



IMANI's Economic Audit Series: How Ghana Performed Compared With African Peers In The 2017 Human Freedom Index (HFI) And Human Development Index (HDI), And Some Recommendations

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Introduction

Countries in Sub-Saharan Africa are finally experiencing an increase in growth after a significant decline in 2016. This was registered by The World Bank as one of the “worst decline[s] in more than two decades” (Leggelo-Padilla 2017). Thus, while the upward turn of events is encouraging, it is disappointing that some countries that had taken many steps forward, regressed during the decline, and are now in the rebound and recovery phase as a result. This example is a reminder that ‘growth’ and ‘development’ are concepts that are completely dependent on time, if they have to be sustainable. They are not one-off occurrences, but rather, processes that occur over a period, leaving both phenomena vulnerable to fluctuations and setbacks caused by powerful socio-economic and political forces.

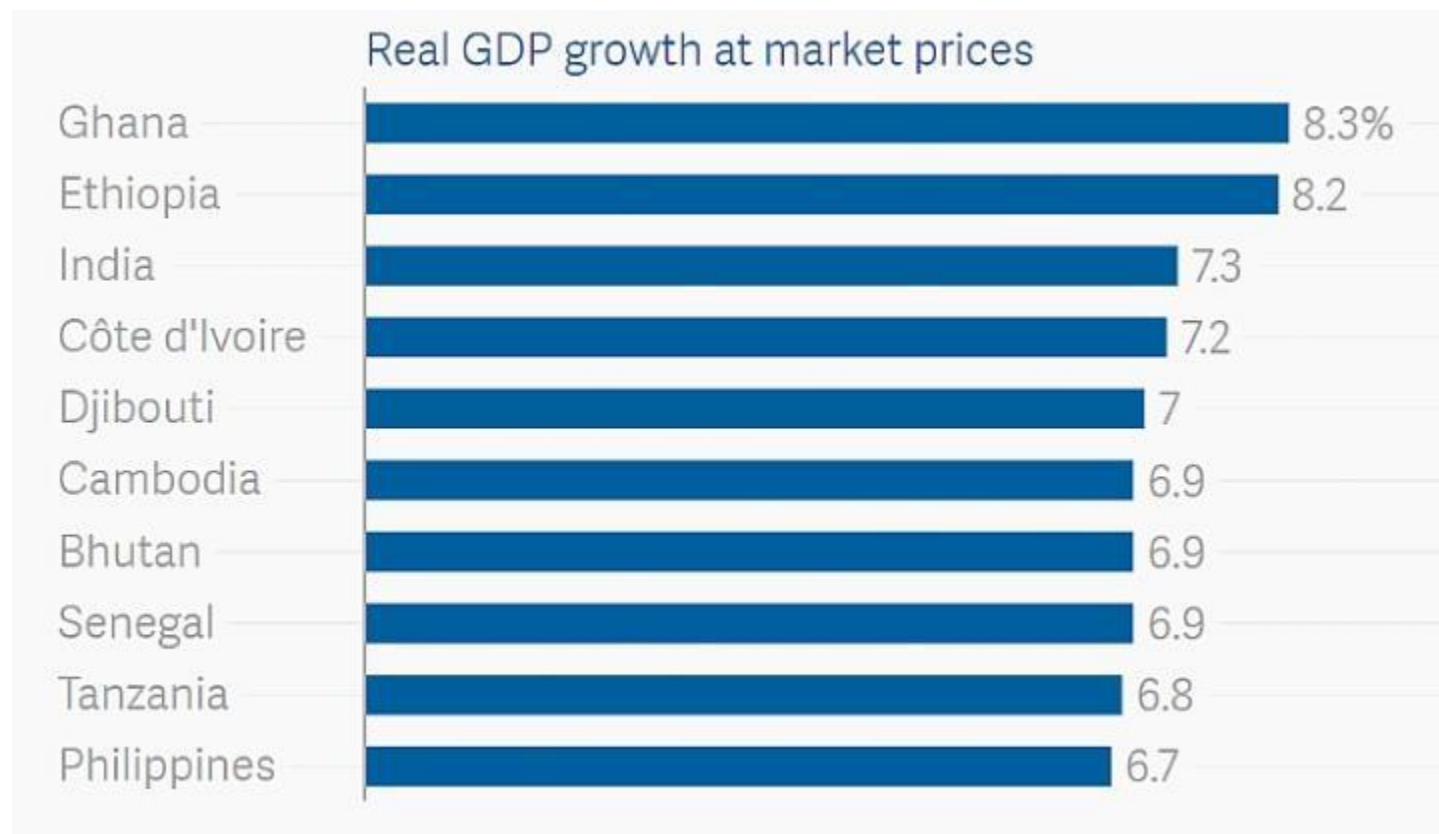
As Sub-Saharan African countries progress through this recovery phase, there is a need to critically examine the conditions; strategies, policies and programmes that are being put in place to promote growth, as well as identify the socio-economic issues that serve as major limitations to the process. Ghana, in particular, is an interesting case study; though the country experienced a decline in growth in 2016 like some of its peers, economic activity improved significantly in 2017 and is expected to increase further in 2018. While this growth looks promising, there are a number of questions that need to be addressed if the growth momentum is to be sustained over the long term – What indicators can be used to assess Ghana’s performance so far? What socio-economic issues serve as hindrances to Ghana’s pursuit of growth? What are Ghana’s strengths and weaknesses compared to other countries? And what reforms are necessary to promote positive change?

