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**THE INSTITUTIONAL AND  
POLITICAL FRAMEWORK OF  
MACRO-ECONOMIC MANAGEMENT  
IN GHANA**

by Eboe Hutchful

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## ◆ Preface

In the 1980s, Ghana was held up by the international financial institutions as a model of successful adjustment in Africa. Against the background of a severe and persistent deterioration in the country's gross domestic product, hyper-inflation, mounting debt and extensive shortages of consumer goods during the 1970s, the economic turn-around of the 1980s was indeed remarkable: the budget deficit was eliminated, government revenue as a share of GDP almost tripled, savings and investment as proportions of GDP rose four and five times respectively (albeit from very low levels), the currency was stabilized and allowed to reflect its market value, inflation was brought under control, and GDP itself grew by about 5.2 per cent per annum. Much of this record has been put down to the consistent and rigorous way in which the military government of the Provisional National Defence Council implemented the adjustment programme, as well as the enormous financial and technical assistance it received from the World Bank and the IMF. Indeed, the World Bank has estimated that it committed twice as much staff time to the Ghanaian programme than to any other adjustment programme in Africa during the 1980s.

This Discussion Paper, which is a condensed version of a book manuscript that has been prepared for the Institute, surveys the institutional and political factors that were responsible for the programme's success and raises questions about its long-term sustainability. It challenges a widely held view in the recent literature that successful adjustment requires institutionalization, accountability and participation. In Ghana, adjustment was underpinned by very unorthodox institutional arrangements and politics. Highly centralized and personalistic structures were crafted by the political leadership to support the programme; well-motivated and capable technocratic managers enjoyed significant autonomy in defining and implementing their work; and the international financial institutions provided technical support without facing serious resistance from bureaucrats and vested interests — as would have been the case in more settled institutional settings. In short, economic restructuring was carried out in a context of de-institutionalization.

The structural adjustment team was drawn from three disparate groups: professional economists and planners in the civil service; political appointees, with varied professional backgrounds, who supervised the work of the civil servants, and took the crucial technical decisions for approval by the political leadership; and the adjustment management group, which was responsible for the political direction of the programme. Despite the heterogeneous character of the team (consisting of Marxists, liberal academics, politicians and bureaucrats), the key actors were able to produce coherent working agendas that were based on pragmatism, personal trust, and respect for the rules as defined by a charismatic and forceful political leader, Jerry Rawlings.

However, de-institutionalization had its costs: the private sector, like other organized interests, was never a partner in adjustment, and thus failed to respond positively to the reforms; and the democratization of the 1990s exposed the deep-seated divisions that had built up over the direction of the adjustment programme and forced a continuation of the personalistic style of

presidential rule. The paper contends that the most noticeable effect of adjustment has been the restoration of the fiscal health of the state rather than the transformation of the real economy. And even this has proved fragile. The régime has been forced to dispense patronage in order to ward off increasing protests from organized interests as well as to retain political support. The effect has been a slackening of the reforms, with high fiscal deficits and substantial government borrowing from the central bank becoming major problems in the 1990s.

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Dharam Ghai  
Director

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## ◆ Acronyms and Abbreviations

AFRC	Armed Forces Revolutionary Council
AGS	Accelerated Growth Strategy
C	cedi
COCOBOD	Cocoa Marketing Board
COS	Committee of Secretaries (PNDC Cabinet)
ELU	Economic Liaison Unit
EMT	Economic Management Team
EPU	Economic Policy Unit
ERP	Economic Recovery Programme
GIMPA	Ghana Institute for Management and Public Administration
IMF	International Monetary Fund
ISSER	Institute of Statistical, Social and Economic Research
MFEP	Ministry of Finance and Economic Planning
MoA	Ministry of Agriculture
MoE	Ministry of Education
MSD	Management Services Division
NaTCAP	National Technical Cooperation Assessment and Programmes
NDC	National Democratic Congress
NRS	National Revenue Secretariat
ODA	Overseas Development Administration
OHCS	Office of the Head of the Civil Service
PAD	Policy Analysis Division
PAMSCAD	Programme of Action to Mitigate the Social Costs of Adjustment
PARDIC	Public Administration Restructuring and Decentralization Implementation Committee
PFP	Policy Framework Paper
PIP	Public Investment Programme
PPMED	Planning, Monitoring and Evaluation Department
PNDC	Provisional National Defence Council
PNP	People's National Party
PPBMED	Policy Planning, Budgeting, Monitoring and Evaluation Department
PSAG	Private Sector Advisory Group
RIC	Reconstruction Import Credit
RMC	Redeployment and Management Committee
SAC	Structural Adjustment Credit
SAIS	Structural Adjustment Institutional Support Programme
SAP	Structural Adjustment Programme
SAPGEC	SAP Secretariat
SDA	Social Dimensions of Adjustment
SMC	Supreme Military Council
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

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# INTRODUCTION

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The structural adjustment programme in Ghana has been extensively discussed and evaluated in the literature (Loxley, 1988 and 1991; Green, 1988; Younger, 1992; Hutchful, 1989 and 1995a; Ahiakpor, 1991; Frimpong-Ansah, 1991, Kapur et al., 1991; World Bank, 1991). The programme has also received high marks from the World Bank and donors for its sustainability and rigour. This performance is all the more remarkable given the persistent failure of Ghanaian governments in the 1960s and 1970s to initiate or sustain stabilization. However, in spite of the high level of interest attracted by Ghana's programme, there has been little success (in my view) in elucidating the political economy of this apparent policy transformation, and little systematic effort to explore the institutional and political framework of macro-economic management in the country. Why did the government in Ghana switch from determined commandism in the 1960s and 1970s to rigorous and sustained market opening in the 1980s and 1990s (assuming, of course, that this is what has occurred)? The usual explanation is that past resistance to adjustment sprang from the existence of an "urban coalition" and the pervasiveness of rent-seeking activity or "crony capitalism" within the system fostered by administrative interventions, while the Provisional National Defence Council (PNDC), on the other hand, has been represented as a clear break with the traditional thrust of post-colonial economic logic and even as a triumph of "neo-liberalism". This way of posing the issue, in my view, substantially understates the actual complexity of the Ghanaian programme and the political and intellectual forces underlying it. In this paper, I begin by analysing the institutional and political framework of Ghana's programme, and then proceed to question the conventional wisdom that considers the Ghanaian programme a "neo-liberal" one, offering a somewhat different reading.<sup>1</sup>

The Economic Recovery Programme (ERP), introduced in 1983, was highly orthodox in most of its initial policies, combining deep exchange rate reform (a series of large discrete devaluations followed by an auction and eventually complete liberalization of exchange rates and international payments) with internal and external trade liberalization, strict credit ceilings, increases in interest rates, and reforms of the tax structure to increase revenue mobilization and reduce the tax burden on businesses as well as reliance of the budget on cocoa taxes. This was accompanied by an export sector rehabilitation programme aimed at the cocoa, mining and forestry industries, and a public sector investment programme (PIP) to rehabilitate economic and social infrastructure. In the second phase of the programme (ERP II), which began in 1987, a number of ambitious structural and institutional reforms were launched. These included restructuring and privatization in the financial, parastatal and agricultural marketing sectors, as well as reforms in education and the civil service. A programme to mitigate the social costs of

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<sup>1</sup> This paper is a condensed version of a manuscript prepared for the United Nations Research Institute for Social Development (UNRISD) on Ghana's adjustment experiences under the title "Structural Adjustment in Ghana: Policy, Institutional and Sectoral Dimensions". The analysis focuses mainly, though not exclusively, on the period from 1983 to 1992, when the Provisional National Defence Council was in power. In January 1993 there was a change in government following elections, and the National Democratic Congress (NDC), also led by Jerry Rawlings, took power. See note 3 for a list of Ghana's governments.

adjustment (PAMSCAD) was also introduced. In the third phase of the programme (beginning in 1993) the objective shifted from “economic recovery” to “accelerated growth” with the introduction of an Accelerated Growth Strategy (AGS), which emphasized sustainable development and poverty alleviation through private sector development.

