a fear of this happening in their own country.

To prevent this, Ghana needs to tightly control the pace of developing the oil sector to avoid loss of government control. The government needs to keep everything transparent to its citizens. This includes funds operations: showing its citizens where the money is going in and out to, investment strategy, audits, etc. Parliament should play an active role in all processes, acting as a check to the executive power. Oxfam America has an extensive list of conclusions and recommendations for the Ghanaian government to take in order to promote a transparent and successful operation.[[37]](#footnote-37) Ghana has estimated annual oil revenue of $580 million , or 1.5% of GDP. If the government can keep its promise of a broad and inclusive process for the development of a master plan, then the money inflow from production could be a means to develop Ghana more quickly than ever predicted. Former President John Kufour claims, “Oil is money, and we need money to do the schools, the roads, the hospitals. If you find oil, you manage it well. We are going to zoom accelerate and if everything works, which I pray will happen positively, you can come back in five years and you’ll see that Ghana truly is the African Tiger in economic terms for development.”[[38]](#footnote-38)

# Education

Dudley Seers said, “Higher educational levels are ends in themselves, but education is also a means.”[[39]](#footnote-39) Education is critical for poverty reduction and development. Ghana has made substantial progress in recent years with its education program, but there is still significant room for improvement. This is an area Ghana should prioritize. Recently, Ghana has caught up with the rest of Sub-Saharan Africa, indicating that Ghana still has a lot of work to do in order to catch up with high-developed countries. Ghana has been successful in meeting high-developed country standards for gender parity in primary enrollment, but has gender issues as education moves past secondary education and has low enrollment rates in all areas. Ghana’s education system is poor because of a history of government financing in education being too low. Government financing fell from 6.4% of GDP in 1976 to 1.4% in 1983.[[40]](#footnote-40) Even though the government started to put initiatives into place to improve the system a few years later, Ghana had already fallen behind most of the world in their education statistics.[[41]](#footnote-41)

Ghana has many potential sources for development in education. Its Ministry of Education has put numerous initiatives in place in recent years to improve both access and quality of education. One of its main priorities at this time is to complete the UN’s Millennium Development Goal of universal primary education by 2015. One of the greatest problems associated with large increases in enrollment rates is that quality of teachers and content tend to decrease at the same time.

## School Enrollment Rates

Ghana has steadily increased the percentage of its population who have completed a primary education, but many improvements can still be made. Measurements of enrollment will be measured using the Net Enrollment Rate (NER). This is the percentage of children of official primary school age that are enrolled in primary education as a percentage of the total child population. The net enrollment ratio of students in primary education improved from 63 percent in 2000 to 77 percent in 2008. The graph below (*Figure 13*) shows that Ghana has been very comparable to the average net enrollment for developing Sub-Saharan African countries. This growth in education statistics provides hope that Ghana is taking initiative to improve, however, Ghana still falls short of providing almost a fourth of their population with a basic education. This is an area that Ghana is undeveloped in compared to the rest of the world.[[42]](#footnote-42)

*Figure 13*

Ghana has also steadily improved its secondary net enrollment rate over the past decade, from 33.8% in 2000 to 47.4% in 2007. Again, its rates are higher than its neighbors’ standards, but still much lower than the world average. While it is important to note that Ghana has made improvements, total secondary school enrollment remains moderately low at 47.4% as compared to total primary school enrollment at 77%. This is similar for all countries shown below (*Figure 14*), showing that this is not only a problem in Ghana, but worldwide.[[43]](#footnote-43) Primary and secondary education is tuition-free and mandatory in Ghana. The Ghanaian government passed the Free and Compulsory Universal Basic Education (FCUBE) Initiative in 1996. The percentages are still very far below 100% enrollment because of a lack of teachers and other resources. One reason for this is because the education system is highly centralized and the government cannot feed enough money into the system in order to afford everything necessary.

*Figure 14*

## 

## Completion of Education

Ghana’s educational system’s effectiveness can be displayed through statistical data. The primary completion rate is the percentage of students that complete their last year of primary school.[[44]](#footnote-44) Primary completion rates have also increased from 69.5% in 2000 to 75.9% in 2007 (*Figure 15*). Ghana is above most of its neighboring countries, but it is still behind Togo and the world average. Ghana has been steadily improving its education standards, but must enact many more changes. [[45]](#footnote-45)

*Figure 15*

## Literacy Rates

Over the past decade, Ghanaian literacy rates have increased across both age and gender dimensions. Ghana’s literacy rate (as measured by all adults fifteen and up) improved from 58% in 2000 to 66% in 2008. This is around a 1% increase per year. The graph below (*Figure 16*) shows how Ghana compares to its surrounding states. It shows the measurement of literacy rates in both the youth and adult population of Ghana. Ghana’s rates are very average in comparison to the rest of Sub-Saharan Africa. It is behind the world average and below Togo.[[46]](#footnote-46) This reaffirms that Ghana still needs to work on improving its performance in literacy rates. The official language of instruction throughout Ghana is English. Students sometimes study in one of the local languages for the first three years, but English becomes the medium of instruction thereafter. All textbooks and materials are generally in English. Since literacy rates and access to education coincide with one another, it is important for the Ministry of Education to continue to work to improve primary completion rates so students have a chance to start learning English in the classroom.[[47]](#footnote-47)

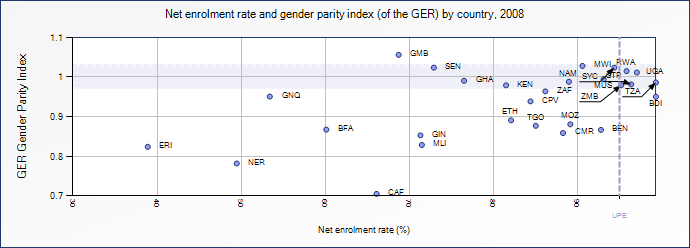
*Figure 16*

## 

## Gender Equality

In regards to gender equality in education, the World Bank measures it using a ratio of female to male enrollment. In 2008, the ratio was 99% for primary enrollment, 89% for secondary enrollment, and 54% for tertiary enrollment. It is important to note that many more men are attending college than women. As of 2007, only 6% of the Ghanaian college-aged population was enrolled in tertiary education, another problematic issue of Ghana’s development of education. The graph below (*Figure 17*) compares Ghana to other Sub-Saharan African countries in terms of gender parity in primary education. According to the blue highlighted section of GER Gender Parity Index, Ghana has achieved gender parity in 2008, but is not near to the dotted UPS line, referring to 95% net enrollment. Ghana is ahead of most of Sub-Saharan Africa in terms of gender parity, but has improvements to make in net enrollment.[[48]](#footnote-48)