This report attempts to address these questions using cross country comparisons and graphical representation of socio-economic indicators, and shall conclude with recommendations and a call

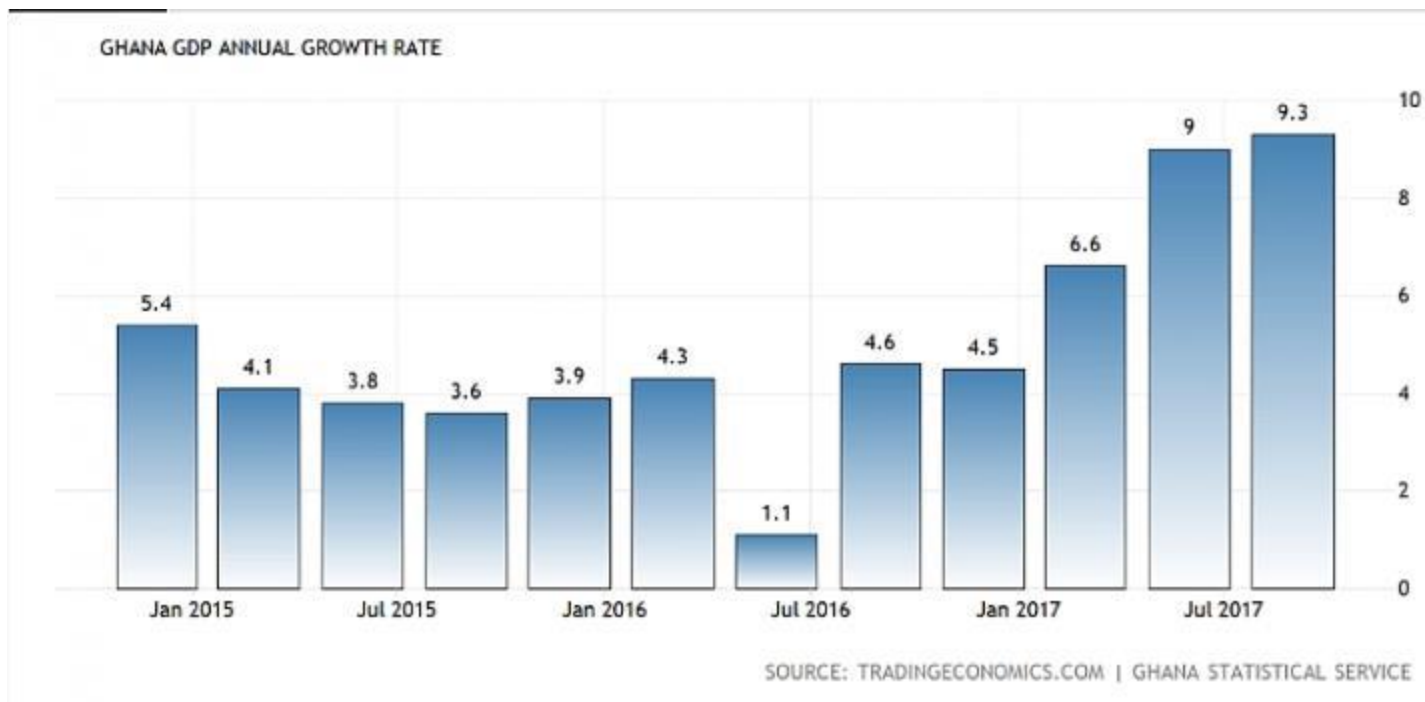
to action for reform to take place in the problem areas that are roadblocks in Ghana's pursuit of growth.