However, this orthodox programme has been underpinned by equally unorthodox institutional structures and politics. In this respect it appears at variance with the prescriptions of the literature on adjustment, which stresses institutionalization, accountability, participation and, lately, “democracy”, as the ingredients for successful adjustment. Adjustment managers in Ghana placed the emphasis on cultivating and enhancing the régime and group autonomy perceived as necessary for rigorous adjustment. The highly centralized and personalistic structures that emerged around highly motivated and capable political and technocratic managers, fortified by the technical support of the multilateral organizations, made for policy rigour, speed and sustainability. Thus, although adjustment management did not achieve the level of institutionalization or bureaucratic complexity that one might have expected, the system did work in some respects. On the other hand, this same system was responsible for many of the weaknesses of the Ghanaian programme, particularly at the level of implementation and private sector response. Furthermore, “democratization” does not seem to have substantially altered this approach to management. In order to understand why adjustment in Ghana took such institutional and political directions, one needs some awareness of the pre-adjustment political conjuncture. Adjustment was preceded by internal shredding of both bureaucratic staff and social forces; this, combined with severe erosion of their material base by economic crisis, facilitated their domination by the PNDC and the staff of the multilaterals. In these circumstances, social forces were at once politically activated, fragmented and disorganized, and thus relatively easy to subordinate. De-institutionalization at the level of both state and civil society dispersed bureaucratic as well as social opposition and facilitated extensive interventions aimed at reforming structures of the Ghanaian economy.

A short review of the policy record would help to place the discussion in perspective. In the early 1960s, the Ghanaian authorities launched an ambitious development effort to transform the economy — based on import-substitution industrialization (ISI), capital-intensive techniques, and a large parastatal sector, funded through public capital (initially via utilization of Cocoa Marketing Board surpluses and then, increasingly, via budgetary deficits), and heavy short- and medium-term external borrowing (mainly in suppliers’ credits). The rationale for this “big push” strategy initiated by the Nkrumah government was that, by concentrating high rates of capital formation into a relatively few years, it would be possible to transform Ghana from an agrarian and primary commodity-producing economy into a modern industrialized nation in a relatively short period of time. This approach was adopted against the background of the failure of the more “open” development strategy of the 1950s to attract foreign investment and the emergence of considerable macro-economic and structural disequilibria in the economy, most notably a steep fall in the price of cocoa (which



accounted for about 60 per cent of total exports<sup>2</sup>) and increasingly severe balance of payments and fiscal problems. While attaining high rates of capital formation, this “socialist” strategy failed to generate the expected growth and transformation, although it did achieve a certain level of **modernization** of the economic structure. A combination of inefficient state enterprises, agricultural stagnation, falling export earnings (owing primarily to further decline in the world cocoa market), growing budgetary deficits and extensive but corrupt controls produced serious inflation and other distortions in the economy.

In February 1966 Nkrumah was overthrown by the Ghanaian military. The military government, the National Liberation Council (NLC), initiated Ghana’s first experiment in stabilization on the basis of a Standby Arrangement with the IMF. This was a typical package of deflationary fiscal and monetary policies. There was some liberalization of trade and financial restrictions, retrenchment of labour in the private sector as well as the more obviously wasteful parastatals (privatization of these enterprises was, however, halted prematurely when public protest erupted). Budgetary expenditure and the deficit were reduced, interest rates were raised, price controls and subsidies were progressively removed, and the currency (the cedi) was devalued by 30 per cent. The results of this stabilization effort were at best modest, particularly in relation to the social costs, which included a sharp increase in unemployment and decrease in average real incomes, particularly among the poorest strata of the population. The private sector failed to raise investment to compensate for falling public sector spending, foreign investment did not materialize as expected, the efficiency of both the parastatal and agricultural sectors remained abysmal, and there was little success in restraining imports. Even fiscal stabilization proved temporary, with the government’s revenue base and tax effort actually declining during the period. (See Hutchful, 1987 for more detailed discussion of this stabilization programme.)

Busia’s civilian government, which succeeded the military régime in 1969, attempted to deepen the liberalization (particularly of import trade) commenced by the NLC, while laying the emphasis on rural development, agriculture and private sector development. There was also a cautious revival of government spending to stimulate the economy out of recession. Unfortunately for the government, these measures not only drove up the deficit (which doubled in 1971) but also coincided with a steady decline in the prices of most of Ghana’s exports, culminating in the collapse of the cocoa market in the middle of 1971. This forced a renewed round of austerity measures and, eventually, another devaluation of the cedi, precipitating the overthrow of the government in January 1972.

The National Redemption Council (later the Supreme Military Council — SMC), which took power from the Busia government, once again redefined the policy direction, revaluing the cedi and returning to a policy of strict controls and a dynamic state sector under the rhetoric of “self-reliance”. However, a series of external and internal shocks from rising oil prices, imported inflation and lack of rainfall combined with rising budget deficits (overall budget deficits rose by 450 per cent between 1971 and 1977) to

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<sup>2</sup> Other major exports included timber, gold, diamonds, manganese and bauxite.

produce stagflation, which the government tried to contain through yet more extensive controls. Massive corruption in the administration of these controls led to a prodigious expansion of the parallel market, characterized by *kalabule* (profiteering and rent-seeking activity) and smuggling. There was a steep fall in the black market rate of the cedi. In May 1978 there was another change of leadership as a result of a palace coup, and in November 1978 stabilization measures were once again introduced (the cedi having been devalued earlier in August). With yet another coup (this time by junior officers) on 4 June 1979, the stabilization programme, already unable to achieve its performance targets, became purely academic.

The brief interregnum of the Armed Forces Revolutionary Council (AFRC) (Rawlings's first entry into government) from June to September 1979 inaugurated no new economic policies, but price controls were rigorously (and sometimes brutally) enforced, a campaign symbolized by the burning of Makola No. 1 market in Accra. At the end of September 1979 the AFRC handed over power to a democratically elected government of the People's National Party (PNP), headed by Hilla Limann. As with Busia, the return to electoral democracy coincided with a decline in the cocoa market, accentuating an already grim fiscal situation. However, the Limann government was markedly reluctant to impose austerity. Rather, there was an attempt to respond to the demands of the unions, workers and export farmers by tripling the minimum daily wage (from C4.00 to C12.00) and doubling the producer price for cocoa. With the failure to raise government revenue or to effect savings in other areas of government operations, the budget deficit in the 1980/81 financial year nearly tripled, from a projected C1.62 billion to C4.5 billion. The government was also involved in fitful negotiations with the IMF, which proved largely unsuccessful owing to resistance from both the right wing of the party, which was dominated by financiers anxious to exploit import-licensing and administrative control systems to recoup their investment in the party, and the left, which in the radical Nkrumahist tradition opposed such policy measures because of their identification with capitalism and imperialism. The president himself was openly sceptical of the relevance of IMF solutions, and of devaluation in particular (according to him, Ghana "has had four devaluations and each was followed by social explosions including executions") and in any case had no personal support base within the party or country at large.

The scale of the crisis in the Ghanaian economy by the end of 1981 may be captured in the following figures. Between fiscal 1975/76 and 1981/82 total public expenditures rose by 615 per cent in current terms, while revenues increased by only 56 per cent, resulting predictably in a huge growth in the deficit. Both domestic and export production had declined severely. In 1981 average capacity utilization in the industrial sector was estimated at only 24 per cent, with the manufacturing index dropping from 100 in 1977 to 63.3 in 1981. Between 1974 and 1982 the production of maize, rice, cassava, yams and other major crops fell 50-80 per cent. Cocoa exports also fell by over 30 per cent in the same period, lowering Ghana's share of total world production from 24.4 per cent in 1974/75 to 15.4 per cent in 1980/81. A similar decline occurred for mineral and timber exports. Per capita GDP fell by a total of 19.7 per cent between 1970 and 1980 and a further 21.2 per cent between 1980 and 1983.

The failure to arrest this decline had high costs for both citizenry and state in Ghana. Inflation and informalization, while presenting the majority of Ghanaians with dire challenges of survival, also involved severe shifts in income and social power, and introduced important cleavages — class, generational and gender — into Ghanaian society. Civil society responded with a syndrome of withdrawal, on the one hand, and political hyperactivation, on the other, accompanied in the latter case by ideological polarization over, respectively, “monetarist” and “structuralist”, and “socialist” and “capitalist” solutions to the crisis. A second outcome was severe erosion and delegitimation of the state itself and its institutional apparatus. Policy instability was reflected in equally rapid shifts in and a bewildering diversity of political and ideological régimes.<sup>3</sup> These developments led eventually to the fracturing of the state apparatus and the rise to power of a radical civil-military coalition of subaltern soldiers and officers, on the one hand, and urban masses, workers, unions, students and left-wing organizations, on the other. This is the essential background to the “revolution” of 31 December 1981 and the second appearance of Jerry Rawlings.

The Provisional National Defence Council (PNDC), which came to power as a coalition of these forces, initially (as in 1979) took controls to “revolutionary” new levels, depending on enforcement by the defence committees and other “popular organs”. However, this failed to stem the crisis and during 1982 all the economic indicators degenerated further, even though there was some improvement in the management of the deficit, in enforcing price controls and suppressing the currency black market. In 1983, with severe drought and bush fires and the expulsion of about a million illegal Ghanaian migrants from Nigeria, events took a really grim turn. Thus, after a short period in power, the ruling coalition fractured and the PNDC, following successful negotiations with the International Monetary Fund, broke with the policy of economic controls and introduced a stabilization programme in the middle of 1983.