*Figure 17*



The one statistic that is most troubling from the World Bank is that the percentage of trained teachers in primary education that have received the minimum amount of teacher training required for the country has decreased in recent years. It was 69% in 2000 and in 2008, fell to 49%. This is something that Ghana could improve upon to better their education process.[[49]](#footnote-49)

## Quality of Teachers

Ghana must improve the quality of its teachers, and this is a tremendous source for potential development. The issue of providing a quality education to students is directly related to the quality of teachers in the educational system. Teachers who do not undergo training are substantially less likely to provide a quality education for their students. The Ministry of Education has made it their goal to have teachers at the primary school level at least have a Diploma. This consists of attending a three-year Teacher Training College. The percentage of trained teachers has increased in the kindergarten level in recent years, but decreased in both primary and secondary education (*Figure 18*). This trend can be partially explained by the increases in the national enrollment rates.

*Figure 18*

A National Commission on Teacher Education set up by the Ministry of Education has the following concerns, “Teacher Training Colleges are inefficient in producing effective teachers since the trainees and tutors have so little exposure to actual schools and classrooms, and academic content is taught and tested above practical teaching methods.”[[50]](#footnote-50) Supervision of teachers and their curriculum is also very weak and ineffective within Ghana. Most teachers are not monitored and end up teaching what they want. There are also issues with teachers being late or not even showing up at all, resulting in low teacher-pupil interaction hours.[[51]](#footnote-51) Standards need to be created in order to keep teachers to a high level of excellence and promote a quality education. Our next paper will address some solutions to this problem.

## Resource Devotion to Education

Resource devotion to education is a key source of development for Ghana. Public expenditure on education needs to reflect what the current needs of the country are in order to create substantial improvement. Using the economic statistics in previous sections, one can see places in which spending can be reduced to put more money into the educational system. Public expenditure on education was 5.4% of GDP in 2005. More money was spent on the area of secondary education than primary education, even though secondary education has considerably lower enrollment rates. Also, 18% of expenditures were spent on tertiary education when only 6% of Ghana’s population makes it this far in schooling. When comparing to other countries in the Sub-Saharan African region, Ghana devotes a higher percentage of its GDP to education than its neighbors, but not substantially more (*Figures 19, 20*).

*Figure 19*

|  |  |
| --- | --- |
| Resource Devotion to Education | 2005 |
| Public Expenditure on Education as % of GDP | 5.4 |
| Distribution of Public Expenditure per Level (%) | |
| *Pre-Primary* | 4.8 |
| *Primary* | 34.4 |
| *Secondary* | 37.4 |
| *Tertiary* | 18 |

*Figure 20*

|  |  |
| --- | --- |
| Country | Public Expenditure on Education as % of GDP in 2005 |
| *Ghana* | 5.4 |
| *Benin* | 4.1 |
| *Burkina Faso* | 4.5 |
| *Côte d’Ivoire* | 4.3 |
| *Togo* | 3.4 |
| *South Africa* | 5.4 |

Since 2001, Ghana has a special fund for education called the Ghana Education Trust Fund. This takes 2.5% of the Value Added Tax and it usually funds approximately 10% of all education spending in the country. At this time, almost 90% of the money goes to higher education, another issue with too much money being funneled into higher-level education. Another problem regarding the education budget concerns the Public Sector Wage Bill. This bill includes all salaries and benefits paid to government officials, nurses, and teachers and is becoming a growing portion of Ghana’s GDP. The government claims that this is because they are trying to attract the top talent for teachers, but the amount of trained teachers has been decreasing over this time.[[52]](#footnote-52) Ghana needs to work towards being able to train their teachers, while finding an appropriate pay that does not take up a growing portion of GDP. Policies to work towards providing a quality education and developing a budget focused more on primary education are two means of development that Ghana should work towards in the future.

# The State

According to Sachs, “economic development requires a government oriented towards development. The government has many roles to play.”[[53]](#footnote-53) Ghana’s various structures and institutions highly affect its development and ability to become a high-developed state. In theory, to even the most extreme economists, the state has a place. Orthodox economists, for an example, will view the role of the state as minimal in comparison to the market. Even so, addressing the development of a state cannot be achieved without security or basic civil rights and liberties. The state controls almost all sources of development, so looking at corruption, stability, and accountability are all extremely crucial. Through these progressions, one is able to see how Ghana is constantly developing in order to attempt to reach high-developed country standards.

## History

The United Nations declared Ghana independent from Britain in 1957. The Constitution developed a legislature, executive council, and cabinet. The first President to be elected was Kwame Nkrumah of the Convention People’s Party. Nkrumah tried to develop Ghana as a modern socialist state. After his control was challenged and criticized, Nkrumah changed the government to a one-party state until the Ghanaian Army overthrew him in 1966. In the promise to return to a constituted civilian government, the National Liberation Council held elections and instituted a President and Prime Minister.

After failing to deliver on his promises, the leader of the NRC, Acheampong, was overthrown by his chief of staff, Akuffo. Akuffo tried to bring the country back to a democracy, but failed and his government fell to a coup headed by the Armed Forces. A 1979 Constitution was developed to model Western democracies. The constitution was suspended after a coup and the Provisional National Defense Council established a participatory democracy. Since then, the democracy that stands now was built. Ghana has held successful elections every four years since 1996.[[54]](#footnote-54)

Ghana is no longer plagued by the coups and dictatorships of its past. These problems still affect many other African nations, while Ghana has found a way to overcome their history. Ghana’s past history shows that it has only been able to improve its development potential successfully over the past twenty years, when a stable government was in place. As the government continues to become more transparent and stable, Ghana’s development continues to improve.

## Current State of Political Development

A state’s political structure can be instrumental in its development progress. When given the opportunity to vote, citizens are able to express their opinions and vote for the issues that are important to them. After being plagued by a history of coups and dictatorships, Ghana has been steadily developing a more stable form of government.

The 1993 constitution was developed to prevent coups, dictatorial government, and one-party states. It established a republican democratic government that incorporates ideals from American and British models. The system is one of checks and balances between the President, Parliament, Council of State, and Judiciary.

