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Meeting Summary

Governance and Economic Trends in Africa: Lessons from Ghana

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Chair: Alex Vines

Head, Africa Programme, Chatham House

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Nana Akufo-Addo

The speaker began by giving a brief overview of Ghana's political and economic path since independence. Following the overthrow of Nkrumah in 1966 the military remained the dominant force in Ghanaian politics for 30 years. Post-independence Ghana was turned from a multi-party state into a one party state, and during this time the opposition was decimated. By 1992 the demand for democracy had increased substantially and 1993 marked the beginning of the Fourth Republic, which until now has been the longest period of stability in Ghana's post-colonial history. During this time the country has enjoyed continuous open and democratic rule. There have been two changes of government at the ballot box; in 2000 and 2008. This modern, multi-party state system is strongly supported by the Ghanaian people and is also looked to regionally as a positive example. Ghana now has a strong and efficient base for building a system of government which is more accountable and transparent than during military rule and is a state which is irreversibly democratic.

President Kwame Nkrumah left a lasting economic legacy in Ghana. As a Marxist, he built a state managed command economy. Subsequently, the process of moving Ghana towards a market economy has been torturous. There is now consensus in Ghana that a market economy is the way forward. Instead the debate now focuses on the extent to which the state should intervene, and when. The New Patriotic Party (NPP) has always stood for the market economy, and the speaker expressed hope that this year's elections will enable a continuation of this process. However, ordinary Ghanaians don't just want democratic institutions; they also want improved standards of living.

Historically, Ghana has been an economy based on raw materials exports (principally, timber, cocoa and gold). 80 years ago, 78 per cent of Ghana's income came from raw commodities; this figure is much the same today and drilling for oil has in fact increased this proportion to around 80 per cent. In other words, the Ghanaian economy has something of a 'neo-colonial' tint to it, and this is the key issue which needs to be tackled in order to meet Ghanaians expectations of improvements to standards of living. Moving to a value-added industrial economy, as the East Asian economies have done, is the route Ghana needs to follow.

The discovery of oil wealth could be an advantage to Ghana. Although so far only the Jubilee field in the west has been explored, there is the potential for oil and gas discoveries all along the Ghanaian coast. The most important issue is how the oil revenue is managed. Before leaving office the NPP sought to put in place a regulatory framework and infrastructure to ensure the

effective use of oil revenues. This is a point on which the NPP and National Democratic Congress (NDC) differ; the NPP wants to ensure accountability and transparency of oil revenues by storing them in a separate account free from political interference, and with conditions regulating the distribution and dispersal of funds. The NPP proposed a bill for this but it was blocked by the NDC and now 70 per cent of oil revenues go directly to the government budget. A further criticism of the NDC was that they went ahead with oil drilling in the Jubilee field without developing the capacity and infrastructure to exploit the accompanying natural gas deposits. Consequently, gas from the field is currently being flared, which is costing us money and is also illegal under Ghanaian law.

A further point of difference between the NPP and the NDC is the former's vision for downstream economic development. ECOWAS and the West Africa region have a market of 300 million customers – Ghana should be exploiting this. Ghana has several factors in its favour; geographically, it is in the centre of the region, politically it is stable, and the Ghanaian people have an entrepreneurial spirit. These factors could enable Ghana to become a serious manufacturing base. The NPP would take the lead in building regional integration and development.

Questions and Answers

Question: In the last election, some 140,000 NPP supporters and further 300,000 other voters did not vote at all. Is anything being done to encourage higher voter turnout in the forthcoming election?

Answer: The speaker replied that there were several factors responsible for this. A certain amount of internal dissatisfaction and disagreement had built up within the NPP over its eight years in power. The NPP also faced 'third term syndrome'; voters were looking for change. However, the performance of the current government has not been strong. In particular there have been issues of corruption on a wide scale. This provides the NPP with a stronger base of support. There will be a biometric voter registration exercise on 24 March to 5 May which will give a good indication of the levels of enthusiasm among the electorate.

Question: What frameworks do you envisage being implemented to fulfil your vision of better governance, and will there be sufficient political will to achieve this?

Answer: The speaker answered that performance of the current government has shown how weak state institutions currently are. Law enforcement, security and tax are not developed enough. There needs to be a strengthening of the capacity of the state to deliver on these. For example, the largest region in Ghana has only one state attorney – a situation which makes the effective rule of law impractical and unrealistic. Corruption must also be dealt with more comprehensively. Furthermore, the culture of politics needs to become more consensual instead of being divisive. This would enable the development of more effective state institutions such as parliament and the judiciary. Ghana's business class is still small and underdeveloped especially with regard to big enterprises, and more people and businesses need to be brought into the formal economy to widen the tax base. Finally, education needs to be open to the whole population and not based on the ability to pay. There must be more investment in technical schools so that we have a diverse and skilled workforce Ghana has the opportunity now to finance state-wide education.

Question: What are your plans for regional integration, with specific reference to Côte D'Ivoire and their plans to change the maritime border?