Background

The tale of Ghana's growth and progress has not been commensurate with its relative political stability enjoyed over the last two decades. As exporters of cocoa, gold and oil, Ghana has enjoyed steady economic growth with few fluctuations up until 2012, when it began to experience a significant increase in public deficit, a weakening currency and high inflation. However, after experiencing a major decline in 2015 and 2016, Ghana's economy has been on a rapid rise.



This is evident in Figure 1.1, which shows Ghana leading with 8.3% in real GDP growth at market prices and in Fig 1.2 which exhibits how Ghana experienced a very high GDP annual growth rate in 2017.



Method

This report intends to i) identify and highlight the socio-economic issues that need to be addressed in Ghana to promote healthy growth and development ii) carry out cross-country comparisons using graphs displaying socio-economic indicators including the Human Freedom Index (HFI) and Human Development Index (HDI). These indices shall be taken from CATO's Human Freedom Report and the UNDP's Human Development Report respectively. A combination of these indices shall provide a foundation for analysis, highlighting Ghana's strengths and weaknesses and allowing for discussion on recommendations and advocacy for reforms that will hopefully aid in streamlining the growth process.

Data and Analysis

The HFI is a unique indicator for assessing growth and development because it breaks away from the extremely traditional indicators and seeks to provide a more holistic and multidimensional perspective. It is made up of economic, personal and civil measures specifically including indicators ranging from 'rule of law' and 'religion' to 'identity and relationship'. Out of 159 countries, Ghana ranked 65 in 2017, with a specific HFI of 7.10 out of 10.