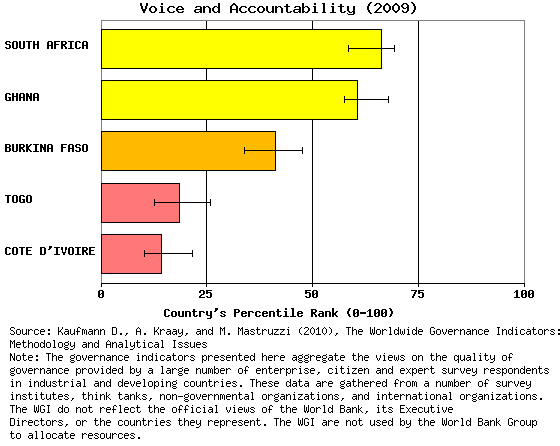
The President is the head of the state, government, and armed forces. He is able to appoint the Vice President and Ministers of State. The Parliament is the legislative body of Ghana, with 230 seats, plus the Speaker. Members of Parliament are elected by a civilian vote, every four years. In order for a bill to become a law, it must have the approval of the President. The Judiciary is rule by the Supreme Court, which has the ability to govern on the constitutionality of any legislation or executive action. The hierarchy of the courts was developed similarly to British juridical forms.[[55]](#footnote-55)

In general, President John Atta Mills appears to have the support of his citizens in his agenda.[[56]](#footnote-56) The World Bank’s Worldwide Governance Indicators are a good means to compare the government described above with other Sub-Saharan African governments. These measures include voice and accountability, rule of law, political stability, and control of corruption.

## Voice and Accountability

Voice and accountability record the extent to which citizens are able to participate in choosing who represents their government. This also includes freedom of expression, freedom of association, and free media. This measure also records the involvement of the military in politics. According to Freedom House, freedom of expression is constitutionally guaranteed and generally respected. The rights to peaceful assembly and association are also constitutionally guaranteed and permits are not required for meetings or demonstration.[[57]](#footnote-57) Ghana has been steadily improving from 1996 to 2008, from a 39.7 to 60.7% rating. The chart below (*Figure 21*) shows that Ghana is working to support a society that places an importance on the elements mentioned above. Ghana is ahead of all of its neighbors and above regional standards. It is also very close to South Africa, the country we chose for Ghana to aspire to. Governance indicators are one of Ghana’s strongest development aspects.[[58]](#footnote-58)[[59]](#footnote-59)

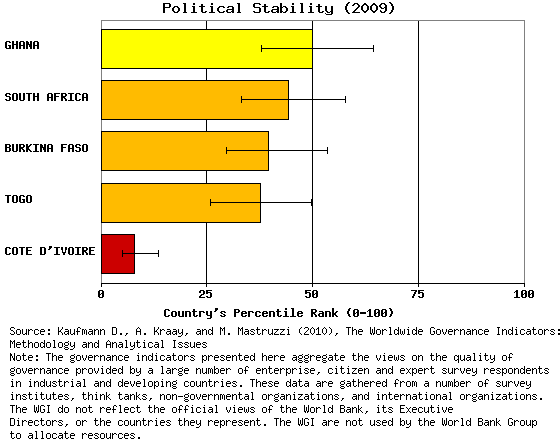
*Figure 21*

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## Political Stability

Political stability measures the chance that a government could be undermined or destabilized by unconstitutional actions or violent ways. Events that could trigger political stability to decline include, but are not exclusive to: coups, rebellions, assassinations, riots, non-peaceful demonstrations, and international tensions. Terrorism risks can also be included in this measure. Ghana’s movement in this statistic has been pretty stationary over the last couple years. Since 1996, Ghana has improved 8.7%, climbing from 41.3 to 50%. In terms of political stability, Ghana has been frequently referred to as the success story of West Africa. In 2009, President Obama chose to visit Ghana to promote its adherence to democratic principles. Its political stability is especially shown by its 2008 election, one in which no party received fifty percent of the vote. In a re-vote, there was no violence and the losing party accepted his defeat without an argument.[[60]](#footnote-60) As displayed in the graph below (*Figure 22*), in terms of comparisons to other African countries, Ghana is very developed in the stability of its government. It has recently entered the upper echelon of countries in the world in this category. Although, the years of coups and rebellions are not far in the past, and Ghana still needs to prove years of stability in order to meet developed country standards.[[61]](#footnote-61)

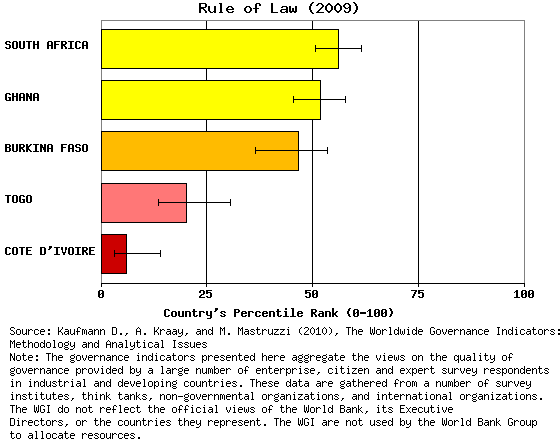
*Figure 22*



## Rule of Law

Rule of law is measured by the confidence individuals have in the enforcement of laws within their country. This includes the quality of contract enforcement, property rights, the police, and the courts. This statistic is also affected by the likelihood of crime and violence. Ghana’s statistics for rule of law have decreased since the year 2000. In 2000, it was at 55.7% but as of 2009 has fallen to 51.9%. The peak in the year 2000 may have been caused by the election of President Kufuor and the initial confidence that came from his fair and uncontested election. Ghana’s statistics are above its neighbors statistics and Sub-Saharan Africa’s average rating of 28.1 percent in 2009, aspiring towards South Africa at 56.1, but far from the United States at 91.5 percent (*Figure 23*).[[62]](#footnote-62)

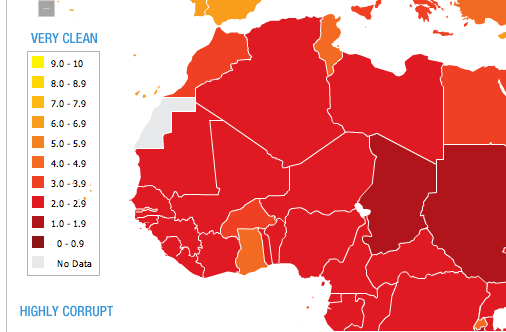
*Figure 23*



## Corruption

Corruption is strongly connected to development. Transparency International (TI) claims, “Corruption is both a cause of poverty, and a barrier to overcoming it. It is one of the most serious obstacles to reducing poverty.” Another major problem with corruption is that it often contributes to aid not going to where it is intended. Poor people are often denied the basic means to survival. Democracy and the rule of law are undermined. TI has a Corruption Perceptions Index that measures the degree of corruption of a country by business people and analysts surveys.[[63]](#footnote-63) Based on the 2010 rankings, Denmark, New Zealand, and Singapore had the highest clean rating with 9.3. Ghana ranked 62nd with Croatia, Macedonia, and Samoa out of 178 countries (*Figure 24*).[[64]](#footnote-64)

*Figure 24*



As shown on the graph above, Ghana was the lightest orange country in the area, meaning that it is the most clean and least corrupt. The very clean countries are lighter in color, represented by yellow, while the highly corrupt are a darker red. Ghana ranked higher than all West African countries, showing great improvements from their past history. This shows Ghana’s success in comparison to other Sub-Saharan African nations, but that there are still improvements to be made in comparison to developed countries.