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## THE MACRO-ECONOMIC TEAM

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While the nature of the macro-economic management team has often been invoked to explain the success and sustainability of the Economic Recovery

<sup>3</sup> Ghana’s governments since Independence:

Government	Leader	Dates of Tenure
Convention People’s Party (CPP)	Kwame Nkrumah	1957-2/1966
National Liberation Council (NLC)	J. A. Ankrah	2/1966-4/1969
	A. A. Afrifa	4/1969-10/1969
Progress Party	K. A. Busia	10/1969-1/1972
National Redemption Council (NRC)	I.K. Acheampong	1/1972-1975
Supreme Military Council (SMC I)	I. K. Acheampong	1975-5/1978
Supreme Military Council (SMC II)	A. Akuffo	5/1978-6/1979
Armed Forces Revolutionary Council (AFRC)	Jerry Rawlings	6/1979-10/1979
People’s National Party (PNP)	Hilla Limann	10/1979-12/1981
Provisional National Defence Council (PNDC)	Jerry Rawlings	12/1981-1992
National Democratic Congress (NDC)	Jerry Rawlings	1993-Present

Programme (ERP), little information or analysis has emerged about the composition of this team, its ideas, methods of work, or relationship to the political authorities. One may identify three sets of actors who were closely involved in the ERP. The first consisted of the “technocrats”, the professional economists and planners in the civil service, mainly within the Ministry of Finance and Economic Planning but also including certain officials of the central bank (the Bank of Ghana) who were responsible for the technical work on the Ghanaian side of the programme. The second consisted of a number of political appointees who oversaw, and at the same time worked closely with, these civil servants and made the crucial decisions on technical issues for the approval of the PNDC and the political authorities who constituted the third set of actors. Among the political appointees were Kwesi Botchwey, the Secretary for Finance and Economic Planning, his deputy Amissah-Arthur, and Joseph Abbey, Ghana’s ambassador successively to Canada, the United Kingdom and the United States and himself a former Finance and Planning Minister in three previous régimes. Together the two groups constituted what we shall call the macro-economic team. The crucial distinction between these three officials and the civil servants was not between “technocrats” and “politicians” or “non-technocrats”; at least two of these three officials had technical specializations similar to the civil servants (both Abbey and Amissah-Arthur were economists). In this respect they combined both technocratic and political roles. Within this team, then, the distinction between “technocrats” and “politicians” was often blurred. This macro-economic team overlapped with, but should be distinguished from, an adjustment management team with broad overall responsibility for managing the Economic Recovery Programme. The membership of the management team included some of the civil service technocrats and even did some “number-crunching” when the occasion required, but it had larger representation of political appointees and was responsible for the political direction of the programme. This structure meant that the technical programme went through several formal and informal stages of political vetting (at the level of the macro-economic team, the management team, and the Committee of Secretaries), before being ratified by the PNDC.

A number of observations may be made about this macro-economic team. The first concerns the persistence of the core technocratic team across, in effect, three régimes. This was essentially the same team of civil servants and economic planners who had been responsible for initiating the tentative liberalization under General Acheampong in 1977, the aborted stabilization programme under General Akuffo a year later, and (with one or two exceptions) for designing the relatively stringent reform package presented to Limann’s government (but rejected by his Finance Minister, George Benneh). This accounted for the strong continuities between the programme adopted by the PNDC and the earlier packages (in fact the ERP was virtually identical to the aborted 1981 package), as well as for certain operational habits that came to characterize the PNDC’s management of adjustment, in particular the secrecy and confidentiality that came to govern transactions with the Fund and the Bank. This secrecy, and the corresponding tendency to work in small macro-economic planning teams, was established well before the PNDC itself came to power.

The second was the small but heterogeneous nature of the team, both in terms of professional background and ideology. The team was made up of specialists and non-specialists. Apart from the small group of civil service technocrats, members originated (in all but two cases) from the universities; all were strangers to the bureaucracy and to politics. These origins meant that they were not constrained by bureaucratic routine or by political debts. P.V. Obeng, a former engineer/accountant with Mankoadze Fisheries, was the only one from the private sector. Botchwey and Tsatsu Tsikata were lecturers at the Faculty of Law at Legon and originally members of the New Democratic Movement, where they had a reputation as leading Marxists and “structuralists”. Amissah-Arthur was also a junior lecturer at Legon (in economics) when he was recruited by Botchwey. Joseph (Joe) Abbey, himself a former professor at the same university, was the only one on the team who spanned the bridge between academic life and policy and political experience, even though he preferred to think of himself very much as a technocrat. Abbey had served as Commissioner for Economic Planning in the Acheampong régime and as Commissioner for Finance in Akuffo’s government as well as in Rawlings’s first government. After the coup he was called out of private consultancy by Rawlings to come and rejoin the economic team. By all accounts Abbey dominated the macro-economic team and was considered its intellectual leader, prevailing on most technical issues.<sup>4</sup> Abbey was considered the strongest — or at least most consistent — supporter of the Fund-Bank thinking within the team, although such a view may seem paradoxical given his strong theoretical differences with the multilateral institutions.<sup>5</sup>

It is far from obvious why this oddly composed group — of civil servants, Marxists, and liberal economists — came to work (and work so well) together. To understand why this was so, one has to go beyond their dynamics as a team to understand the disparate origins, political agendas and ideological perspectives which they brought, as individuals, to the ERP. Each of the three sets of actors brought different experiences and rationalizations to the programme. The first group was composed of the technocrats. For the professional civil service planners, the recent history of policy had been that of betrayal, disappointments and lack of backbone by politicians. Macro-economic reforms had been designed and many hours of manpower expended only to see politicians balk at implementing them or gut them to appease public opinion and special interests. The prevailing political atmosphere had made it dangerous to show commitment to necessary economic reforms. As a result, to protect their tenure (from politicians and public alike), senior technocrats feigned neutrality or learned to mask their opinions; no one wanted to take responsibility for politically controversial reforms (least of all the politicians themselves). The rapidly shifting political and policy context, and the decimation in the process of the senior technical and administrative corps, made it dangerous to be identified with any particular policy line. The technocratic team had been shredded by resignations, departures and dismissals; by 1982 only a small core of individuals, capable but most of them relatively young, remained. Their

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<sup>4</sup> Interviews with Ministry of Finance and Economic Planning (MFEP) officials and members of the macro-economic team, 12 and 24 July 1992.

<sup>5</sup> For Abbey’s policy differences with the Bank and the Fund see below. Another close collaborator worth mentioning is Ato Ahwoi, an economist who had been active in the left wing of the PNP and who has been credited with transforming the National Revenue Service.

experiences under policy siege, as the economic situation continued to plunge disastrously under régime after régime, had toughened this group and persuaded it that there was nothing to lose. It also convinced it of the need for policy change and for liberalization in particular.<sup>6</sup>

On the other hand, Abbey came to liberalization through a different route. A known advocate of liberalization and exchange rate reform and one of the main architects of the gradual liberalization under Acheampong and Akuffo, Abbey took what might be described as the “politician’s view”. In contrast to the civil servants in the team, he blamed the “self-censorship” and “laziness” of the bureaucracy for the failure to launch meaningful economic reforms.<sup>7</sup> In his view the bureaucracy did not do enough to confront the political authorities with well-reasoned and articulated positions. On the contrary, the bureaucracy was committed to defending its own perquisites and did not want to rock the boat with reform. Abbey saw the bureaucracy as a bulwark of statism and controls, fighting “fiercely to defend the status quo”. In his experience, because allocation of resources confers power on the allocators, the latter (in this case the bureaucracy) always allocate to themselves. Abbey cites these experiences to explain his conversion into a “market advocate”.<sup>8</sup>

The third, and most complicated, group were the Marxists, who initially saw the ERP as the tactical equivalent of Lenin’s New Economic Policy, and rationalized it as necessary for at least three reasons: first, to squeeze out the parasitic wing of the local bourgeoisie that thrived on rents from state controls; second, to repair the productive sectors of the economy and fiscal base of the state; and third (and most importantly) to expand the room for manoeuvre during the “national democratic phase” of the revolution. Ironically, the Marxists brought a more hard-headed understanding of capitalism than many of their “pro-capitalist” colleagues; in spite of their revolutionary zeal, however, their objectives were initially “tactical”, and were recognized as such by the technocrats on the team.<sup>9</sup> However, they do not appear to have been able to sustain this tactical vision. In the first place, they were unable to carry the rump of the Ghanaian left, which by the end of 1984 had broken with what they perceived at best as neo-classical Marxism, and at worst as “betrayal” of working-class interests. For these Marxists on the inside, as their involvement with the ERP and with the régime intensified, relationships with ideological colleagues and organizations on the outside became strained and eventually ruptured. While this cut the ERP off from its moorings in broad social groups, it at the same time eliminated the possibility of conflicts of loyalty for those on the technocratic team with ties to the left. Subsequently, whether for these or other reasons Botchwey (and possibly Tsikata also) appeared to have undergone a political transformation. If Botchwey did not abandon Marxism altogether, at least he

<sup>6</sup> According to one member of the team, both civil and military régimes in Ghana had an “unfounded fear of liberalization”, owing to the expectation that liberalization would provoke a coup, as in January 1972 (interview, Accra, 27 July 1992).

