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February 2, 2009

Congressional Research Service

Report RS22809

Ghana: Background and U.S. Relations

Nicolas Cook, Specialist in African Affairs

January 6, 2009

Abstract. This report provides background information on current developments in Ghana and U.S. bilateral relations with Ghana.

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Congressional Research Service

7-5700

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RS22809

Summary

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

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Introduction

Ghana held national elections in December 2008, which resulted in a narrow run-off presidential victory for John Atta Mills of the opposition National Democratic Congress (NDC) party, which also gained a parliamentary majority. The election of Atta Mills, who had run unsuccessfully for the presidency in Ghana's two previous national elections, marked Ghana's fifth consecutive democratic election and preceded its second democratic transfer of power from one political party to another. This watershed, a rare occurrence in post-independence sub-Saharan Africa, signified Ghana's further maturation as a democracy following a transition from "no-party" rule that began in 1992.

U.S.-Ghanaian relations are warm. In mid-February 2008 President Bush traveled to Ghana, which in 2006 signed a \$547 million Millennium Challenge Corporation (MCC) Compact. His goal was to personally review MCC and other U.S. aid programs in Africa. He held talks with President John Agyekum Kufuor and other African leaders on prospective continued U.S.-African partnership to sustain "democratic reform, respect for human rights, free trade, open investment regimes, and economic opportunity" across Africa. His visit to Ghana focused on improved health prospects for Ghana resulting from its designation in 2008 as a President's Malaria Initiative focus country; prospective education improvements resulting from Ghana's participation in the President's Expanded Education Initiative; and trade growth efforts under the U.S. African Global Competitiveness Initiative (AGCI). The AGCI West Africa Trade Hub, which promotes intra-African and U.S.-African trade, is based in Ghana, which also hosts the U.S. Agency for International Development (USAID) regional development program. Apart from development cooperation, Ghana is widely seen as a key U.S. partner in the region and as an African "success story." It has undergone a successful transition to democracy and has enjoyed substantial economic gains in recent years. It is a stable country in an often volatile sub-region, and has helped to mediate several political and/or military conflicts in West Africa countries over the last quarter century. It is also praised for its near-constant contribution of troops to international peacekeeping operations in Africa and elsewhere.

Political Scene

President Kufuor will step down as president upon the inauguration of President-Elect Atta Mills on January 7, 2009, after having served his second term in office. Kufuor was ineligible to run for the presidency in 2008 due to constitutional term limits. Kufuor, age 70, is a former veteran opposition figure and Oxford-trained lawyer, businessman, and former deputy foreign minister and parliamentarian. He first won the presidency in 2000, having bested Atta Mills in a poll that led to Ghana's widely praised, first-ever democratic presidential and political party succession. In 2004, he again triumphed over Atta Mills, winning 52% of votes in a poll that was generally calm, peaceful, and transparent, though marred by limited violence (*CIA 2008 World Factbook*). In simultaneous parliamentary elections, Kufuor's New Patriotic Party (NPP) increased its legislative margin by 26%, winning 128 seats, while the NDC won 94. Two smaller parties and an independent won all other seats (Interparliamentary Union data). Kufuor used the slogan "So far, so good" to claim a solid record of economic stability, market-based reforms and growth, and broad quality of life improvements after a period of economic stagnation under the NDC.

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

2008 Election

Ghana held presidential and parliamentary elections on December 7, 2008, resulting in a marginal electoral win for the NDC. The election campaign was contested vigorously but was reportedly largely peaceful. Focal electoral issues included public dissatisfaction over electricity and water shortages, rising food, fuel, and utility prices, and reports of corruption.¹ Recent economic expansion and prospective oil revenue-fueled growth, however, were seen as benefitting the NPP, as were divisions in the NDC, from which a dissenting faction broke away to form a new splinter party. While Atta Mills was selected as the NDC presidential candidate, notwithstanding his two earlier losses as NDC flag bearer, 18 NPP candidates fiercely vied for the NPP nomination in the run-up to the NPP party congress in late 2007. Akufo-Addo won the nomination in the first round of voting, surprising some observers, given that President Kufuor had reportedly favored another candidate. The NPP nomination process drew some criticism because the \$25,000 party nomination fee, in a country with an average income of about \$520, was seen as barring contenders who lacked wealth or could not raise large amounts of cash to rally support.² Ghana generally enjoys inter-ethnic harmony, but regional rivalries and disparities that are sometimes viewed in ethnic terms play a role in politics.³ Ethnicity, however, does not appear to have played an overt or key role in the election.