Numerous international businesses have noted that Ghanaian businessmen have been known to ask for favors in return for facilitating business transactions. Government officials are not known to have substantial salaries, and in turn often ask for a tip in return for standard procedures. Also, scams, mostly in currency deals, have been on the rise in Ghana. To combat these problems, Ghana established a Commission for Human Rights and Administrative Justice in its 1992 Constitution. This Commission is in charge of investigating any suspected corruption by government officials. While a promising move towards instituting change, the Commission has yet to make many prosecutions since its beginning. In 1998, the Serious Fraud Office was formed to examine corrupt practices in the public and private sectors. A bill is currently being drafted to more clearly define the SFO’s responsibilities.[[65]](#footnote-65)

As shown by the graph above, Ghana is definitely ahead of its neighbors and Sub-Saharan Africa in terms of eliminating corruption. Ghana continues to be cited as the success story of Western Africa because of the above governance statistics. As long as the government continues to improve, its development potential should improve as well.

# Agriculture

Agriculture is one of Ghana’s most important sectors, accounting for 56% of the labor force by occupation and almost 40% of GDP.[[66]](#footnote-66) This high percent of GDP is indicative of a developing country. A state must shift from being mostly agricultural to industrial. In *Why Poor People Stay Poor,* Michael Lipton says, “Only on the basis of a tolerable level of living for a mass agriculture of small farmers can most poor countries construct, speedily and efficiently, a modern industrial society.” Resources and attention must be paid to the agricultural sector before industrialization is possible. Before further considering agriculture in Ghana, it would be useful to refer to a basic geographic profile.

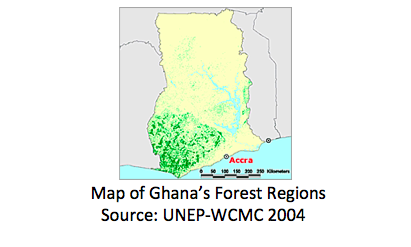
## Geography

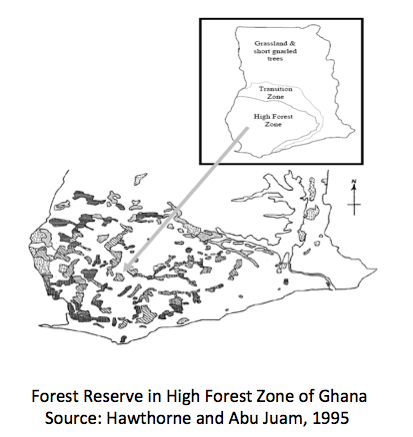
Ecologically, the country is divided into a high-forest zone in the south, accounting for about a third of the land area (8 million hectares). The north is mainly a savannah zone (14.7 million hectares), consisting of grasses, short trees and shrubs. The two are connected by a transition zone (1.1 million hectares). The Food and Agriculture Organization (FAO) of the UN estimates total forest area in the range of 2.72 million hectares to 6.34 million hectares. It has a total land area of 23.9 million hectares.[[67]](#footnote-67) The terrain is mostly low plain with dissected plateau[[68]](#footnote-68) in the south-central area, with a climate that is tropical, warm and comparatively dry along the southeast coast and hot and humid in the southwest. Ghana’s north is hot and dry.[[69]](#footnote-69)

Ghana also has a manmade lake, Lake Volta, which holds the honor of being the largest reservoir by surface area in the world. It is contained completely within Ghana and extends from the Akosombo Dam in the southeast to Yapei, a town 325 miles (520km) to the north. Lake Volta is used to generate electricity, provide inland transportation, and could be a potentially valuable resource for irrigation and fish farming.[[70]](#footnote-70)

Agriculture is one of Ghana’s most important sectors, accounting for 56% of the labor force by occupation and almost 40% of GDP. Ghana’s primary agricultural products are cocoa, rice, cassava, peanuts, corn, shea nuts, and bananas. Their primary exports include cocoa, yams, grains, kola nuts, palm oil, and timber; cocoa being the most important. As of the 1992-1993 crop year, Ghana has been the third largest cocoa producer in the world. All cocoa is sold at fixed prices to the Cocoa Marketing Board (Cocobod). Cocoa consists of about one-third of all export revenues. [[71]](#footnote-71) It grows mostly in the heavily forested areas of the state. The first map below displays Ghana’s forest regions in relation to the rest of the country. The following map (*Figure 25*) displays the three principal zones regarding forestland: high forest zone, the transition zone, and the grasslands.[[72]](#footnote-72)

*Figure 25*



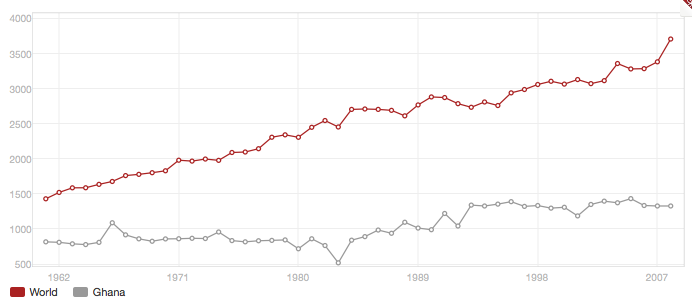


According to the World Development Indicators, 65.3% of Ghana’s total land is suitable for agriculture. As of 2007, the world average was only 38.0%. Regional averages are currently unavailable. Agricultural land is defined as land that is arable, under permanent crops (such as coffee or rubber), and permanent pastures (such as land set aside for timber production) for 5 years.[[73]](#footnote-73)

