ELITE QUALITY INDEX
EQx2022

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ELITE QUALITY REPORT 2022

Ghana: The quest for economic development continues

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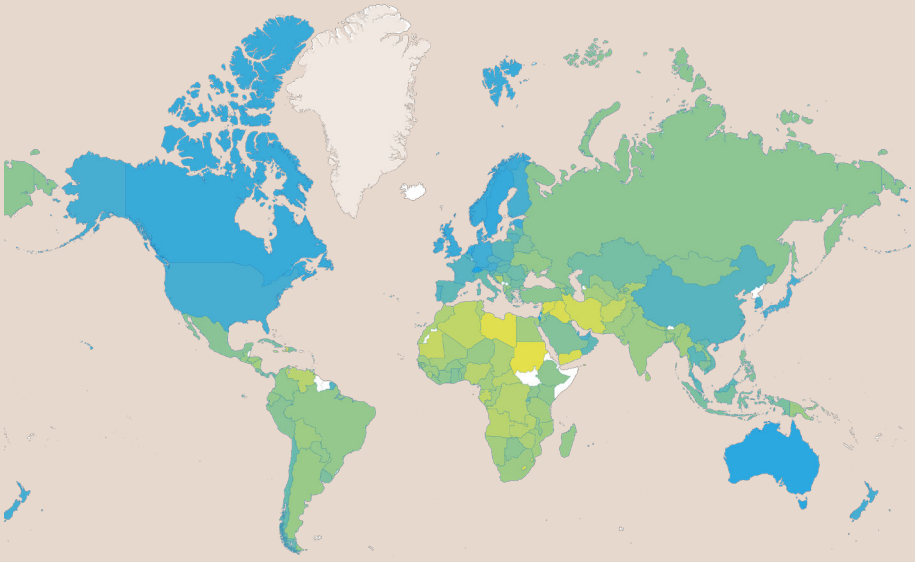

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Ghana: The quest for economic development continues

Ghana, often referred to as the poster child of democracy in West Africa, has enjoyed peace and stability since the beginning of its Fourth Republic in 1993. The country's overall EQx ranking of # 60 is indicative of both its struggles and promise amidst the post-pandemic economic recovery.

The country's elites have over the years maximized their gains from the country's extractive sector, from the construction section, and the import of goods. Consistent with poor *Political corruption* performance (COR, i.1, rank # 85) and the State Capture Pillar (i.1, rank # 75), elites have sometimes thrived on cronyism and governmental support. Ghanaian elites are powerful as can be seen in the Coalition Dominance Pillar (ii.4, rank # 63), and politics matter to amass power. Ghana's political space has been dominated by two main parties: the current ruling New Patriotic Party (NPP) and the National Democratic Congress (NDC) with key political appointments and positions often revolving around party stalwarts.

In terms of the country's economy, the COVID-19 pandemic significantly curtailed growth momentum. According to the African Development Bank, the country's economic outlook is good in the short- to medium-term. However, this is dependent on an increased demand for Ghana's exports, successful implementation of its COVID-19 Alleviation and Revitalization of Enterprise Support program as well as improved business confidence. The country is projected to achieve growth of 4.1% in 2022 with *Inflation* (DOI, iv.11, rank # 131) expected to reach 8.2%, the midpoint of the Bank of Ghana's band target of 6%-10% (African Economic Outlook, 2022). Ghana's fiscal deficit (DBT, iii.9, rank # 86) is expected to narrow to 5.7% of GDP in 2022, partly driven by a recovering economy and an increase in revenue collection. The latter is not without controversy as the government's attempts to introduce an electronic levy (E-Levy) on mobile money (MoMo) transactions has so far been unpopular.