With some minor, mostly technical exceptions, voting on December 7 was free, open, transparent, according to reports by national and international observers who monitored the vote, along with a large number of national political party observers.⁴ The election elicited widespread praise

¹ See, among others, United Nations Integrated Regional Information Networks (IRIN), "Ghana: Critical issues in 7 December elections," December 4, 2008.

² Several leading contenders, dubbed the "monetocracy," reportedly funded expensive campaigns to court NPP delegates. Press reports raised questions over the funding sources of some NPP contenders. *Africa Confidential*, "Ghana: 'Who spends, wins'," November 30, 2007 and *Africa Confidential*, "Ghana, Race to the top," December 14, 2007, among others.

³ The NPP has always fielded an ethnic Akan presidential and a vice-presidential candidate from the north since the reinstatement of multiparty politics in 1992, and is viewed as predominating in the Akan south and southeast. The NDC's traditional base of support, by contrast, is in the multi-ethnic, largely Islamic north and among Ewes in the south. *Africa Confidential*, "Ghana: 'Who spends...'" *inter alia*.

⁴ Coalition of Domestic Election Observers (CODEO), "Press Release (Close of Day)," December 7, 2008; EU Election Observation Mission, Republic of Ghana 2008, "Parliamentary and Presidential elections in Ghana conducted in an open, transparent and competitive environment," [press release], December 9, 2008; EU, European Union Election Observation Mission Ghana, "A Competitive Campaign and a High Degree of Transparency on Election Day Reflect Ghana's Democratic Culture," Presidential and Parliamentary Elections, 7 December 2008, Preliminary (continued...)

internationally, despite some minor shortcomings.⁵ These reportedly included temporary shortages of voting materials at some polling places, along with limited, minor allegations of irregularities, mainly in two constituencies, Asutifi South and Akwatia.⁶ In the initial presidential vote, John Atta Mills of the opposition National Democratic Congress (NDC) party won a 47.92% vote share. His main rival, former Foreign Affairs Minister Nana Addo Dankwa Akufo-Addo of the New Patriotic Party (NPP)—President Kufuor’s party and the majority party after the previous election in 2004—won a 49.13% vote share. Given that neither leading candidate attained a 50% vote share, a requirement for electoral victory, a run-off vote was later held. In the December 7 parliamentary vote, the opposition NDC achieved a narrow majority, winning 114 (50%) of 228 seats for which results had been determined as of January 6, 2009—of a total of 230 seats—against 107 (nearly 47%) seats for the NPP. Seven additional seats were won by two minor parties and independent candidates. The winners of two seats had not been certified as of January 6, 2009.

A presidential run-off vote between Atta Mills and Akufo-Addo was held in 229 constituencies on December 28, resulting in a 50.13% vote share for Atta Mills, with Akufo-Addo winning 49.87 percent of the vote, 23,050 votes fewer than Atta Mills.⁷ These results failed to decide the election, however, because incorrect allocations of voting materials were delivered to one constituency, Tain District, in the central Brong Ahafo Region, potentially disenfranchising voters.⁸ This discrepancy prompted the Electoral Commission to order a repeat of runoff balloting in Tain, an outcome that conferred on Tain’s estimated 53,000 voters the potential power to decide the outcome of the race.⁹ Although the NPP attempted a legal delay and later a political boycott of the Tain vote, which was controversial and spurred some very minor, isolated post-election violence, it later accepted the outcome.¹⁰ After Tain was added to the national run-off totals, Atta Mills garnered a winning 50.23% share of votes cast against a 49.77% vote share for Akufo-Addo.¹¹

(...continued)

Statement, December 9, 2008; and Electoral Commission of Ghana, “AU observer team call on Minister,” December 11, 2008, *inter alia*.

