

**COUNTRY PROFILE:****REPUBLIC OF GHANA****DATED:****MARCH 2008****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

	<i>Country Rating</i>	<i>U/W Method</i>
<i>Short-term</i>	3C	No Restriction

*Recent Political Highlights*

- Chief of state since January 2001 has been President John Agyekum Kufuor. The president is elected for a four-year term and is eligible for a second term. The next election is scheduled for December 2008. The Democratic Freedom Party is set to pull a surprise in the upcoming presidential and parliament elections. Barely a year after it was founded, the leadership of the party has managed to strengthen its base in all ten regional capitals and 230 constituencies across the length and breadth of the country.

*Recent Economic Highlights*

- Ghana has a population of 23m that was expected to have grown at a rate of 2% in 2007. The IMF has commended Ghana's macro-economic recovery reform programme, which has enabled it to experience the highest economic growth and low inflation for the first time in thirty years. Its successful issuance of the \$750m Euro bond last September on the LSE - which was four times over subscribed exceeding an amount of \$3.2bn - was a clear indication of the country's progress towards economic recovery;
- For the country to achieve Middle-Income Status by 2015, it needs to change the structure of the economy, as the structure obliges Ghana to continue producing commodities it does not need, thereby rendering it dependent on imports. The economy is thus more import-export oriented than production oriented;
- Ghana formally adopted an inflation targeting framework for its monetary policy with price stability as its main objective. After SA, it is only the second country in Sub-Saharan Africa to adopt such a regime. At the beginning of the decade, Ghana was grappling with high inflation, large fiscal and external account deficits and high external and domestic debt. A new policy introduced in 2002 saw domestic debt fall from 31% of GDP in 2001 to 13.5% in 2006. Inflation fell from 62% in 2001 to 12.7% presently. The country's five-year success with 'implicit' inflation targeting - when a country establishes inflation targets but does not announce this as its primary objective - encouraged the country to formally adopt the policy in 2007. Its economy has been growing at an average of over 6% a year;
- A Government spokesman on finance and economy claimed that Government needs to be commended for being able to reduce the country's debt burden. In 2000, over a third of all Government expenditure went into debt servicing and the total debt to GDP dropped from 189% in the second quarter of 2000 to 48% at the end of 2007. GDP was \$3.94bn and total public debt was \$7.43bn in 2000. GDP was \$14.05bn with total public debt at \$7.24bn at the end of 2007;
- The African Development Bank Group (AfDB) and Government signed a \$44m loan agreement to finance the power systems reinforcement project. The project is expected to help the country reduce electricity losses, improve the reliability of power supply and expand access to electricity for people living in the Kumasi area. The project forms part of a wider Ghana Energy Development and Access Project being financed by the World Bank, the Swiss Secretariat for Economic Affairs, the Global Environment Facility and Government;
- The rapid collapse of the water system in the capital Accra and an estimated 84,000 Ghanaians dying each year from diseases related to poor water quality has become a central election issue. The fate of the current Government now rests on the early and effective resolution of the water crisis. The Ghana Water Company is no longer able to supply half of the 150m gallons of water required in the capital daily and is calling for a \$2bn investment to resolve the problem. Accra can have an abundant water supply from the nearby Volta Lake, the world's largest manmade lake, but many of the pipes delivering the water are cracked and broken.

*Latest Trade Developments*

- Major exports: gold, cocoa, timber, tuna, bauxite, aluminium, manganese ore, diamonds and horticulture;
- Major imports: capital equipment, petroleum and food;
- Main trading partners: Netherlands, UK, US, Spain, Belgium, France, Nigeria, China and SA;
- Total annual trade between Ghana and Canada has expanded from \$110m since 2002 to \$180m in 2007, representing a 64% growth in trade. While Ghana's annual imports from Canada have escalated from \$60m to \$157m (161%), Ghana's exports to Canada have dropped from \$50m to \$22m. Since 2004, Canadian assistance to Ghana has quadrupled with companies investing over \$1bn in Ghana - with over 90% in the mining sector. The fall in exports to Canada has encouraged Ghana to try to change this trend. It will undertake a trade mission to Canada and organise forums on how to take advantage of the Canadian market;
- SA exports to Ghana totaled R1.7bn in 2006 from R1.6bn in 2005 and R2bn in the year to November 2007.

*Lily Maharaj - Economic Services*