<sup>7</sup> Personal communication, 28 June 1993. Apart from Abbey, another official who was strongly identified with the “market option” was Gobind Nankani, a Ghanaian at the World Bank who had been seconded earlier to work with the Limann régime, and returned to collaborate with the macro-economic team on the ERP.

<sup>8</sup> Personal communication, 28 June 1993.

<sup>9</sup> Interview with a World Bank official, Washington, D.C., 19 March 1993.

was converted to the belief that the ERP was workable. At least one close collaborator on the economic team places this “conversion” around 1986.<sup>10</sup>

In theory, this ideological mix, and certainly the encounter of the leading protagonists of opposing policy approaches, should have been a recipe for disaster. That it was not can be attributed to several factors. One reason was the atmosphere of crisis and siege that surrounded the early days of the ERP and the negotiation and design of the programme. Accompanying this was the perception that this was a last-ditch effort to redeem the country, and the sense that failure would be disastrous both for the country and for the individuals personally. Third, there was a sense of pragmatism within the group born, on the one hand, out of this sense of urgency and perception of limited options, and, on the other hand, the realization that orthodoxy was not a useful policy guide in the face of domestic and (rapidly changing) global realities. Finally, Rawlings’s own style firmly discouraged ideological disputation and emphasized competence, collaboration and common-sensical approaches. Not just in the macro-economic team but in the régime at large as well, this attitude allowed the construction of long-lived working relationships involving people drawn from a variety of political and ideological backgrounds, the only apparent condition being the acceptance of the rules as defined by Rawlings. Diversity of viewpoints became a source of strength. Orthodoxy and obfuscation alike were sharply questioned. Innovative thinking was hitched to pragmatism and realism, a process promoted by the relative isolation of the macro-economic team from political interests and pressures.

Also, at least in the initial stages, the composition of the team — with the exception of the civil servants — represented personalities rather than institutional relationships. This was a source of strength in that it made for the unusual continuity in the players and eliminated the complicated bargaining and bureaucratic procedures typical of institutional representation. The team’s greatest strength was its ability to brainstorm, holding meetings at short notice and at odd times, often well into the night, in an atmosphere of collegiality and informality.<sup>11</sup>

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## RELATIONSHIP WITH THE PNDC

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The remarkable improvements in technocratic performance and commitment that followed the change in political leadership in Ghana in 1982 would seem to support those who argue that it is the nature of the political environment, specifically the quality of the political leadership, that is the decisive variable in adjustment. While this may be overstating the case, there is nevertheless a core of truth here; certainly it would have been difficult to imagine the rigour or sustainability of the efforts of the economic team without the larger political context guaranteed by Rawlings and the PNDC, or the commitment of the régime itself to reform. On the whole, the PNDC was content to leave macro-economic design in the hands of the economic team. According to one team member, it was rare for the PNDC to contradict

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<sup>10</sup> Interview with a World Bank official, Washington, D.C., 19 March 1993. For his part, Botchwey insists that he remains a “Marxist” and a “progressive”.

<sup>11</sup> Interview with MFEP official and member of the macro-economic team, Accra, July 1992.

the Ministry of Finance and Economic Planning (MFEP) position on policy. A division of labour emerged early on in which the PNDC insulated the economic team from political pressures, and concentrated on the political management of policy positions once these had been decided upon.<sup>12</sup> In addition to the trust and confidence that the PNDC seemed to have developed in the team, there were other reasons for this outcome. The first was that, in the initial years of the régime, the PNDC was preoccupied with security issues. The second was that no consistent data went from the MFEP or programme team to the PNDC. Third, the PNDC did not have its own economic adviser or research team capable of developing alternative perspectives or questioning the MFEP position. Finally, the members of the PNDC were usually confronted with a mass of paperwork and data a few days before a policy meeting and asked to consider the policy options, leaving them with little opportunity to scrutinize either the issues or the data. The corollary of this was the complaint that the PNDC and the Committee of Secretaries were not reading the policy documents submitted by the macro-economic team

A pivotal factor was Rawlings's personal commitment to reform. There were four principal differences between Rawlings and previous Ghanaian heads of state. The first was his rejection of monetary expansion, previously the favoured mode of response to crisis. According to him, "the point about printing more money is that it does not cure inflation; it makes it worse".<sup>13</sup> Second, Rawlings acknowledged that the crisis was structural rather than cyclical and lay in Ghana's production rather than trade structures. Ghana's leaders had failed to realize that "our basic failure in national productivity was the root cause of our woes".<sup>14</sup> In his instructions to the team of technocrats, he requested particular emphasis on the need to incorporate the factor of productivity.<sup>15</sup> Third, Rawlings was not afraid to criticize Ghanaians and their domestic shortcomings, even among his supporters. By late 1982 and early 1983, the focus of his tough criticisms had shifted from external to internal factors (something which did not always endear him to friend or foe). Fourth was his pragmatism. In his mandate to the Ghanaian negotiating team in 1982 he authorized the team to explore all avenues of reform, regardless of the consequences.<sup>16</sup>

Yet another factor was the personal domination that Rawlings exercised over the PNDC and the government. The successive purges and voluntary departures from the PNDC gave Rawlings the opportunity to reorganize the Council in a way that consolidated his own power. Most of the new members that were brought into the Council had not been involved in the coup and possessed no power base of their own. The man who increasingly emerged as the most powerful figure in the PNDC and the government, Kojo Tsikata, was not even a member until much later; from the end of 1984 and with the opening to the right, however, Tsikata's influence was to be carefully counterbalanced by that of Justice Annan, who was named

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<sup>12</sup> Interview with MFEP official and member of the macro-economic team, Accra, 11 July 1992.

<sup>13</sup> Speech to farmers, 20 August 1982. See *Revolutionary Journey*, Vol. 1, p. 51.

<sup>14</sup> New Year Day Broadcast, 1 January 1992.

<sup>15</sup> Interview with a World Bank official, Washington, D.C., 18 March 1993.

<sup>16</sup> Interview with a World Bank official, Washington, D.C., 18 March 1993.



formally as Deputy Chairman of the PNDC. As the man responsible for the security machinery and diplomacy and the most astute member of government, Tsikata's influence radiated throughout the régime. But he suffered from an important political liability that prevented him (should he have wished) from challenging Rawlings for power. His public image was compromised by suspicions of involvement in the murder of three judges in mid-1982. In any case, the PNDC met only occasionally and when it did it was to ratify rather than initiate policy decisions. The Committee of Secretaries (equivalent to the Cabinet), on the other hand, met regularly (on Tuesdays and Thursdays), and it was in this executive organ that routine policy work took place. Members of the Committee served at the pleasure of Rawlings, however, and it was clear that neither the existence of the Committee of Secretaries nor the PNDC acted as an effective constraint on Rawlings's power. The result was the emergence of an autocratic executive leadership strongly committed to reform.

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## STRUCTURAL PROBLEMS

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Nevertheless, the structure laid down for decision-making and policy formulation in the early days of the ERP did not work well in all respects, and given the circumstances it would have been surprising if it had. There were several important weaknesses. First, the decision-making process was highly centralized and often personalistic, and suffered from lack of accountability and transparency (in terms of knowing who was responsible for which decisions). Lines of responsibility were sometimes blurred. People went on missions and negotiated deals for which they were not ostensibly responsible by official position. Particularly in the early stages of the régime and the programme, it was not clear — even to people in high government positions — how crucial decisions were being taken and by whom. This helped to contribute to the reputation of by the PNDC as a “faceless” régime, and to the suspicion that crucial decisions were being taken outside the public domain.

At the technical level, there was the perception that the programme was unduly dominated by the Ministry of Finance and Economic Planning. As late as 1992 there was criticism of the fact that the ERP did not “percolate down to the rank and file” of the civil service.<sup>17</sup> Yet although the MFEP generally enjoyed a superior staffing situation compared with line ministries (in part as a result of superior perquisites), technical expertise and institutional capacity within the Ministry were generally low. The five functional divisions of the Ministry — Budget; Investment and Project Analysis (IPAD), Planning and Research (PRD), International Economic Relations (IERD) and Policy Analysis (PAD) — were all severely understaffed. As a 1987 report inaugurating the first stage of structural adjustment (SAC I) noted:

The Ministry of Finance and Economic Planning (MFEP) plays a central role in the ERP. However, it is seriously understaffed at the upper levels; it has insufficient policy analysis capability; its individual functional divisions need strengthening; and its

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<sup>17</sup> Interview with a UNDP economist, Accra, 22 July 1992

decision-making processes are *ad hoc* and overly centralized (World Bank, 1987:25).