⁵ Scott Stearns, “World Leaders Congratulate Ghana on Democratic Election,” Voice of America, January 5, 2009.

⁶ *Ibid.* Also see Ghana News Today via PeaceFMOnline.com, “5th Parliament to be Ushered in on Jan. 7th,” January 3, 2009; Ghana News Agency (GNA) via Myjoyonline.Com, “Electoral offenders before court,” January 6, 2009; and GNA via Myjoyonline.Com, “EC suspends Akwatia constituency parliamentary election,” December 27, 2008.

⁷ Kwasi Kpodo, “Ghana presidential hopefuls in last-ditch vote race,” Reuters, December 31, 2008.

⁸ Carter Center, “Carter Center Deploys Observers to Ghana’s Brong-Ahafo Region to Observe Tain Constituency’s Elections,” December 31, 2008.

⁹ Such an outcome was viewed as unlikely by press commentators, however, because in the first round, only 59% of Tain’s voters had turned out. Of these voters, about 97% had reportedly split their ballots between the two leading candidates, with about 52% of these voters selecting Atta Mills and about 48% choosing Akufo-Addo. CRS analysis and Xinhua, “Ghana presidential election results not declared for disputed votes in some areas,” December 31, 2008, *inter alia*.

¹⁰ Joy FM, “Ghanaian ruling party withdraws legal concerns relating to run-off polls,” via OSC, January 2, 2009; Agence France Presse (AFP), “Violent protest over Ghana poll results,” December 31, 2008; Kissy Agyeman, “Election 2008: Tensions Mount in Ghana as Electoral Commission Stalls Presidential Poll Announcement,” *Global Insight Daily Analysis*, December 31, 2008; Media Foundation for West Africa, “Ghana: Opposition Party Supporters ‘Allegedly’ Assault Journalist in Accra,” via OSC, January 3, 2009; Joy FM, “Defeated Ghanaian presidential candidate congratulates winner,” via OSC, January 3, 2009; Ghanaian TV3, “Ghanaian ruling party presidential hopeful concedes defeat,” via OSC January 3, 2009; and AFP, “Ghana: The Country Prepares for 2nd Alternate Power Handover in 10 Years,” via OSC, January 4, 2009.

¹¹ Electoral Commission, “Latest News” and “Final Figures of the Presidential Run-off Elections,” January 6, 2009.

Kufuor Record

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

Economy

Ghana's export earnings have grown in recent years; they stood at about \$3.7 billion in 2006 and are estimated at \$4.1 billion in 2007 (Economist Intelligence Unit [EIU] data). In June 2007, the discovery of offshore light crude oil reserves conservatively estimated in the 450-550 million barrel range, has boosted future export earning prospects. The economy has grown at an annual rate of 5.5% to 6.2% in recent years, and is forecast to rise slightly in the next two years. Current inflation, around 10%, is low by historical standards (EIU data). Domestic savings rates are rising, and a large influx of expatriate remittances has boosted growth, notably in construction. The small Ghana Stock Exchange has boomed in recent years, and in 2003 Ghana received its first sovereign credit rating, which has since been upgraded. In September 2007, it successfully and for the first time raised \$750 million in international Eurobond issues. Ghana largely successfully fulfilled its World Bank and International Monetary Fund (IMF)-backed Ghana Poverty Reduction Strategy (GPRS). In part due to this, Ghana has received debt relief under the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative. This is leading to additional international financial institution assistance, and has resulted in a series of actual or planned debt write-offs by bilateral creditors totaling about \$3.5 billion. The World Bank's 2006/07 *Doing Business* report ranked Ghana third among 10 global "Top Reformers" based on gains in public service provision, contract mediation, import operations, and reductions in red tape for property and business start-ups.