Irrespective of the country's worrisome rating of B- on its Long-term Foreign- and Local-Currency Issuer Default (IDR) by Fitch (Fitch, 2022), Ghana is still ranked favorably in terms of its *FDI inflows* (FDI, iv.10, rank # 42). Bloomberg pegged Ghana's currency (Cedi) as one of the worst performing in Africa in the first quarter of 2022 and it may yet sink further according to the IMF's Debt Sustainability Analysis (World Bank-IMF, 2020). The country thus faces a solvency crisis, a concern captured by its EQx ranking # 86 for *Government Debt as % of GDP* (DBT, iii.9). Despite narrowing annual deficits, the Bank of Ghana's January 2022 Monetary Policy report indicated that cumulative public debt stood at 78.4% of GDP at the end of 2021.

A review of selected EQx Indicators provides insight into Ghana's strengths and challenges. While national poverty rates and inequality have halved since the turn of the millennium according to the World Bank, the inability of the country's public and private sectors to scale up high value creation business models has meant that there is an over-reliance on the natural resources and agricultural sectors as is made evident by *Natural resources rents as % of GDP* (NRR, iii.9, rank # 117). On the other hand, the Indicators for *Unemployment* (UEM, iv.12, rank # 48) and *Youth unemployment* (YUN, iv.12, rank # 56) show that the country's labor markets work relatively well. However, Ghana's overall ranking in the Labor Value Pillar (iv.12, # 70) also reflects labor agitation in the country with several professional strikes, most notably by university lecturers (UTAG) in the first quarter of 2022. A concern also hovers around Ghana's poor ranking in the *Trade freedom* Indicator (TRF, iv.10, rank # 123). It remains to be seen how the African Continental Free Trade Agreement (AfCFTA), headquartered in Ghana's capital, Accra, will impact trade openness. The ongoing banking reform over the last few years nonetheless shows that targeted institutional reform can have positive effects as this has translated into a relatively good ranking in the *Financial Markets Index* (FMI, iv.11, rank # 66).

In the immediate term, Ghana needs to resolve its parliamentary impasse on the proposed introduction of the controversial E-levy. Extracting these taxes from the citizenry is expected to augment the country's revenue by adding a further US$ 1.1 billion to the budget; without this money, spending cuts are in store. Yet, even with this additional revenue, the country can only attain parts of its fiscal targets and so assistance from the International Monetary Fund (IMF) might be necessary. The ideal and more fundamental development path for Ghana might be lie in another direction: for its elites to scale up the value creation components of the natural resources and agricultural sectors. This would sustainably increase employment as well as boost tax revenues.

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Ghana

EQx2022 Country Scorecard

Population	31 million
GDP (nominal)	69 billion USD
GDP per capita	2'253 USD

Level 1 – Index

EQx Rank / 151	EQx Score
60	49.5

Quality Elites

Level 2 – Sub-Indices & Index Areas

EQx Sub-Indices

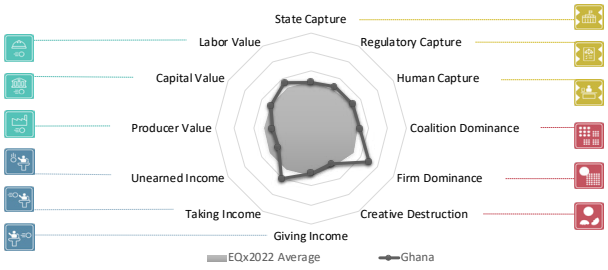
Power		Value	
Rank / 151	Score	Rank / 151	Score
56	50.6	69	49.0

EQx Index Areas

Political Power (i)		Economic Power (ii)		Political Value (iii)		Economic Value (iv)	
Rank / 151	Score	Rank / 151	Score	Rank / 151	Score	Rank / 151	Score
67	49.7	49	51.0	70	49.8	77	48.6