## Cereal Yield

Cereal yield, or agricultural output, is an important part of agriculture.[[74]](#footnote-74) A higher cereal yield is obviously beneficial because it indicates an increase in either food for consumption or export. Due to inefficient agricultural techniques, Ghana’s cereal yields have not increased much over the past 50 years; they have yet to even double. Ghana continues to be a net food importer. Ghana's Ministry of Food and Agriculture estimates that Ghanaian agriculture may be operating at just 20% of its potential.[[75]](#footnote-75) Below is a graph *(Figure 26*) comparing Ghana’s cereal yield growth rate against the world average cereal growth rate. At its current value of 1327.5 kg/hectare, it is about one-third of the world average.[[76]](#footnote-76)

*Figure 26*



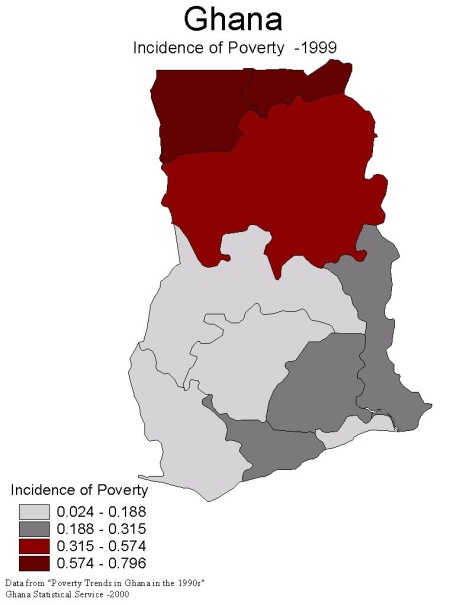
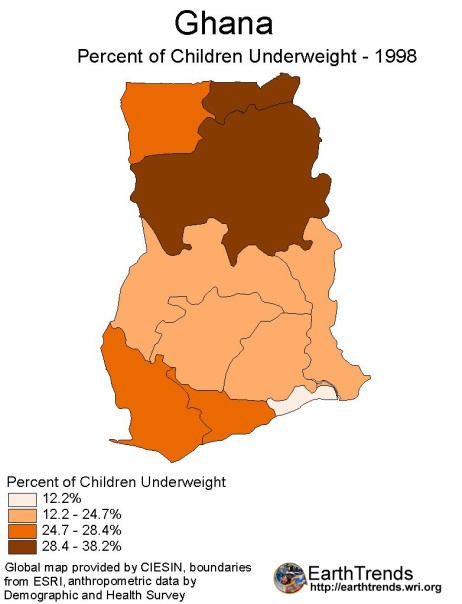
## Malnutrition

It is vital that Ghana decrease the prevalence of malnutrition in children. Dudley Seers, noted development theorist, states “undernourishment of children leads to permanent impairment of both their physical and their mental capacities.” He later concludes that a malnourished man “cannot rise significantly above an animal existence,” as his only priority is food. Malnutrition prevalence can be measured by weight compared to age.[[77]](#footnote-77) The chart below (*Figure 27*) indicates Ghana’s attention to this significant problem. There is a clear downward trend of malnutrition prevalence in children.

*Figure 27*

Most instances of malnutrition occur in the three northern regions of Ghana, consisting mainly of rural populations in a very dry area. Below are two graphs (*Figure 28*) displaying the poorest regions of Ghana aside the most malnourished. There is a definite correlation in the northern regions.

*Figure 28*

Some changes the government and NGOs have made include fortifying salt with iodine, hosting Child Health Weeks, which supplement children with necessary vitamins and deworming, and increased funding for diarrheal disease treatment. Recently, UNICEF supported the Ghana Health Services in increased training in the case management of severe malnutrition. These trainers will in turn train health workers, nurses, and physicians in the three northern regions.[[78]](#footnote-78)

# Healthcare

Healthcare is also a vital part of development, because without adequate healthcare, a state will have a low life expectancy, high infant mortality rate, and high rate of communicable disease. All of these criteria are must be improved to achieve development. Amartya Sen views development as a process of expanding freedoms. This lack of elementary freedoms contributes to poverty and undeveloped status. Some “unfreedoms” link closely to “the lack of public facilities and social care, such as the absence of epidemiological programs, or of organized arrangements for health care.” Healthcare facilities must be accessible to the population as a whole. There should be a higher ratio of physicians to population and they should be adequately trained. Basic information about preventing the spread of disease must become widespread and common knowledge. Deaths from causes such as malaria, pneumonia and dehydration must be prevented, as disease-stricken communities cannot be productive. The economy, education system, and all other aspects of the state will fail if its citizens are ill too frequently.

According to Madam Florence Angsomwine, Upper West Regional Coordinator of Community Based Health Planning and Services, some of the challenges faced in healthcare facilities are “shortage of health staff, increasing burden of communicable and non-communicable diseases, poor documentation and reporting, insecurity in some health facilities and inadequate staff accommodation.” The Effia Nkwanta Regional Hospital has 121 stairs to climb to the Casualty Ward, preventing access for patients in wheelchairs. This particular hospital also has a lack of proper accommodation for patients, as well as obsolete equipment, inadequate personnel and dysfunctional elevators. [[79]](#footnote-79)

Ghana’s healthcare is inadequate, as infant and child mortality rates are relatively high, life expectancy is just short of 60 years, and preventable diseases are still frequent. It is important to note, however, that Ghana has made significant changes since its independence. The healthcare system has definitely improved and while it is still behind the most developed level, it has made progress over the last half-century.

## Population Growth

One important healthcare-related factor of development is its population growth rate. As of 2009, Ghana’s population growth rate is 2.1% per year (*Figure 29*). As is evident by Figure 27 below, the rate is slowly declining. This is consistent worldwide. The current world population growth rate is 1.2%, nearly half that of Ghana.

*Figure 29*

While the population growth rate has come down over the last 50 years, it is still among the highest in the world. Ghana is not overpopulated, but the rapid growth places a higher dependency burden on the young population to supplement family income. It also creates social pressures on the government to spend more on the welfare of the people in order to maintain a minimum standard of living. Ghana’s development faces several problems if this growth rate does not decrease further. High fertility rates and a declining mortality rate (due to medical advancements) will oppose a decrease. As a result, there will be higher demand for land. As citizens age, they will become more dependent on the government and unemployment will increase. A slower growth rate, by contrast, will ensure “better access to healthcare and social amenities.”[[80]](#footnote-80)

Developed countries have a lower population growth rate. The United States, considered by many one of the most developed states, boasts a population growth rate of 0.9%. Part of the explanation is the fertility rate of the nation. Families in less developed states, such as Ghana, have more children than those of developed states. As displayed in Figure 30 below, Ghana’s fertility rate dropped from 6.8 to 4.0 in almost 50 years. As healthcare became more adequate, infants and children began to survive and fewer children were desired per family. A lower fertility rate is a key indicator for development, and in Ghana’s case, healthcare advancements are the reason it is becoming more developed. Ghana’s rate is still nearly twice the world average, however. It fits neatly between the first and third categories of development.