Answer: The speaker explained that aside from language, Ghana and Côte d'Ivoire are natural partners. They have the same historical and cultural roots. On the ground there are many indicators which reaffirm this cultural affinity. There is also a common purpose and vision as to where the two countries want to go. Ouattara could be judged as one of the great African leaders, with a little luck – working with the NPP the two countries could bring great progress for ECOWAS. With regard to the maritime boundaries, the speaker explained that he did not believe the two countries would go to war over the issue. The Côte D'Ivoire government is suspicious of the NDC because they supported Gbagbo in the elections. The best approach would be to engage in dialogue to resolve this border dispute, sooner rather than later, to give confidence to investors to develop more oil fields.

Question: The speaker criticised the current government over their flaring of gas in the Jubilee project but what would he have done differently? And what is his view on the building of a new oil refinery in Ghana?

Answer: The speaker answered that the NDC made the decision to develop the Jubilee field very rapidly without building gas capacity, despite the fact that a number of companies were willing to finance the exploitation of gas

reserves at the same time. The NDC did not take up the offer of any of these companies because of suspicions of links between these companies and the previous regime. The speaker added that he supports the development a new oil refinery in Ghana (the current one was build in the 1960s). It is also important to build investor confidence to encourage them to support these developments.

Question: President Museveni recently described oil as a ‘catalyst’ for development. What is the speaker’s view on the role of oil in Ghana’s development?

Answer: The speaker replied that oil can be a catalyst, but Ghana needs to be consistent in its dealings with companies. Frameworks, contracts and the rule of law have to be respected, and the need for a return on investments must be recognised and accountable. Oil could finance the infrastructure needed for Ghana’s progress, but there is also an acute awareness of the experiences of other countries in which oil wealth has not had a positive effect. It is important to recognise that other areas of the economy must also be developed. For example, agriculture needs modernising: Ghana currently exports cocoa when it could add value by processing this into chocolate before export.

Question: The recent documentary ‘An African Election’ revealed that whilst the election in Ghana wasn’t rigged the system was under extreme pressure, especially in the final days of the election. Has it been strengthened for the forthcoming election?

Answer: The speaker explained that the first major test will be the forthcoming voter registration exercise. A biometric register is being introduced to avoid the tensions seen last time (for example, the electoral register had been bloated by 1 to 2 million false voter registrations). There also needs to be a commitment by players to abide by the rules of the game – the democratic development of Ghana should be the ultimate goal. This demands a certain type of behaviour from the opponents. The NDC must behave as the NPP did, and stand down from power if narrowly defeated in the election.

Question: China Development Bank recently provided Ghana with a US\$3 billion loan. Is Ghana shifting away from the West, and is this a good thing?

Answer: The speaker responded that China's influence is a fact across the world. There shouldn't be a monopoly by the West; China, India, Brazil, South Africa also have important roles to play. Ghana's relationships should primarily be about value for money for the Ghanaian people. The speaker's opinion was that China hasn't brought a fair deal; Ghana is simply selling raw materials to the West as well as to the East. The centre of the NPP's economic agenda is to be mindful of the medium to long term needs of Ghana, whilst working with partners such as China. The old ties with the West are not jeopardised by this new relationship, but the benefits to Ghana should guide the country's relations.

Question: Ghana is leading regional development and integration. What is the country's role in the regional oil and gas sector, and will local content rules play a part?

Answer: The speaker answered that he did not want a Ghanaian oil industry staffed entirely by foreigners, and so the country needs to build its own capability. Whilst the need for foreign expertise is recognised, the presence of Ghanaians is promoted at every stage. This is to guarantee the country's future independence of action, but not enough has been done so far.

Question: The effort to develop a regulatory framework and oversight body for petroleum in Ghana seems to have run out of steam. What is the speaker's view on this?

Answer: The speaker replied that the way Ghana's oil has been managed is unsatisfactory; so far there has been little transparency and accountability. An oversight body should be in place, and the NPP supports more transparency and accountability.

Question: Will the diaspora play a role in the election, and would the NPP benefit from this?

Answer: The speaker answered that the NPP tried to pass a law in office to enable the diaspora to vote, but the NDC overturned it. Diaspora voting is done in many African countries so there is no reason why it shouldn't be done by Ghana. Currently it is a case of taxation without representation; remittances contribute almost as much as cocoa to Ghana's economy.

Question: Oil investments have a long life, beyond the lifespan of most governments. To what extent has cooperation with the opposition been taken into account in introducing a broad framework which will survive successive governments?

Answer: The NPP works actively to ensure that key decisions are taken consensually so as to create a lasting framework, but this is only possible if there is conscious engagement between parties and a broad consensus on the way forward.

ABOUT THE SPEAKER

Nana Akufo-Addo is one of the founding members of Ghana's New Patriotic Party and has led the NPP in opposition since the 2008 elections. He trained as a lawyer in England in the 1970s and in 1979 he co-founded a law firm in Accra. Under President John Kufuor, he served as Attorney General and Minister of Justice from 2001 to 2003, then as Minister of Foreign Affairs until 2007. He ran as the presidential candidate of the NPP in the 2008 election.