Level 3 – Pillars

		Rank / 151	Score
Political Power (i)	State Capture	75	48.2
	Regulatory Capture	60	50.2
	Human Capture	76	50.9
Economic Power (ii)	Coalition Dominance	63	51.4
	Firm Dominance	4	70.5
	Creative Destruction	77	42.9
Political Value (iii)	Giving Income	91	46.9
	Taking Income	20	60.5
	Unearned Income	129	39.4
Economic Value (iv)	Producer Value	114	40.4
	Capital Value	69	48.4
	Labor Value	70	55.1



Level 4 – EQx Indicators

			Rank / 151	Score
State Capture (i.1)	COR	Political corruption	85	39.7
	MOB	Social mobility (upward)*	105	25.8
	MOD	Social mobility (downward)* (n)	80	38.1
	PDE	Political decentralization	103	31.9
	ADE	Administrative decentralization	74	42.0
	PGL	Political globalization	47	64.5
	WPI	Women's Power Index	119	27.3
	RTC	Government's responsiveness to change	56	53.7
	EPR	E-Participation Index	78	51.7
	PFD	Press freedom	24	72.9
	COC	Control of corruption	62	51.0
	OPG	Open government (n)	56	45.5
	NJK	Nr. of journalists killed per 1 million people (2yrs avg.) (n)	1	58.2
Regulatory Capture (i.2)	REQ	Regulatory quality (n)	53	50.8
	CRO	Crony capitalism		
	ECR	Ease of challenging regulations	44	58.7
	EDB	Digital institutional quality		
	PRI	Property rights	81	45.4
	INO	Informal output as a % of GDP (n)	94	39.0
	CGP	Constraints on goverment power (n)	27	68.6
	REN	Regulatory enforcement (n)	48	50.1
Human Capture (i.3)	GSI	Global Slavery Index	87	52.4
	WBL	Women, business and the law	95	47.9
	LIN	LGBT+ inclusiveness	103	28.3
	GRI	Religion - Government Restriction Index	27	75.1
	SHI	Religion - Social Hostilities Index	60	60.6
	WSB	Women self made billionaires		
	HRI	Human Rights Index	50	60.5
	FDP	Forcibly displaced population as % of population	91	55.9
	AFI	Academic Freedom Index	65	63.1
	FLS	Financial Literacy Score (n)	77	41.4
	WMA	Prop. of women in senior and middle mgmt. positions* (n)	70	40.4
Coalition Dominance (ii.4)	IEE	Top 3 industries exports as % of exports		
	ECI	Economic Complexity Index	134	17.1
	IVA	Top 3 industries as % of VA	38	60.8
	CON	Construction as % of GDP*		
	MIL	Military expenses as % of GDP*	57	59.9
	UNI	Unionization rate*	55	54.9
	CBC	Collective bargaining coverage	25	67.3
	BSN	Barriers in service & network sectors		
Firm Dominance (ii.5)	PUE	Public employees as a % of total employment (n)	34	67.4
	CRA	Criminal actors (n)	95	42.0
	SME	SMEs per 1,000 people	1	100.0
	BIW	Billionaires' wealth as % of GDP	1	62.2
	FKG	Top 10 firms market cap as % of GDP	7	52.9
	FRG	Top 3 firms revenues as % of GDP	17	59.0
	FRR	Top 30 firms revenues as % of GDP	2	68.9
Creative Destruction (ii.6)	TUL	Listed firms turnover, long run 15 yrs		
	TUS	Listed firms turnover, short run 3 yrs		
	ENT	Entrepreneurship	83	34.9
	VCK	Venture capital finance	42	44.6
	RND	R&D as a % of GDP	71	48.5
	EXR	Firm exit ratio		
	BCD	Billionaire's creative destruction		
	IWE	Index of Women Entrepreneurs	35	50.6
	VCA	Venture capital availability	84	39.6
	GSE	Governmental support to entrepreneurship	44	54.0