Social indicators have steadily improved. Ghana reportedly may become the first African country to surpass the United Nations Millennium Development Goal of halving poverty by 2015. Rising commodity prices, notably of key exports like cocoa and gold, as well as growth in tourism, have played a major role in economic growth. The Kufuor administration also attributes Ghana's recent economic successes to fiscal discipline, improved revenue collection, and to the government's policy agenda. It emphasizes liberal, private sector-focused economic reform goals and efforts to promote good governance and improve living standards. The Kufuor government has reportedly boosted investment in education, healthcare delivery, communications, and infrastructure. The latter is fairly developed by regional standards but in many cases is aging or inadequate to meet future demands. The government is also seeking to address possible socio-economic and regulatory challenges arising from a forecast rise in oil earnings. A state task force is studying ways to ensure that such funds are used for socially equitable economic diversification projects and to develop the nascent oil sector. The government also plans to create a national stabilization

fund to minimize economic growth shocks and revenue volatility associated with its dependence on cocoa, gold, timber and oil exports.

Prospects

Despite much economic success, poverty remains widespread, notably among the rural majority. From 1997-2003, 40% of Ghanaians lived below the poverty line. Joblessness also remains high. Poverty rates are slowly declining, however, and the average annual income of \$510 has grown markedly from the 2003 level of \$300. The economy remains highly rural and agricultural, even though about 47% of the population is urban, which is high by regional standards. Agriculture employs about 60% of workers, and contributes about 37% of annual gross domestic product (GDP). Services, notably the information technology and financial sectors, have expanded rapidly and are eclipsing agriculture; they contribute an estimated 37-40% of GDP. Ghana has established a small offshore call and information processing industry, and several new banks have been created. Industry, notably the gold mining sector, has also grown substantially; it provides nearly 25% of annual GDP. The government supports the extensive small-scale and informal sectors through the use of micro-loans and small business-friendly policies. A key challenge is an insufficient electricity supply. The government is pursuing several national and international regional power generation or distribution projects and efforts to liberalize the electricity sector. One regional effort, the U.S.-backed West African Gas Pipeline, which is slated to bring natural gas from Nigeria to Ghana and its eastern neighbors, had faced repeated delays, but came online in mid-December 2007.¹² Other key economic challenges include low wages and productivity rates, and high oil and food prices. Floods in 2007 also devastated northern towns and farms.

Transparency and accountability are key goals of the Kufuor administration. It backed passage of several anti-corruption and public sector transparency laws, made Ghana a participant in the Extractive Industries Transparency Initiative (EITI, an international revenue transparency effort), and signed and ratified the African Union convention on corruption, among other actions. Corruption, nevertheless, remains a problem. Public sector bribery is reportedly common, and there have been several high profile corruption cases involving top officials. Some critics contend that anti-corruption law enforcement is often weak. Notwithstanding the Kufuor government's private sector orientation and diverse achievements, the State Department's FY2008 Congressional Budget Justification, mirroring the views of some other observers, stated that Ghana "remains a difficult place to do business; contract sanctity, clear land title, and expeditious licensing regimes present daunting challenges. Schools are inadequate, and quality health care is unavailable for many, particularly, for the poor and the disenfranchised."

International Relations

Ghana's government has actively mediated in crises in Liberia, Cote d'Ivoire, and Togo. Some observers believe that its close relations with the late Gnassingbe Eyadema, former president of Togo, may have caused it to take a moderate stance vis-à-vis Togo's 2005 leadership succession and electoral crisis, which led about 12,000 Togolese to enter Ghana as refugees. Some human

¹² West African Gas Pipeline Company (WAPCo), "First Gas Reaches Ghana," December 11, 2008; Kwasi Kpodo, "Ghana pipeline gets first Nigerian gas," Reuters via Thomson Financial News/Forbes, December 13, 2008; and Bank Information Center, "Update: West African Gas Pipeline comes online at last," December 18, 2008.