This situation was symptomatic of the rest of the civil service, where overall capacity had been even more severely eroded. The launching of structural adjustment reforms further strained implementational capacity. As the **Policy Framework Paper** observed:

. . . weaknesses in public sector management and implementation have emerged as serious obstacles to the full success of economic and financial policies. Key economic and financial management institutions are understaffed and suffer from severe shortcomings in organization and equipment. In particular, policy analysis and the planning process, budgetary control, aid coordination, and debt management need to be strengthened (June 1987-July 1990, p. 14).

Support for the work of the macro-economic team from the top and the middle levels of the civil service was weak. The sharp decline in the quality of the civil service at practically all levels, demoralization and insecurity within the service from poor pay, erosion of tenure, and frequent changes in régime and policy direction, all contributed to a situation where the civil service was either unable or unwilling to provide the needed expertise and initiative. The result was that, at least initially, the team found itself working in an almost institutionless arena. The attacks on the bureaucracy in the first years of the régime (principally by Rawlings himself) and dismissals of principal secretaries without due process deepened the sense of insecurity.<sup>18</sup> Shortages of budget specialists, planners, policy analysts and administrators led, in turn, to centralization of key tasks in the MFEP and a few other agencies.

The small team was stretched extremely thinly (as suggested by the fact that for over 13 years none of the key technocrats or political managers took a vacation!). Crucial meetings and negotiations were sometimes approached with the minimum of preparation. For negotiations abroad, position papers were often hastily drafted, and consultations and strategy sessions might not be held until the team was on board the aircraft or had arrived at their destination. Yet within the MFEP itself efforts to recruit economists and policy analysts (particularly under the Skills Mobilization Programme for Ghanaian professionals living abroad) and to broaden the team were not notably successful, for reasons that are not always clear. In addition, even within the MFEP, links between the team and the ministry were frequently tenuous. Within both the team and the Ministry there was the perception that Ministry staff were not sufficiently involved in or informed of the programme, although the reasons for this differed depending on the source. MFEP officials complained of being kept in the dark and denied basic

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<sup>18</sup> While members of the team complained about the disinterestedness and lack of commitment reflected in the policy advice from senior civil servants, at the same time some were prepared to admit that PNDC policy had not helped at all.

information and data about the programme.<sup>19</sup> On the other hand, members of the team claimed that Ministry staff made little effort to familiarize themselves with the programme. In response to this situation, briefings were commenced for senior civil servants. On Monday mornings, Directors and Heads of Departments (or equivalent) met and were briefed for about 5 hours. According to a senior member of the team, however, nothing came out of this: no new ideas were being developed, implementation was neglected, simple tasks were not being carried out, and it was felt that the discussions were not improving the performance of the senior service.<sup>20</sup>

Another difficulty was the tendency, over time, for a “team within a team” to develop. Botchwey, the political head of the programme, Abbey its chief architect and Amissah-Arthur, the deputy secretary (the latter two both economists) collaborated closely to design the core elements of the programme, sometimes dispensing with the support of their technocrats. This combination of the ministerial and technical function in the three most senior officials meant that the professional technocrats were sometimes reduced (in the words of one official) to “running errands and passing [on] information”.<sup>21</sup>

While the remarkable resourcefulness, commitment and sheer hard work of this small team meant that it was able to carry a workload out of all proportion to its size, the effects of the shortages of technical, analytical and administrative personnel were apparent in almost every phase of the ERP. Three strategies were evolved for dealing with the shortages of technical staff. The first was the use of task forces, 10 of which were created, to deal with specific areas such as debt-management, recurrent expenditures, development of budget guidelines, the design of the public investment programme (PIP), and so on. However, while these task forces concentrated the limited manpower behind specific goals, their deployment created problems of co-ordination and institutional memory, since the lessons learned in a particular area were liable to be lost once the task force was dissolved. Further, the use of task forces marginalized the bulk of the civil service and did not enhance ability of the service as a whole to understand its role in the programme. A SAP Co-ordination Unit was subsequently established within the Ministry, although this device also appeared to have been somewhat informal.<sup>22</sup>

Second, there was heavy reliance on consultants (mainly foreign but some domestic as well) and technical assistance.<sup>23</sup> While this assured rigour and

<sup>19</sup> One World Bank informant cited allegations from MFEP officials that it was “only when Joe [Abbey, ambassador to the US] came to town that we were told anything”. Interview, Washington, 17 March 1993.

<sup>20</sup> Interviews with members of the macro-economic team, Accra, 23 July 1992.

<sup>21</sup> Interview with MFEP official and member of the macro-economic team, 23 July 1992. This informant offered this as the principal reason why he dropped out of the team.

<sup>22</sup> A World Bank report describes it as an informal unit for the assemblage of individual SAP implementation units within MFEP (World Bank, 1993b).

<sup>23</sup> Some data on this are presented in the reports by government of Ghana and the UNDP, **Ghana: Development Cooperation** (various issues). These data significantly understate the actual magnitude of foreign consultancies and technical assistance owing to incomplete reporting by Western agencies and lack of funding information for a large number of scholarships from the socialist countries.

speedy delivery, high levels of dependence on foreign consultants and technical assistance gave rise to problems of co-ordination, standardization of equipment and inputs, and concerns about confidentiality and national security. With its tendency to adopt a project-oriented approach, technical assistance was not notably successful in advancing institutional reform; overall, the emphasis in such programmes appeared to have been on providing material assistance rather than imparting knowledge or expertise to local personnel. There was also concern about the small numbers of national consultants being utilized under technical assistance (about 6 per cent of total technical assistance in 1988). The PNDC sought to address these problems with a new policy on technical assistance and co-operation, proposing a Technical Cooperation Policy Framework (known as NaTCAP) to complement the Public Investment Programme and to provide a focal point for the management of such programmes.<sup>24</sup> The policy established priorities for technical assistance (among them strengthening economic management, national consultancy capability, and human resource development) and emphasized the need to bring national consultants to the attention of donors and also to involve local educational institutions in consultancy work. It is not clear how successful these initiatives have been. There was actually a decrease in the national component of technical assistance and an increase in the external component between 1990 and 1991.

Third, there was a high level of utilization of World Bank and International Monetary Fund missions and technical personnel. The extensive involvement of Fund and Bank staff in the design and monitoring of the ERP began as a short-term expedient but virtually became a permanent feature of the programme. Fund-Bank staff handled a lot of the policy and technical work required by the ERP, including the Policy Framework Papers, which appeared annually beginning in 1987 (and involved very little Ghanaian input, even though these were supposed to be a tripartite effort); the Human Development Strategy (developed from the UNDP **Human Development Report** and published in 1987); the Accelerated Growth Strategy 1993-2000 (Ghana and the World Bank) as well as the initial design of PAMSCAD.

Another deficiency of this structure was the lack of any regular mechanism for consultation with business, labour and other public interests in the design or implementation of adjustment. Although special interests could hope to influence the outcomes of particular policy decisions affecting them at some stage in the policy process (and indeed the PNDC was known to be responsive to pressure when vital social or economic interests were involved)<sup>25</sup>, there was no system for prior consultation with interested parties in the process of policy formulation and implementation, nor any structured relationship with public interests. Although the beginnings of the ERP were broadly “democratic” and involved efforts to elicit public participation and consensus, as the programme matured consultation became the exception rather than the rule. The only exception to the rule was the Tripartite Committee, with representation from government, the Employers’

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<sup>24</sup> Ministry Finance and Economic Planning, National Technical Cooperation Assessment and Programmes (NaTCAP), **Ghana: Technical Cooperation and Policy Framework**, Accra, April 1991.

<sup>25</sup> Examples were the suspension of the scheme to tax allowances, revision of the interest rate on the student loan scheme, and deliberate delays in raising medical fees.