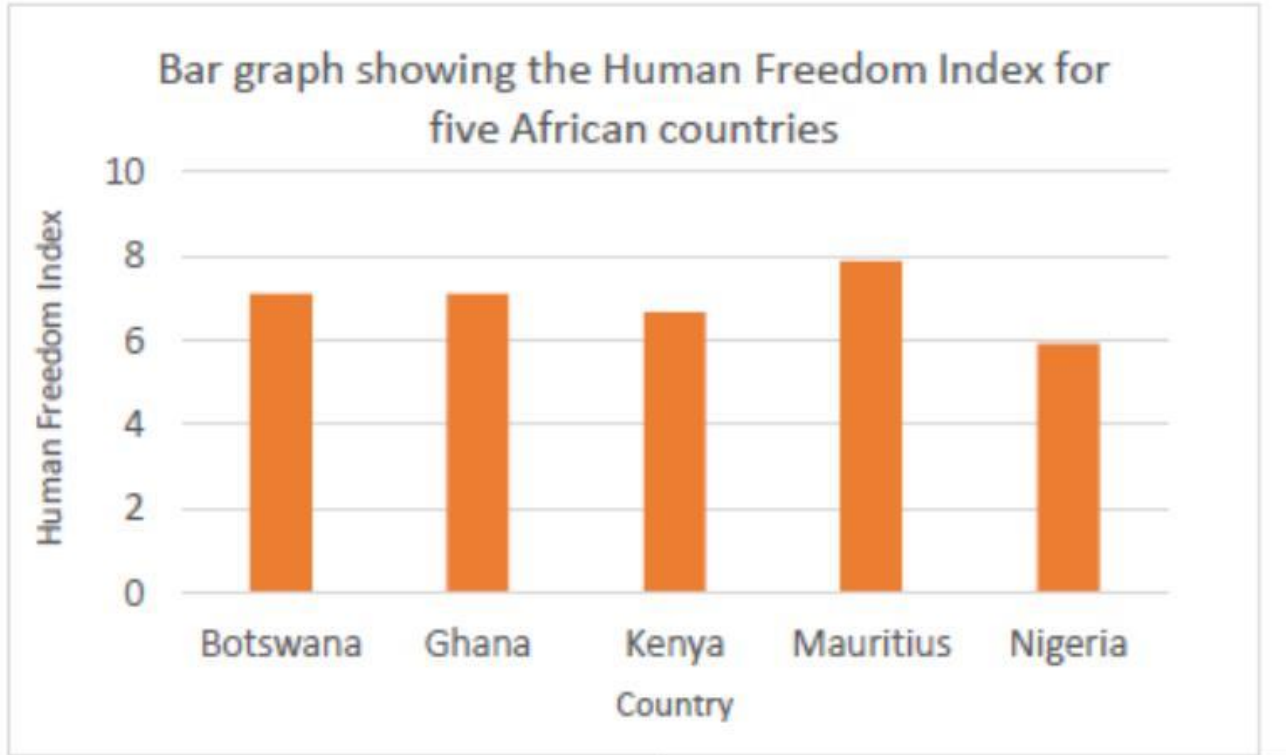
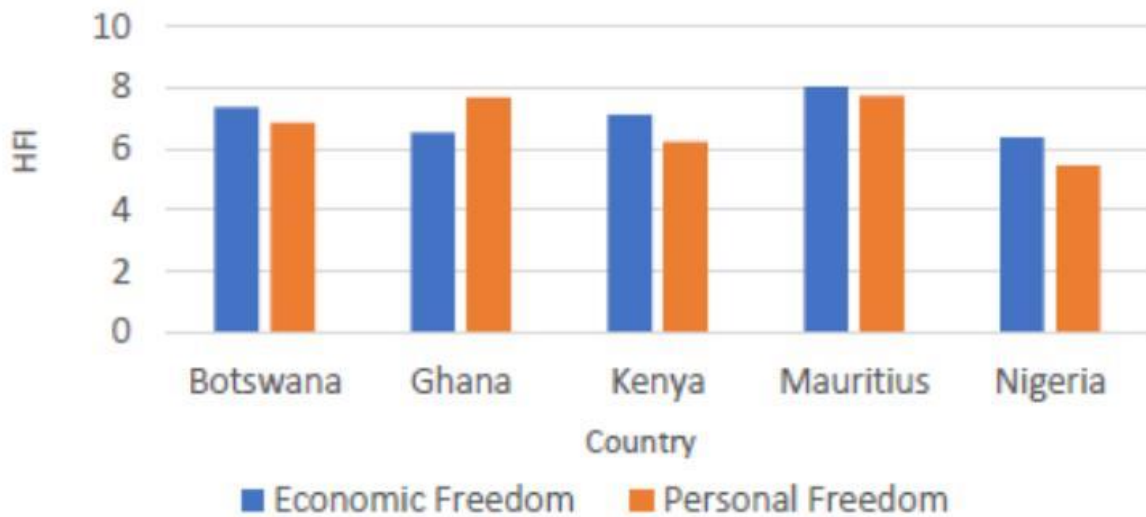