*Figure 30*

## Infant Mortality

An important factor that leads to large families is the infant mortality rate, as it contributes to the high fertility rate. In Ghana, the infant mortality rate is 46.7 out of every 1,000 births. Using Figure 31 below, one can see how the gap between the world’s and Ghana’s infant mortality rate has decreased significantly. They are almost the same value today. Sub-Saharan Africa as a whole has also decreased its infant mortality rate, but it is almost double that of Ghana specifically. In this regard Ghana is moderately developed as it has certainly surpassed the region. The infant mortality rate and the life expectancy rate in Ghana correlate heavily. Due to more advanced healthcare, fewer infants die, and as a result, the life expectancy has climbed greatly over the years.

*Figure 31*

As is typical in impoverished states, women continue to have large families even after these advancements in mortality. When it becomes more apparent that this decline in infant mortality is consistent and permanent, families will become smaller as a result. There is a lag, but it is temporary.

## Life Expectancy

Life expectancy in Ghana is 56.6 years.[[81]](#footnote-81) This is less than the world average and slightly above the regional average. Life expectancy has risen significantly in the last half-century, climbing approximately 11 years. At one point, it was almost 15 years higher than the initial 1960 rate. Figure 32 below addresses Ghana’s life expectancy rate’s evolution over 50 years.

*Figure 32*

Economic conditions may have affected the pace of this improvement. As conditions deteriorated in the late 1970s through the mid-1980s, earlier improvements in mortality ceased and there was little change in mortality rates. The economy began to improve in the mid-1980s, leading to renewed mortality declines that persisted through the mid-1990s.[[82]](#footnote-82) Since then, however, there has been a noticeable decline in life expectancy. In 2008, Deputy Minister of Health, Abraham Dwuma Odoom, stated this is because of “lack of proper eating habits, coupled with inadequate exercise as well as lack of regular medical check ups.” In response, Ghana is hosting many educational fairs to stress the importance of a proper diet and exercise regime. There are no significant changes as of yet.[[83]](#footnote-83)

Figure 33 below lists the top ten causes of death of all ages in Ghana.[[84]](#footnote-84) As is evident, a great number of deaths are from preventable communicable diseases (HIV/AIDS, malaria, tuberculosis). Perinatal conditions, a leading killer in children under 5, are the result of poor maternal health and nutrition, inadequate care during pregnancy and delivery, lack of essential care for the baby, injections, birth injury, asphyxia, and problems relating to premature birth.[[85]](#footnote-85) Cerebrovascular disease (stroke) and ischemic heart disease can be caused by a number of factors, but the leading cause is high blood pressure.[[86]](#footnote-86) There is an obvious trend in Ghana. People are dying because they are not receiving adequate healthcare on many levels. These are not the leading causes of death in developed states, because many are easily preventable. One of the reasons Ghana is so impoverished is because it has not fully developed in the healthcare sector. Healthcare is too expensive, too remote, inadequate, or altogether absent. As a result, the Ghanaian people are dying early.

*Figure 33*

**Top ten causes of death, all ages**

**Ghana, 2002**

|  |  |
| --- | --- |
| Causes | Deaths (%) |
| All causes | 100 |
| HIV/AIDS | 15 |
| Malaria | 11 |
| Lower respiratory conditions | 8 |
| Perinatal conditions | 8 |
| Cerebrovascular disease | 6 |
| Ischemic heart disease | 5 |
| Diarrheal disease | 5 |
| Tuberculosis | 4 |
| Road traffic accidents | 3 |
| Chronic obstructive pulmonary disease | 2 |

Source: Death and DALY estimates by cause, 2002 http://www.who.int/entity/healthinfo/statistics/bodgbddeathdalyestimates.xls

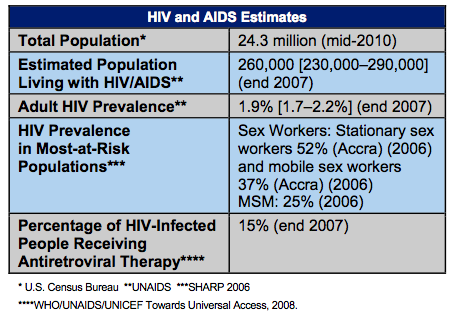
Ghana’s life expectancy is below world averages but above the Sub-Saharan African region. Over the last 50 years, all three life expectancy rates have risen, some rapidly, some slowly. With improvements to healthcare, the world life expectancy has risen. Just as Ghana’s healthcare has stagnated, so has its life expectancy growth. The initial measures could only boost life expectancy to a certain point. Now Ghana must develop further. Figure 34 displays the prominent differences between the world, Ghanaian, South African, and Sub-Saharan African averages.

*Figure 34*

## HIV/AIDS

HIV/AIDS is one of the leading killers of Ghanaian people. The disease was first reported in Ghana in 1986, and it spread slowly but steadily until 2003, when its prevalence peaked at 3.1%. As of 2007, 1.9% of the population aged 15-49 are infected with HIV. The epidemic is currently considered stable. Figure 35 identifies some major points of the HIV/AIDS epidemic in Ghana.

*Figure 35*



Among the general population, married women are nearly three times more likely to have the virus than women who have never been married. Mobility is the biggest risk factor for men, referring to their unmarried status and changes in residence. HIV prevalence differs very little between rural and urban areas; however, some regions of Ghana see much higher rates of infection. According to the Joint United Nations Program on AIDS (UNAIDS), prevalence among pregnant women ranged from 1.2% in the northern region to 4.7% in the eastern region. [[87]](#footnote-87)

Prevention of mother-to-child transmission (PMTCT) services has been increasing annually in Ghana since being introduced in 2002. Only 12.6% of HIV-positive pregnant women received antiretroviral drugs (ARVs) for PMTCT in 2007. In 2009, 28% of the same population received ARVs. According to the 2008 Ghana Demographic and Health Survey,

“increased affordability and accessibility of antiretroviral therapy (ART) for people living with HIV/ADS and high rates of male circumcision have bolstered the success of programs for prevention and treatment of HIV. Factors that put the country at risk of a broader epidemic include high levels of transactional sex; high-risk sexual behavior among youth; marriage and gender relations that disadvantage women and make them vulnerable to HIV; urbanization; high levels of poverty; and inaccurate perceptions of personal risk. Transfusions of blood and blood products account for 5 percent of all HIV transmissions in Ghana.”