Association and private sector, the trade unions, and (later) the Civil Service Association. While the Tripartite Committee provided a useful forum for discussion and thus for legitimating government policies, it hardly made a major input into adjustment policy. The committee met only two or three times a year, and its large membership (over 50 members) made it unwieldy and discussions diffuse. Its mandate was limited (to wage and price issues), although this did not inhibit wide-ranging discussion on various facets of policy. The Tripartite Committee was ruled by a tacit alliance of government and business, the latter dominated in turn by commercial interests drawn from the large multinational companies (MNCs). Ghanaian directors of MNCs were the most articulate spokespersons on the Tripartite Committee and their influence effectively deflected that of both labour and domestic business sectors more equivocal in their support of the ERP.<sup>26</sup> For a variety of reasons the performance of union representatives on the Committee was weak and ineffectual compared to that of the government representatives and those from the private sector. The trade unions complained that participation on the Committee gave the impression that they were being consulted on policy when in fact they were not (Herbst, 1992:188). Nevertheless, neither business nor labour considered this committee a satisfactory platform for making an input into adjustment decisions and processes. In the case of business, an attempt was made to rectify this with the appointment in January 1991 of a Private Sector Advisory Group (PSAG) to report on ways of making government policy more responsive to the needs of the private sector. This consisted of a committee of 10 members drawn mainly from the private sector and supported by a technical committee of 11 officials drawn from government departments responsible for investment policy and regulation. However, not even the existence of the PSAG has entirely overcome the perception that business is being shut out of policy processes.<sup>27</sup>

Furthermore, the macro-economic team and the policy process in general had few links to domestic research and academic institutes and universities. Involvement by Ghanaian economists was minimal, although several individual economists came to be involved in short-term contract work with the MFEP. One reason was the perception that the universities and academics were opposed to adjustment. Another was the impression that the government did not appreciate or encourage independent research and analysis, particularly where this challenged or conflicted with the official viewpoint. Thus for much of the early life of the ERP the only sources of technical analysis and evaluation remained the government itself, the multilateral and allied agencies, and various consultants associated with them. This monopolization of information, research and analytical capability was a major source of the power enjoyed by the government and forces that supported adjustment. In fact the first independent and comprehensive report on the impact of adjustment on the economy authored by local scholars was not published until July 1992, and was funded by USAID and the Konrad

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<sup>26</sup> Interview with Ministry of Finance official and member of the macro-economic team, Accra, 12 and 24 July 1992.

<sup>27</sup> See proceedings of the 1993 annual meeting of the Association of Ghanaian Industries in *Ghanaian Chronicle* (Accra), 8 August 1993:1.

Adenauer Foundation.<sup>28</sup> Hence much of the rich and increasingly critical research produced by institutes like ISSER was done not under the sponsorship of the government but rather of a variety of donor agencies and foreign-based research networks, and tended with few notable exceptions to be published abroad. The Social Dimensions of Adjustment (SDA) programme provided the first significant opportunity for involvement by Ghanaian social scientists in analytical work connected with adjustment, in large part because of the influence of the German Agency for Technical Co-operation, GTZ (which was the technical partner of the Policy Analysis Division of the MFEP), but this work, though largely critical, was also meagre in research and analytical content. Its policy impact, if any, was far from clear. While the availability and quality of technical personnel and resources from local institutes should not be exaggerated, the failure to involve indigenous talent (except in circumstances where the government was confident of its ability to control the outcome) deprived Ghana of an opportunity to develop an indigenous technocracy and to challenge the technical dominance of the multilateral and donor agencies.

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## IMPROVING CAPACITY AND CO-ORDINATION

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Over time, however, there were attempts to make the structures for managing adjustment more formal and institutionalized and to improve co-ordination, with these structures undergoing several changes during the life of the PNDC. The first was the Economic Management Committee, which was formed around June 1986 and was formally responsible for economic policy. It was chaired by P.V. Obeng (also chair of the Committee of Secretaries). The vice-chair was Kwesi Botchwey (Secretary for Finance and Economic Planning) and other members were Joe Abbey, Tsatsu Tsikata, Ato Ahwoi, Kwame Peprah (Secretary for Fuel and Power), Kofi Djini (Secretary for Trade) and the Governor of the Bank of Ghana. The second was the Structural Adjustment Team, whose membership overlapped with that of the Economic Management Committee but was smaller. This Team was headed by the Chairman of the Committee of Secretaries and was responsible for monitoring and evaluating the ERP. It was supported by the SAP Secretariat (SAPSEC), whose major role was to monitor the implementation of the SAP and to facilitate the provision of support to the implementing agencies. However, the Structural Adjustment Team met only a few times and eventually disintegrated because of a lack of co-ordination. While SAPSEC survived, it was “woefully understaffed” (World Bank, 1993b:20). There were co-ordination problems with the MFEP, the most important ministry in the ERP, because until 1989 SAPSEC was headed by the Secretary for Fuel and Power. (In late 1990 it was moved from there to MFEP.) A third body was the Budget Task Force, responsible for budgetary questions and chaired by Alhaji Mahama Iddrissu, the Secretary for Defence. It included Kwesi Botchwey, Kwesi Renner (Secretary for Lands and Mineral Resources), and

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<sup>28</sup> Institute of Statistical, Social and Economic Research (ISSER), University of Ghana, **The State of the Ghanaian Economy in 1991**, Accra: Assemblies of God Literature Centre, July 1992.

the brothers Ato and Kwamena Awhoi (Secretaries for Trade and Local Government, respectively).

In 1989 all three bodies were merged into the Economic Management Team (also known as the Economic Review Committee), chaired by Kojo Tsikata. The membership closely reflected the personnel of the earlier bodies.<sup>29</sup> Two other members were A.K. Ashiagbor, a former Governor of the Bank of Ghana (now with UNCTAD) and Gobin Nankani, a Ghanaian with the World Bank in Washington. To signify their residency abroad and the expectation that they would inject scrutiny and rigour into the programme, Ashiagbor and Nankani (together with Abbey, the ambassador in Washington) were nicknamed the “External Examiners”. This team replaced all the other previous committees and met half-yearly, in June-July and December-January. The most important aspect of this arrangement was to have improved communication and co-ordination between the economic team and the PNDC by involving the PNDC in policy discussions and planning at the earliest stages. The quality of discussion on this committee was reportedly “very high”.<sup>30</sup>

However, critical shortages persisted in sector-level planning and implementation at all levels. This severely hampered planning and policy analysis, particularly at the sectoral level where line ministries were involved (such as in the design of PAMSCAD). Implementation thus consistently lagged behind programme design. The need to tackle the bottlenecks arising out of this situation became urgent with the demands imposed by the first and second stages of structural adjustment (Structural Adjustment Credits — SAC — I and II). When it assumed power, the PNDC initially prepared a broad set of organizational reforms under the Public Administration Restructuring and Decentralization Implementation Committee (PARDIC), which contemplated decentralization of the central government ministries to regional and local levels, in addition to a number of other institutional changes within the civil service, to improve efficiency. For a variety of reasons little progress was made on these reforms, and with the adoption of structural adjustment the perceived needs of public administration and how to meet them changed somewhat. With the first Structural Adjustment Programme (SAC I) a complementary set of reforms were adopted under the Structural Adjustment Institutional Support Programme (SAIS) (with an IDA credit of US\$ 10.8 million, approved in 1987) to focus on the most critical needs of public sector management, giving priority to improving the effectiveness of economic management institutions and the productivity of the civil service.

The SAIS contemplated several key reforms. The first was to improve economic policy management by strengthening economic policy analysis, formulation and co-ordination in the MFEP, the Office of the Head of the Committee of Secretaries (COS) and of the Head of State. The measures to be taken were the establishment of (a) an Economic Policy unit (EPU) in the MFEP to analyse economic policy issues, review economic trends and

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<sup>29</sup> Members were Botchwey, Abbey, Tsatsu Tsikata, Ato and Kwamena Ahwoi, Peprah, the Governor of the Bank of Ghana, and the two deputy Secretaries for Finance (Amissah-Arthur and. Appiah).

<sup>30</sup> Interview, 24 July 1992. This informant, an economist, joined the macro-economic team on temporary assignment, and claimed to be “very impressed” with the quality of discussions.

performance, advise the government on appropriate economic policies and provide support and advice to the heads of MFEP's five functional divisions; and (b) an Economic Liaison Unit (ELU) in the Office of the Chairman of COS to prepare and process economic policy decisions and aid agreements, advise the government on improvements in economic decision-making and improve co-ordination with the PNDC. The ELU would report to the Chairman of the COS and be staffed by at least three senior officers, while the EPU would be staffed by three economic advisers (for macro-economic, monetary and financial, and fiscal issues) and report to the Secretary for MFEP. The second objective of SAIS was to strengthen the public investment planning, budgeting and expenditure control, revenue mobilization, and debt and aid management capabilities of the MFEP by restructuring the relevant divisions of the ministry (Investment and Project Analysis, Planning and Research, Budget, and International Economic Relations) through staff training, consultancy assistance, computerization and infrastructure support. The goals here were to enable these divisions to assume full responsibility for drawing up the Public Investment Programme (PIP), to further systematize budget preparation, to aid monitoring and project assessment, and promote effective revenue collection (transferred back to the ministry from the National Revenue Secretariat). A third major focus of the SAIS was the improvement of public service productivity through a civil service staffing and functional review, salary policy review, staff redeployment, and sound personnel management policies. Also included was a skills mobilization scheme to attract and retain skilled Ghanaians in the public service, and facilitate structural adjustment-related studies and advisory services that would be carried out by skilled Ghanaians.