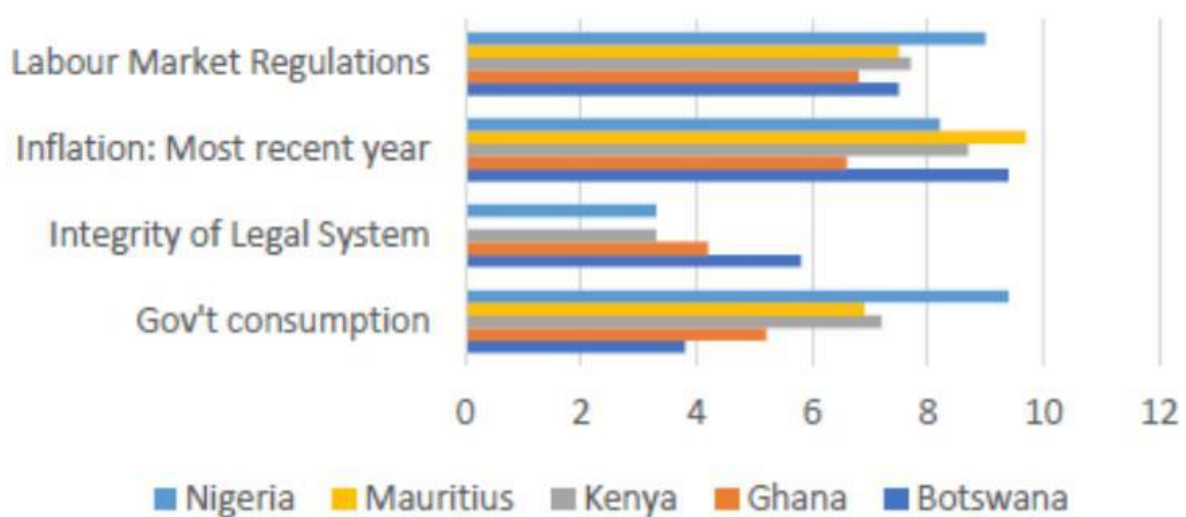
Figure 2.1 exhibits this, also displaying where Ghana stands in relation to other countries that are either at the same level, above or beneath Ghana in terms of growth and development. Ghana appears to be on a similar level with Botswana and somewhat with Kenya both of which scored 7.12 and 6.68 respectively. On opposite extremes, Nigeria ranks the lowest with 5.92 and Mauritius the highest with 7.88 points.

Figure 2.2, further portrays a breakdown of the HFI into personal and economic freedom (PF and EF) for each country in 2017. While an overall HFI of 7.10 for Ghana is decent, Fig 2.2 reveals a unique pattern. Compared to the other four countries, Ghana was the only country whose EF (6.5) was lower than its PF (7.7). This is an interesting observation which might suggest that while Ghana's strengths lie in PF measures such as freedom of movement, low crime rates, religious freedom and access to information, some of Ghana's weaknesses (which inhibit the growth process) can be found in its economic policies and strategy.

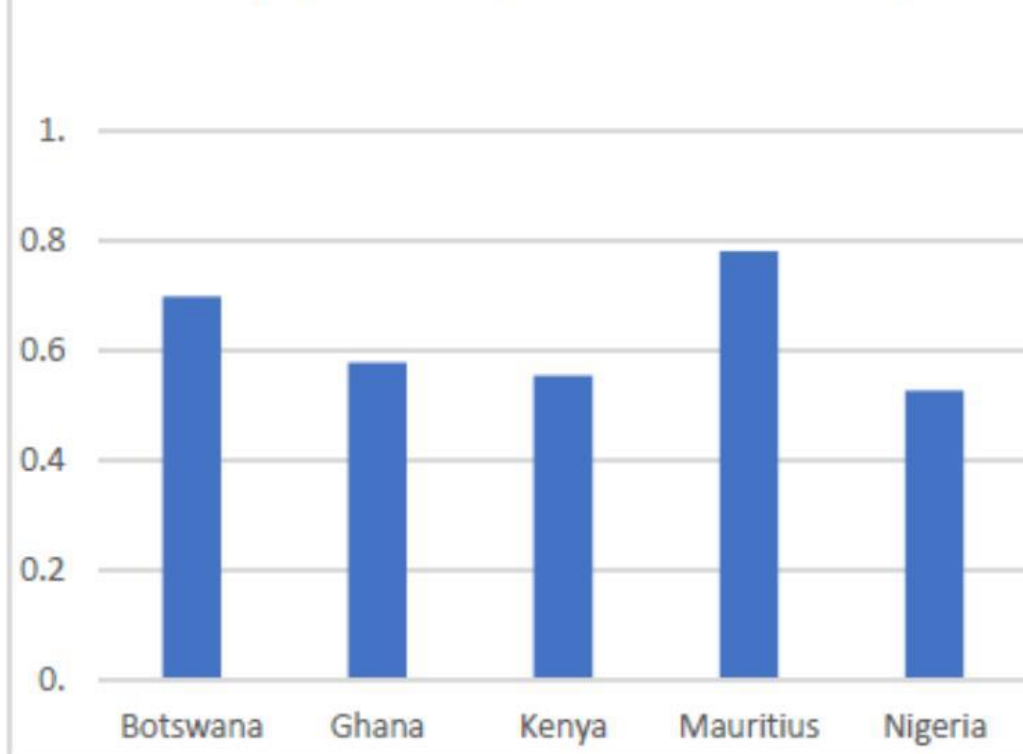
Bar graph showing a breakdown of the HFI for five African countries