Knowledge of HIV and its modes of transmission are fairly widespread, but stigma and discrimination are common. Many people living with HIV/AIDS hide their status, which can prevent them from obtaining proper treatment. Studies have also shown that there is low acceptance of services from HIV-positive business owners, teachers, and other professionals. [[88]](#footnote-88)

Ghana is actively responding to the HIV/AIDS epidemic. It is a developmental setback and a major killer. Part of the reason the prevalence rate has fallen is due to government intervention. The Ghana AIDS Commission is the coordinating body for all HIV/AIDS-related activities in the country.

They have highlighted seven key intervention areas: [[89]](#footnote-89)

**-** Promoting HIV/AIDS policy, advocacy, and an enabling environment

**-** Coordinating and managing a decentralized response

**-** Mitigating the social, cultural, legal and economic impacts of HIV/AIDS

**-** Communicating prevention and behavior change messages

**-** Providing treatment, care, and support to HIV-infected and –affected individuals

**-** Conducting to HIV/AIDS research, surveillance, and monitoring and evaluation

**-** Mobilizing resources and funding to the epidemic

Ghana has already planned educational programs on how to prevent HIV. These programs run through the educational system and started in October 2010. They are expected to finish in February 2011. The schools are required to schedule further training on the matter. According to one of the facilitators of the program, Ellen Osei, “the school children were expected to pass on their training to their peers out of school and their parents and help in the fight against the spread of HIV/AIDS in the country.”[[90]](#footnote-90) It is hoped that these programs will help curb the spread of HIV. Educational programs are generally effective, but that does not help those who do not attend school. By emphasizing that students teach their parents and their peers, this vital information can be spread. Ghana is more developed in this respect since they utilize the schooling system to reach out to children and parents. As Ghana strives to achieve its Millennium Development Goal of 100% of the population in primary school, these points of access become increasingly important. Educational programs are among the best ways to reach a large population.

## Disease

Other diseases, such as malaria, remain rampant throughout the country. Malaria, for instance, causes 33% of deaths of children under 5. As malaria is both preventable and treatable, this indicates a low level of development. The chart below (*Figure 36*) identifies the main causes of death in children less than 5 years of age. Note the prevalence of preventable diseases such as malaria, diarrheal diseases, measles, and pneumonia.

*Figure 36*

**Distribution of causes of death among children under 5 years of age, 2000-2003**

|  |  |  |
| --- | --- | --- |
| Causes | Deaths (%) | Regional Average (%) |
| Total neonatal deaths | 100 | 100 |
| Neonatal causes | 28 | 26 |
| HIV/AIDS | 6 | 7 |
| Diarrheal diseases | 12 | 17 |
| Measles | 3 | 4 |
| Malaria | 33 | 17 |
| Pneumonia | 15 | 21 |
| Injuries | 3 | 2 |

Measles only accounts for 3% of these deaths, and that is because 86% of 1 year olds receive the measles vaccine.[[91]](#footnote-91) Figure 37 demonstrates the rate of vaccination in children 12-23 months. As is plain to see, Ghana is not only ahead of the rest of Sub-Saharan Africa, but as of 1997, it is ahead of the world as a whole.

*Figure 37*

It is a good start, but Ghana needs to start vaccinating against malaria and educate its citizens about basic treatments in order to catch up with the rest of the developed world. As Madam Florence Angsomwine, Nadowli Director of Health Services, stated, “Ninety percent of diseases reported at health facilities in the district were preventable.”[[92]](#footnote-92) This is just another indicator that Ghana is moderately developed (far ahead of much of Africa), but still not in the same category as countries such as the United States.

# Infrastructure

Infrastructure is an additional way of measuring development. Measuring the amount of paved roads, transportation, and technological advancements can paint a clear picture of the direction a country is moving in and how well it keeps up with other states in the international system. As infrastructure has an enormous effect on the state, it can then affect business, both in the manufacturing and agricultural sectors. As infrastructure (and as a result, the state) develops, access to healthcare and education improves, sanitation becomes more accessible and advanced, public transportation options arise, and the state becomes more connected, both domestically and internationally.

## Internet and Cellular Usage

Internet availability and usage is an important part of infrastructure. It can assist business, educate users, and is a vital way of connecting with the global system. In developed countries such as the US, almost all citizens use the Internet. Ghana falls short in this department.

Figure 38 describes Internet users as people with access to the worldwide network, measured per 100 people. The world average is 23.9, yet Ghana is only 4.3, falling even behind the rest of Sub-Saharan Africa.

*Figure 38*

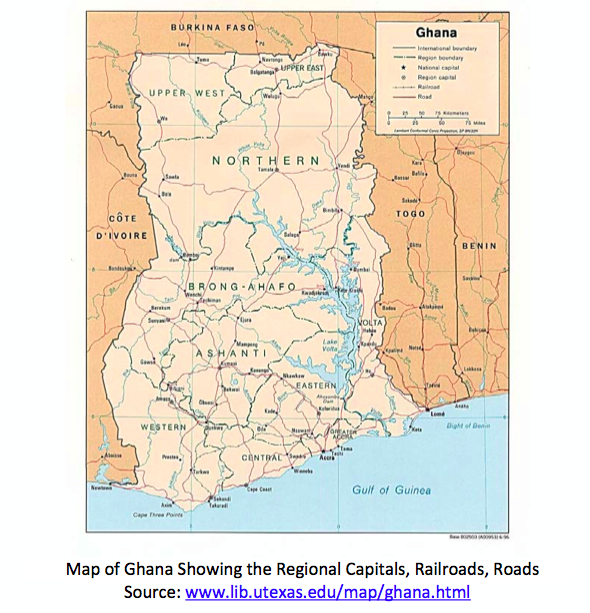
The majority of users are in the capital, Accra, with Internet use in rural areas almost totally absent. Considering the literacy rates of these areas, this is not surprising. In the workforce, over 53.1% of companies do not provide Internet access to their employees.[[93]](#footnote-93) Companies frequently only have one email address and point of access. Employees stand in line and wait their turn to use the Internet, causing a lag in productivity in the workforce. Businesses are less efficient as a result. Due to the prohibitive costs of Internet subscription (US $35/month) and computers, cyber cafes are the most popular choice. Again, this favors urban areas and is unhelpful for the majority of Ghana.