			Rank / 151	Score
Giving Income (iii.7)	SNT	Subsidies and transfers as % of expenses	15	78.6
	REG	Regional redistribution as % of government budget	49	67.5
	EDU	School life expectancy	89	33.3
	GPS	Expenditure on general public services as % of GDP*		
	INT	Internet access	92	45.3
	NRI	Network Readiness Index	91	34.5
	LEW	Life expectancy women	101	21.5
	LEM	Life expectancy men	94	28.2
	FSQ	Global Food Security Index - availability, quality & safety	83	33.2
	COV	COVID-19 excess deaths, age-adjusted		
	COF	COVID-19 fatality rate, age-adjusted	79	55.9
	COM	COVID-19 mortality rate, age-adjusted	32	69.5
	CLS	COVID-19 lost schooldays	92	32.5
	VAX	COVID-19 vaccination rate (n)	116	24.4
	OSI	Online Service Index	76	53.3
	UNV	Top universities (n)	57	37.7
	PIS	PISA mean scores (n)		
	GEX	General government expenditure as % of GDP* (n)	35	71.0
Taking Income (iii.8)	DCT	Corporate tax rate*	6	76.2
	HOM	Homicide rate	58	55.9
	INE	Top 10% share of pre-tax national income	100	38.7
	FDE	Fiscal decentralization		
	DTR	Tax revenue as % of GDP*	20	74.8
	BRD	Battle-related deaths per 100,000 people	1	54.2
	GCI	Global Cybersecurity Index	49	69.8
	SUI	Suicide rate per 100,000 people	66	59.1
	SUB	Death rates from substance use per 100,000 people	40	63.3
	DPS	Delta public vs private sector salaries (n)		
	GEG	Gender education gap (n)		
Unearned Income (iii.9)	EPI	Environmental Performance Index	140	18.9
	DBT	Government debt as % of GDP	86	52.5
	NRR	Natural resources rents as % of GDP (n)	117	31.1
	CDO	CO2 emissions (metric tons per capita) (n)	26	70.9
	CRM	Criminal markets (n)	126	23.5
Producer Value (iv.10)	TRF	Trade freedom	123	27.6
	FDS	FDI inflows as % of GDP, stock	42	48.5
	BTF	Barriers to FDI		
	EGL	Economic globalization	90	38.6
	HEI	Health Efficiency Index		
	OFB	Open for business	48	43.0
	ESG	ESG company scores		
	RDR	R&D as % of revenue Top 10 firms	56	41.1
	FSA	Global Food Security Index - affordability	74	41.5
	PAT	Nr. of patent applications per 100,000 people	97	44.0
	IPM	% of imports targeted by protectionist measures (flow)	1	57.6
	IPS	% of imports targeted by protectionist measures (stock) (n)	15	74.7
	DGI	% of discr. govt. interventions as % of total interv. (flow)	132	32.3
	DGS	% of discr. govt. interventions as % of total interv. (stock) (n)	137	12.5
Capital Value (iv.11)	DNI	Neutral interest rate*		
	DOI	Inflation*	131	51.3
	GOL	Gold demand as % of GDP		
	DMA	M&A as % of investment - 3 yrs rolling avg.*		
	DKI	Delta capital gains tax vs income tax	1	74.7
	UNC	Unicorns per 1 million people	28	43.0
	BSG	Billionaires self-made nr. per 1 million people		
	BSM	Billionaires self-made as % of total billionaires		
	FMI	Financial Markets Index	66	34.0
Labor Value (iv.12)	UEM	Unemployment rate	48	64.6
	LFP	Labor force participation rate	45	63.1
	WLP	Delta real wage vs labor productivity increases		
	YUN	Youth unemployment rate	56	63.2
	BRN	Human flight and brain drain	134	24.3
	LFR	Labor force participation ratio - male vs female*	26	70.5

* Calculated as the deviation from a conceptual optimum

(n) Refers to Indicators newly incorporated in the EQx2022

The Elite Quality Report 2022 (EQx2022) provides Country Scores and Global Rankings for 151 countries

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