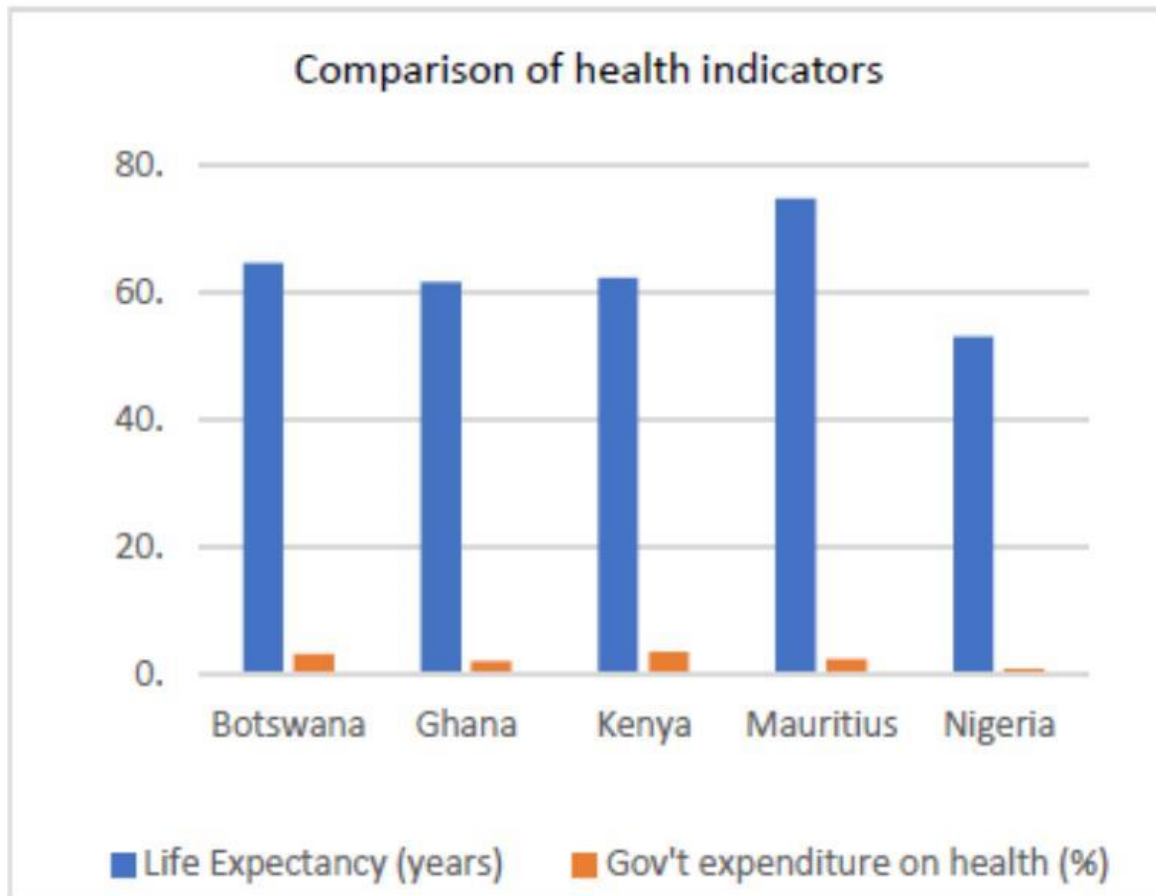


Clustered bar graph showing a comparison of four specific EF measures



Bar graph showing the HDI of each country





For further comparison and analysis, four specific measures were randomly chosen under the EF indicator. Fig 2.3 (above) shows that in 2017 all 5 countries were weakest in the integrity of their legal systems and strongest in managing inflation and labour market labour regulations. However, Ghana which is represented by the orange bar appears to generally have low scores in all four measures. This explains its overall low EF score compared to the other four countries. A reason for this may be because of its recovery from high inflation and public deficits in 2016. Nevertheless, highlighting this information emphasizes the need for closer attention to be paid to these economic factors that serve as powerful stumbling blocks in Ghana's growth pursuits.

While the HFI encompasses unique measures and has highlighted some of Ghana's strengths and weaknesses, it still does not include certain social indicators such as education and health, both of which are necessary in assessing Ghana's performance in its growth pursuits. Fortunately, the HDI accounts for these measures. Figure 3.1 therefore shows Ghana's HDI in comparison to the same group of countries.

Fig 3.2 and 3.3 in particular, portray how some of Ghana's weaknesses may also be found in the health and education sectors. Interestingly, there appears to be some correlation between government expenditure and health. Both Kenya and Botswana had slightly higher life expectancies (62 and 65 years respectively) than Ghana and Nigeria. These two countries also appear to have allocated more money to this sector (3.2 and 3.5% of GDP respectively) while

Ghana and Nigeria allocated only 2.1% and 0.9% of GDP respectively, with Nigeria having the lowest life expectancy of only 53 years. Mauritius is an outlier for having a very high life expectancy of 75 years with their government allocating only 2.4% to the health sector.

Analysing the education indicators for the same countries in fig 3.3 is more complex because Botswana and Nigeria had missing data in this area. Regardless of this limitation, a similar correlation is observed with health. For instance, Ghana spent 6% of GDP on education and had a higher percentage of people who had some secondary education, compared to Kenya that spent 5% of GDP on education and had only 32% of people who had some secondary education. Interestingly, though Botswana has not had any available data on government expenditure on education in the past 8 years, trends between 2005 and 2009 show that Botswana typically allocated between 8 and 10% towards education ^[1]. This might explain why Botswana's percentage of people that have had some secondary