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## **CIVIL SERVICE REFORM<sup>31</sup>**

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Before discussing the outcome of these reforms let us briefly review the broader issue of civil service reform which commenced in 1987. The reforms at this level were intended to deal with a number of problem areas. First, salary levels had deteriorated to an extent where they were having serious effects on morale and productivity, making it difficult to attract or retain senior staff of the appropriate calibre. Inadequate staffing at the senior professional, technical and managerial levels was combined with major overstaffing and under-employment at the junior levels of the service. Over the previous decade, staffing at the lowest grades of the civil service had grown by some 14 per cent a year. The central management system (Office of the Head of the Civil Service) had broken down and the management services function in general required revitalizing. Job-related training and staff development had been neglected, and key aspects of personnel management were lacking, particularly in the areas of personnel records and staff appraisal systems (Marshall, 1990:7). Planning in most ministries was almost non-existent, and none of the ministries had data storage facilities or proper records management systems. Ninety per cent of the civil service budget was going on recurrent expenditure, only 10 per cent on capital expenditure. A large percentage of the overall budget was being spent on salaries, with little going to actual delivery of public services.

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<sup>31</sup> This account of the reform expands on an earlier analysis in Hutchful, 1996.



The seven core areas of the reform were defined as follows: first, strengthening the Office of the Head of the Civil Service by adding three new divisions (Management Services, Personnel Policy and Management, Training and Manpower Development) to spearhead the reform programme; second, revamping the Management Services Division; third, improving Personnel Policy and Management; fourth, strengthening Training and Manpower Development; fifth, functional review and manpower redeployment; sixth, review of incomes policy and salary administration; and seventh, enhancing logistics support through the provision of vehicles, office equipment and hardware to support the reform, and the provision of detailed support for particular task forces. The reforms were headed by an oversight committee, which was chaired by the Head of Service and was responsible for overall co-ordination and direction, working through four sub-committees (Incomes Policy and Salary Administration; Management Services; Training and Manpower Development; and Personnel Policy and Management).

The first task of the reform programme was a civil service data collection campaign to gain an accurate idea, for the first time, of the actual size of the civil service and to set the stage for redeployment. A redeployment exercise followed, in which the objective was initially to reduce the size of the public service by 15 per cent per year from 1987 to 1989 and by specified targets in the years thereafter. Redeployment was carried out by the Redeployment Management Committee (RMC) under the office of the Secretary for Mobilization and Social Welfare. Initially, the redeployees were identified by Workplace Staff Appraisal Committees, which were decentralized to the Ministry or Department level and consisted of the department or ministry head, middle management, and workers' representatives, and were designed to remove the central government from the process and avoid any appearance of victimization. Later, however, redeployment became known as "labour rationalization exercises", which were based on job inspections carried out by the Management Services Division (MSD).

Redeployment affected almost exclusively the lowest ranks of the civil service and also affected disproportionately the youngest and least experienced civil servants; it barely touched the senior levels of the service (administrative grade personnel constituted only 0.21 per cent of redeployees). This probably undermined the credibility of the reforms (since the senior grade was considered responsible for many of the shortcomings of the system) and carried a political cost in terms of the failure to break the resistance of vested interests to reform. Job counselling and retraining, though part of the redeployment package, were not put into effect.

Some gains have undoubtedly been made in a number of areas of civil service reform. According to data from the MSD, which oversees the personnel aspects of the reforms, the size of the civil service was reduced by 30 per cent between 1986 and April 1993, but since it is not clear whether this is gross or net of new hirings in the public services, the actual scale of attrition is difficult to determine with certainty (ODA, 1993). The Integrated Personnel and Database Project is expected to lead to major improvements in personnel management. Both salary scales and pay differentials have been increased, and a simplified grading structure has been introduced. With the rebuilding of the MSD, the ability of the Office of the Head of the Civil

Service to monitor ministerial performance has improved. The implementation of management reviews and job inspections (with job inspection units established in the key sector ministries) and staff retraining have led to some improvement in productivity; manpower budget hearings have once again been introduced, allowing the setting of manpower ceilings for government agencies from 1991 and thus tightening controls over recruitment. The most important input facilitated by the Structural Adjustment Institutional Support Project (SAIS) and other forms of donor support has been in the area of office infrastructure and logistics — personal computers and other forms of office equipment, vehicles, etc. Training in computer skills for junior and middle-level (though apparently not senior) civil servants was probably the most popular and successful aspect of the SAIS, and on the whole the project proved to be a bonanza for local computer firms and consultants.

However, actual institutional reform seems to have fallen well behind progress in redeployment. While a number of government agencies, such as OHCS, the National Revenue Secretariat (NRS) and Budget benefited in terms of institutional capacity, this improvement was not generalized to other government departments (World Bank, 1993c:9; ODA, 1993; Aryee, 1991).

According to a review of the SAIS:

. . . useful improvements in capacity occurred in respect of public investment programming, external debt management, tax administration and civil service reforms, as well as in the capacity to track the effect of the ERP on the poor. . . . [However, a]lthough many people were able to use their training effectively in more responsible jobs, in general, the technical and managerial capacity of the relevant units did not show sustained improvement (World Bank, 1993c:10).

Trainees were not always effectively utilized, nor were the physical inputs to improve the work of the implementing agencies. The Skills Mobilization Programme was a complete failure (the facility was only used once), mostly due to resistance from within the bureaucracy to the significantly higher remuneration proposed for recruits under the programme, and allegedly because Ghanaians recruited from abroad “failed to understand the peculiarities of the Ghanaian situation”.<sup>32</sup>

The EPU was partially staffed, with only two of the four planned senior advisers being hired (for macro-economics, and money and credit). However, in 1989 the EPU became the Policy Analysis Division of the MFEP, with a larger staff and expanded responsibilities, and in 1990 it was reorganized into six units. However, its contribution to policy analysis and formulation is said to have been minimal (World Bank, 1993c:12). Although the ELU, on the other hand, was adequately staffed, its work apparently differed from that originally conceived, and the unit eventually faded into insignificance when its head took on a second job. According to the Bank audit of SAIS, the lacklustre performance of the two units was due to lack of interest on the part of the authorities.

There are several reasons for the more general lack of progress on civil service reform. At least until the award of large salary increases to the civil service in 1992, unattractive service conditions had made it difficult to attract qualified new personnel, or to retain those who were hired, especially at the middle management level. Redeployment was followed by significant improvements in wages for the smaller civil service that remained, but even with these increases real wages in the civil service lagged behind those prevailing in the private sector, particularly for middle management. Other reasons offered for the lack of progress of reform were inertia, ignorance or deliberate resistance from vested interests at senior levels of the civil service. Such officers had “very good ways of distracting and blunting reform”.<sup>33</sup> This was possible, in part, because the system did not incorporate any

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<sup>32</sup> Interview with MFEP official and member of the macro-economic team, Accra, 23 July 1992.

<sup>33</sup> Interview with MSD officials in Accra, 23 July 1992. This view of the deliberate blunting of administrative reform is confirmed in a study by two researchers from GIMPA, who make the following observation: “There does not seem to be recognition of the need for change by those who have influence in the PAS [Public Administrative Service]; there is resistance and sometimes even the reversal of innovative reorganization designed to improve the performance of ministerial organization in the PAS”. B.C. Eghan and E. Offei-Aboagye, **Measures for Improving the Capacity, Effectiveness and Efficiency of Ghana’s Public Administration System for National Development in the 1990s**, PAD-MFEP, GTZ-SDA (undated:19-20).

mechanisms for performance appraisal for senior staff or sanctions against failure to perform.<sup>34</sup> Clearly statements by senior government officials and particularly by the Head of State himself suggest strong concern about the negative performance of top bureaucrats. The riddle was why so little action was taken by the political leadership.