rights advocates also criticized Ghana's decision to facilitate the return of Charles Taylor, former president of Liberia, to his country from peace talks in 2003 in Ghana after he was indicted for war crimes by the U.S.-backed Special Court for Sierra Leone.¹³ Ghana contributes a considerable number of troops to international peacekeeping operations, notably within Africa. It is seen as having an increasingly professional military, following decades of military intervention in state politics. Ghana is also active in helping to develop African peacekeeping capacities; it hosts a regional peacekeeping training center. The United States has provided training and equipment to the center. Ghana was elected to chair the African Union in 2007 and hosted the 9th African Union Summit in July 2007. It also served as a U.N. Security Council member, 2006-2007. Like many African countries, Ghana is pursuing greater economic cooperation and trade ties with China, and has increased its exports to China, notably manganese and cocoa.

U.S. Relations

U.S.-Ghanaian relations are close, and a small population of Americans, many of African-American descent, has settled permanently in Ghana. The Bush Administration has viewed Ghana as "a key African partner" due to its role in promoting international security; its development of a "vibrant and stable" democracy; and its role as a key African market-oriented U.S. trading partner (FY2008 *Congressional Budget Request*). Ghana is a leading African buyer of U.S. goods, but bilateral trade, while growing, is relatively small. In 2007, U.S. exports to Ghana totaled \$416 million, up from a \$313 million average in 2005 and 2006. U.S. imports from Ghana stood at \$199 million in 2007 and averaged \$175 million in 2005 and 2006. They have grown steadily, from \$115 million in 2002. Ghana is eligible for all trade benefits under the U.S. African Growth and Opportunity Act (AGOA) and in mid-2007 hosted the 6th AGOA Forum.

U.S. democratization assistance to Ghana supports decentralization efforts and greater citizen participation in governance, notably at the local and regional level; improved parliamentary law-making and oversight skills; better local government service capacity; and efforts to build civil society capacities to influence government policy making. It will also help train election observers prior to the 2008 elections. U.S. health sector assistance to Ghana focuses on preventing HIV/AIDS, malaria, and tuberculosis; increasing health services delivery; and improving state healthcare planning and management capabilities. Ghana became a President's Malaria Initiative country in FY2008. Development Assistance programs focus on boosting agricultural marketing and export potential, small business capacity building, and market liberalization reforms. They also support policy reforms aimed at supporting macro-economic stability, liberalizing agricultural input markets, and supporting policy-making capacities related to finance, labor and land regulation, energy, and information and communication technology. A 185-member U.S. Peace Corps volunteer program pursues diverse projects, mostly in education, small business growth, environmental sustainability, and healthcare. After widespread flood damage in northern Ghana in September 2007, USAID's Office of U.S. Foreign Disaster Assistance provided \$50,000 in emergency relief supplies to 5,000 recipients.

In August 2006, Ghana signed a \$547 million, five-year MCC Compact. It supports investments in agriculture, production, business, and income growth (e.g., increasing exports and value-added business capacity, and improving irrigation and land tenure systems); in transportation; and programs to support rural government, social, and financial services. Under the Administration's

¹³ Human Rights Watch, "Liberian President Must Be Arrested," June 4, 2003.

Foreign Assistance Framework, Ghana is a “Transforming” state, i.e., one “with low or lower-middle income, meeting MCC performance criteria, and the criterion related to political rights.” Under the Administration’s FY2009 budget request, U.S. assistance to Ghana, exclusive of MCC, Peace Corps, and food aid, would decline to \$44.46 million from the recently finalized FY2008 level of \$63.85 million. The level of such assistance in FY2007 totaled \$42.6 million. Food aid in FY2007 totaled \$18.11 million, and an estimated \$6.95 in FY2008. The Administration requested \$4.5 million for FY2009. Food aid levels in the latter two years may rise, as food aid is allocated from central accounts in response to need throughout the year.

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

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