education is highest out of all four countries. Furthermore, Mauritius remains an outlier showing a low percentage of government contribution to education but a higher percentage of people who have had some secondary education. This might also be because Mauritius "has long invested heavily in education and has achieved a high rate of literacy" (Frankel 2010:24) and therefore, can afford to allocate a lesser percentage in recent years.

Discussion

From the graphical analysis and cross-country comparison, Ghana's weaknesses that have been highlighted through this assessment point to three important areas – the legal system, economic strategy and policy and provision of key social services to boost growth and development.

Recommendations:

The legal system:

Fig 2.3 shows that, with the exception of Mauritius, all countries scored lowest in the integrity of their legal system in 2017. This is not surprising, especially for Ghana, as its legal system's legitimacy has often been compromised while the institution has been weakened over the years. Moreover, following the 2015 corruption scandal uncovered by renowned journalist Anas Aremeyaw Anas, Ghanaians are slowly recovering and rebuilding their faith and trust in the legal system; trust that was long destroyed because of the inefficiency and corruption evinced in the past, which lingers today. While there were no major infractions on the system in 2017, Ghana's low score of 4.2 could be attributed to the increased demand and caseload burden within the system, and its inability to simply keep up due to poor administration. ^[2] Indeed, the legal system is an important part of a nation's economy, for it enforces justice and order within a civilised society. As the President has agreed to reform this area and has revealed that Section 239 of Act 29 which states that:

"Upon any trial for an offence under section 237, a statement purporting to be signed by a person in the name of the President, Minister or Court, declaring that the accused was not at a stated time or period a messenger of or did not hold any office or authority under the President, Minister or Court, as the case may be, and a statement purporting to be signed by the Chairman of the Civil Service Council declaring that the accused was not a civil servant and a statement purporting to be signed in the name of any local or other statutory authority, declaring that he

was not an officer of that authority shall, without further proof, be prima facie evidence of the matters so declared” [3].

shall be amended to make corruption a felony instead of a misdemeanor ^[4], the government is further being urged to also concentrate on improving the overall efficiency of the system. This shall consequently strengthen and promote the overall growth and development of the country.