By contrast, mobile subscriptions are much more prevalent. Ghana is only slightly behind the world average, although it is still far behind the most developed states. Internet use might be low, but cell phone use is not. Over time, these numbers have climbed and are still increasing.

## Roads

In addition to virtual connections, infrastructure also refers to tangible ones. Ghana may be behind Africa in terms of Internet development, but it is ahead in terms of paved roads.[[94]](#footnote-94) 14.9% of Ghana’s roads are considered paved. This is still well below the world average and the most developed states’. As of 2000, the world considered 39% of its roads paved. Ghana is only slightly ahead of the Sub-Saharan African region. This lack of quality roads has serious implications for manufacturing sectors and exports. One only has to look at a road map to see where the major routes are. The red lines on the map below (*Figure 39*) indicate roads; the light grey lines indicate railways. Most are near urban hubs and ports. These transportation challenges make it very difficult for investors to see rural Ghana, and therefore may discourage investment in these sectors.

*Figure 39*



## Electricity

Electricity consumption is exceptionally low in Ghana, in stride with the rest of Sub-Saharan Africa. It is approximately ¼ lower than the world average. Figure 40 measures consumption in kWh per capita as “the production of power plants and combined heat and power plants less transmission, distribution, and transformation losses and own use by heat and power plants.”[[95]](#footnote-95)

*Figure 40*

## Access to Clean Water

Figure 41 identifies water access by rural and urban sectors for the world, Ghana, and Sub-Saharan Africa. In terms of rural access to water sources, Ghana is on par with the world average and almost twice as developed as Sub-Saharan Africa as a whole. In terms of urban access, Ghana is doing very well; it is close to the world average and the most developed states’ averages, as well as ahead of regional averages. Clean water is important to ensure proper sanitation and hygiene. Unclean water can lead to water-borne illnesses, which are often deadly.

*Figure 41*

|  |  |  |  |
| --- | --- | --- | --- |
| Infrastructure Indicator (year 2008) | World Average | Ghana | Sub-Saharan Africa |
| Improved water source, rural (% of rural population with access) | 77.9 | 74.0 | 46.8 |
| Improved water source, urban (% of urban population with access) | 95.8 | 90.0 | 82.5 |

This is not to say that there are still not tremendous water issues in Ghana, especially in the rural sector. Many villages are still without clean water sources, relying instead on muddy pools, which often dry up. As a result, children and adults frequently experience diarrhea, stomach pains, and other waterborne illnesses. Children and adults spend long amounts of time in queues for water and then waiting for it to surface from their hand-dug holes. Clean water supplies benefit whole communities. They allow women and children to work or attend school.[[96]](#footnote-96) Overall, Ghana has addressed this problem, but there are still many communities that it must assist.

Ghana has several priorities within infrastructure at this time. Its goals are to facilitate intraregional trade, encourage investment, productivity enhancement and job creation in rural areas, introduce or expand competition and create an enabling environment for the private sector to further development in specific areas: information and communication technology, energy, transportation, accommodation, education, health, and tourism.[[97]](#footnote-97)

Ghana is behind the world technologically, but it is catching up. As it develops its infrastructure, industry will boom, agricultural activities will become more profitable, and Ghana will have a greater presence in the international system.

# Ideas for Possible Solutions

While there are many problems facing Ghanaian development, we have decided to focus on the recent changes in the educational system and the inadequacies in health services. As Ghana struggles to quickly meet the UN Development Millennium Goals, it is increasing class size without training new teachers. As a result, the quality of education is going down for all students. One potential project could be an outreach program to attract and train new teachers. Another idea is to retrain and set standards for educators, as absenteeism is prevalent. A universal quality education must be made available for all Ghanaian children if the country is to develop.

With regards to healthcare, some major problems include transmission of HIV/AIDS, as well as lack of family planning. Potential projects could include educational outreach programs, teaching people about contraceptive use and available treatments, or improving HIV/AIDS attitudes. Our focus would be in the areas of Ghana where these problems are most significant. We are still considering all aspects of development while considering project proposals, but these particular areas seem especially important. While all of Ghana could benefit from development initiatives, rural Ghana seems to need the most attention, and that is where we would like to begin.

# Conclusion

Throughout this paper we have addressed all of the important aspects of Ghana’s development. We have used competing theories of development to broaden the context of our conclusions and created our own definition after considering the literature. By examining different spheres of development, such as the economy, education, government, agriculture, healthcare, and infrastructure, we have assessed Ghana’s development potential and concluded that Ghana is relatively undeveloped in the global system. In most areas, Ghana is ahead of its neighboring states in the Sub-Saharan African region, but not the world. In virtually every sphere, Ghana lags behind world averages. Overall, we would classify Ghana as a medium-developed country.

Economically, Ghana is more advanced than its neighboring countries in Sub-Saharan Africa. Ghana’s GNI/GDP is currently low but is showing strong signs of growth with the promise of domestic oil. In recent years, Ghana has caught up to the rest of Sub-Saharan Africa in terms of primary school enrollment. In most facets of education, it is still on par with neighboring states, far behind developed states’ standards. Ghana is on schedule to meet the UN Millennium Development Goal of universal primary education, but it must monitor teacher to student ratios in order to not compromise quality. As these goals are met, secondary and tertiary enrollment should improve. In healthcare, Ghana is consistent with undeveloped states, such as the rates for life expectancy, infant and child mortality, and fertility rates. Ghana has made progress over the years and will continue to move forward. With regards to infrastructure, Ghana is grossly behind the developed world, harming its agricultural and manufacturing sectors. In this sector, there is a lot of work to be done, and Ghana is starting to make the necessary changes.

Ghana may be behind world averages in most measures of development, but one thing is clear. Ghana is progressing towards development. Virtually no spheres have stagnated or declined, and those that have are receiving much attention from the government. The journey may be challenging, but Ghana has taken the first steps and is clearly moving with a goal in mind.

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9. CIA World Factbook [↑](#footnote-ref-9)
10. Because of the difficulty in calculating the Gini coefficient, the year measured may vary. Years in which the data was collected are given. [↑](#footnote-ref-10)
11. Togo and Liberia were excluded due to lack of data. [↑](#footnote-ref-11)
12. CIA World Factbook [↑](#footnote-ref-12)
13. Data for Côte d’Ivoire, Burkina Faso, Benin, and Nigeria was unavailable. Mali and Niger were used as substitutes because they were close in both geographical proximity and relative economic development. [↑](#footnote-ref-13)
14. All data was collected between 2005 and 2009 but the exact year in each country varies [↑](#footnote-ref-14)
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