Drawing from Lawyer Dr. Raymond Atugba’s ideas on reform in civil litigation in Ghana, it is important for Ghanaians to primarily embrace change. Citing examples from the UK and Australian legal systems, Atugba stresses on the fact that change is absolutely necessary and must be continuous, warning that indeed, “our love of the old ways may be our own downfall” (Atugba 2017:7). One area that is in desperate need for change in the legal system is the poor administration, the cause of great inefficiency. Recommendations for reform in this area include incorporating technology into the legal system and switching to a more reliable electronic system. While some talk was made of an electronic case management system (CSM), this has yet to be implemented. Reducing the reliance on old-fashioned bookkeeping will surely help in improving administration.

Economic policy and strategy:

As aforementioned and shown in fig 1.1 and 1.2, Ghana’s growth in 2017 has been extremely positive with hopes of even greater growth in 2018, though this did not reflect as much in the EF indicator seeing as Botswana and Mauritius appeared to take the lead in this area. Nevertheless, the EF indicator stresses on economic freedom, and thus does not completely capture the actual growth that an indicator such as the “rate of GDP growth” might capture. Even as Ghana is predicted to do well this year with a GDP growth rate of 7%, it is important to continue adopting strategies and implementing policies that will support this growth. In 2017, government announced steps towards fiscal consolidation including reforming government expenditure habits and focusing on revenue generation through production and not only taxation ^[5]. These steps are commendable. Government is encouraged to continue looking inwards for funding for infrastructure and development projects, as was demonstrated with the new maternity unit at the Komfo Anokye Teaching Hospital which was established on funds raised within Ghana only. Indeed, the concept of looking inwards is dependent on the belief that “each country has a population that can contribute something, on varying levels, to the development of its country” (Usanga 2015). Botswana is a good example of this, having generated money internally to fund majority of its infrastructure. Additionally, to ensure that fiscal consolidation continues, the government is urged to implement reform as advocated by Imani in previous years (the Fiscal Responsibility Law); policies that shall ensure fiscal discipline and responsibility, further ensuring that public deficits will not serve as a hindrance in Ghana’s pursuit of growth.

Social Services:

Indeed, poor quality education and health services are two major roadblocks that Ghana faces in its pursuit of growth. Referred to as ‘bedrock services’ because of their importance to our foundation and human existence, education and health are two of the most important sectors within a nation. Quality education and health services ensure that a country’s human capital is strong and productive, further contributing to economic growth and social development.

Compared to Ghana, both Kenya and Botswana had higher life expectancies in 2016 and allocated a higher percentage of their GDP to their health sectors. Ghana spent a lot more on the education sector however, and saw it pay off with a higher percentage of citizens who had gone through secondary schooling that same year. These observations therefore call for more funding to be allocated to these key services so that infrastructure within these sectors can improve in quality and begin to keep up with demand. This is necessary now more than ever especially in a time where opportunities have been created for people to attend secondary school for free. Indeed, this policy runs the risk of being counterproductive, that is, if quality of education is not improved. Overall, Ghana can also learn from Mauritius though it appeared to be an outlier from the data. Mauritius has long been known to heavily invest in their education and health sector so much that today, after the quality and foundation has been established, only a little amount of funding is needed to maintain it.

Conclusion

This report has explored the different socio-economic issues that affect Ghana's performance in its growth pursuits. In analysing a range of socio-economic indicators taken from the HFI and HDI, it established that Ghana's strengths lie in personal freedoms, all of which promote inclusivity and are important for social development. Some weaknesses however, were identified in the legal system and effective delivery of key social services. While steps have been taken towards improvement in these areas, they have not been enough to reflect in the indicators. The report concludes by calling on the government to critically examine these areas, consider significant reform or continue taking steps towards reform (where reform has already begun) especially in a time that Ghana is performing well economically, to ensure that growth and development can be sustainable over time.