The earlier reforms contemplated under the Public Administration Restructuring and Decentralization Implementation Committee (PARDIC) do not seem to have fared much better. A key innovation under this programme was the introduction into each ministry of a Policy Planning, Budgeting, Monitoring and Evaluation Department (PPBMED). A survey of PPBMED<sup>35</sup> carried out in 1991-1992 in the three key ministries of Agriculture, Education and Health found serious teething problems, but also significant variations in the establishment and performance of ministerial PPBMEDs. The structures in the Ministry of Agriculture (MoA) were the most developed, with a sophisticated formal model developed with the aid of consultants. Here the former Department of Economic Research and Planning had been renamed the Planning, Monitoring and Evaluation Department (PPMED), with responsibilities for strengthening the institutional framework for formulating and implementing agricultural policies; improving the delivery of public sector services to agriculture; facilitating successful implementation of agricultural projects; and fostering human resource development. The PPMED was headed by a director, with five divisions under deputy directors. These were Policy Planning and Analysis; Agricultural Statistics and Census; Credit and Marketing Services; Monitoring, Evaluation and Co-ordination; and Project Preparation and Monitoring. But there were large gaps between the sophisticated organizational model in the MoA and reality. The PPMED was understaffed, with only about 23 per cent of the required professional staff at post, fewer in some of the individual units. There were weak linkages between PPMED and other MoA departments (only two departments, Monitoring, Evaluation and Co-ordination, and Project Preparation and Monitoring had any direct links with other departments). Transportation and equipment were both grossly inadequate for normal operation of the units. As a result, few of the functions of the units were actually being performed. Unlikely as it might sound, the units at the Ministries of Education, and Lands and Mineral Resources were in even less promising shape. At Lands and Mineral Resources (the most dramatic case), the approved professional staff level for the PPMED was only eight (even less than that of a single division in PPMED/MoA) and of these five had been filled, but by relatively young and inexperienced personnel. Unlike other ministries, even the positions of director and deputy directors were not in place. At Education, a very rudimentary information network meant that units within the PPMED/MoE were frequently unaware of what other units were doing.

<sup>34</sup> Eghan and Offei-Aboagye (op. cit.) observe that “the environment of Ghana’s PAS [Public Administrative Service] fails to discourage resistance to positive change” because of the absence of sanctions. Indeed, “there is often very little awareness of deliberate non-performance by responsible persons because of the lack of diffusion of information”.

<sup>35</sup> M.Y. Boateng and E.O. Asante, **Administrative Aspects of Implementing Economic Policies: The Case of Public Sector PPBMED with Special Emphasis on the PPMED of the Ministry of Agriculture (MoA)**, MFEP/PAD, GTZ-SDA Project, July 1992.

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## UNDERSTANDING THE POLITICAL AND INSTITUTIONAL CONTEXT OF ADJUSTMENT

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The foregoing analysis helps to both expose and contextualize one of the apparent oddities of the Ghanaian programme. In Ghana, a relatively successful macro-economic programme has emerged in an environment that should, on the face of it, have guaranteed political, administrative and technical failure: an extremely small technocratic team, working with few links to major interest groups and little discernible public support, and a disorganized and demoralized civil service, adhered with unprecedented consistency to a rigorous programme of macro-economic reform. On the other hand, a broad programme of reform of the public sector institutions responsible for managing adjustment appears to have failed decisively. While the shortcomings of the structures of policy formulation, decision-making and implementation of the ERP were fairly obvious, they also proved remarkably resistant to reform. How do we explain this apparent ineptness in the area of institutionalization by a régime so apparently committed to rigour and rationalization in the adjustment process? In reality this riddle is not too difficult to unravel, and should be seen in terms of both the constraints and the opportunities afforded by this situation. While the literature has stressed political institutionalization as the decisive element in successful adjustment, I would argue, on the contrary, that in the Ghanaian case the initial stages of adjustment have actually been facilitated by the degree of **de-institutionalization** that occurred in the state and politics in Ghana. This de-institutionalization was discernible at several levels: first, the breakdown of “traditional” (redistributive) norms of political legitimation; second, the disengagement of key social groups from state economic networks; and third, bureaucratic decline and disarray.

These may have negatively facilitated the initial stages of stabilization in Ghana by devaluing the state and politics as a resource base, by dispersing or fragmenting bureaucratic and social resistance, and by endowing the military-backed régime with unprecedented political space within which to take tough and unpopular decisions.

In the process of adjustment, bureaucracies may be seen as **facilitators** and at the same time as **interest groups**. While strong bureaucracies may provide effective analytical and policy support, they may, on the other hand, strongly resist reforms that threaten their own interests (as we have already seen in the case of the Skills Mobilisation Scheme, where the bureaucracy was successful in preventing the hiring of competent but higher-paid Ghanaians). At least in the early days of the “revolution”, it was this negative view of the bureaucracy — as an impediment rather than a facilitator — that dominated the perceptions of the PNDC. While this unfavourable view softened over time, it did not disappear completely; Ghanaian policy makers admit (as do staff of the World Bank) that the spirit of the reforms has been adequately reflected in the behaviour of the civil

service.<sup>36</sup> It is quite possible that the hard-pressed policy makers simply accepted that there was very little that could be done about the public service in the short term. Both Rawlings and the adjustment management team, which was drawn largely from outside the bureaucracy, preferred to ignore and circumvent the bureaucracy whenever necessary, through a highly centralized and personalistic approach to decision-making, which relied heavily on consultants and task forces. However, it is difficult to avoid the impression that this method of operating also basically reflected the overall approach of the PNDC to adjustment, and was thus part of the overall political and institutional logic of adjustment in Ghana.

A similar lack of institutionalization, designed to maximize autonomy, defined the relationship of the régime to social forces. To understand this aspect of adjustment politics, one has to return to the specific political trajectory that preceded the 1981 coup and helped to shape its outcomes. The first aspect of this was the alienation of virtually all major social groups in Ghana, in different ways and to different degrees, from the *ancien régime* and the state, thus making them available for insertion into new political configurations. The second feature was the high degree of factionalization and debilitation (following years of acute economic crisis, state suppression and ideological dissension) that characterized virtually all the organizations of civil society, notwithstanding the successful popular mobilization against the Acheampong military régime several years earlier. Under the Acheampong régime the major political factions had become increasingly involved in common-cause struggles against dictatorship and corruption. Rawlings's coup ruptured this fragile consensus within civil society (around, in effect, bourgeois democratic struggle), simultaneously radicalizing these struggles, alienating the liberal and conservative advocates of reform and polarizing civil society over competing visions for change. While Rawlings initially allied himself with (or was "captured" by) the left and radical students, workers and military ranks, these were not by any means the only political forces on the playing field. The professional, business and traditionalist classes, although alienated by Rawlings's "revolutionary" rhetoric and by the memories of 4 June 1979, nevertheless remained a potential source for alternative alliances and coalitions.

In 1983 (when the initial decision was taken to adjust), the working class, left-wing and popular base of the PNDC, though bitterly opposed to stabilization, were nevertheless politically committed to the régime and defended the PNDC in the early phases of the stabilization programme — ironically, against the very conservative forces that were later to hail the programme. The most crucial political accomplishment facilitated by this intervention of radical forces on the side of the régime was the break-up of the broad-based fiscal coalition (of urban workers and masses, civil servants, professionals and students) that had successfully resisted earlier stabilization programmes.<sup>37</sup> This was the first time that these popular forces had failed to rise in solidarity against stabilization. However, as the programme deepened these forces became more critical of its hardships and its "betrayal" of working-class interests, and their support for the régime and for Rawlings

<sup>36</sup> See for instance Dr. Botchwey's statement at the Ghana Consultative Group meeting in Paris in June 1993; see also World Bank, 1990.

<sup>37</sup> For the concept of "fiscal coalition" see below.

waned. As this happened, Rawlings reacted by shifting his personal support away from the left-wing, worker and popular coalition and drawing closer to more élite and conservative social groups and to the old political centre, at the same time redefining and consolidating his power base in the army.<sup>38</sup> Thus the highly fluid political situation and alignment of political class forces in 1983 meant that the PNDC régime was able to initiate stabilization on the basis of a particular class coalition and to consolidate it on the basis of yet another, picking and choosing its allies and redefining alliances as the need arose.

It is noteworthy that, at the same time as the PNDC began this opening to the right, it restructured its “popular organs” to depoliticize them and increase central control. These popular organs were then used to offset the political influence of the conservative forces which related well to the ERP but could not always digest the populist politics of the PNDC. Adjustment in Ghana thus came to be characterized by a lack of fusion of the political and the economic, by populist politics on the one hand and liberal economics on the other, a strategy that operated to keep the major social and political forces in Ghanaian society off-balance and in permanent tension, thus enhancing the autonomy of the régime.

In constructing its political base, the PNDC demonstrated a consistent ability to manipulate internal cleavages and to fragment and “capture” social forces, ranging from the left to labour to the military, simultaneously integrating them into its own corporatist frameworks and eroding any type of internal unity that would have allowed these forces (many impacted adversely by adjustment) to oppose the régime with success. Thus the political base of the PNDC came to be stitched together from an extraordinary diversity of social and political forces (women, transport unions, traditional rulers, large farmers, mass organizations, and so on), with the régime itself providing the central point of cohesion. The PNDC, as much by temperament as by policy, also avoided being constrained or imprisoned by links to special interests, both those likely to favour as well as those likely to oppose adjustment, deliberately discouraging politicking or any sort of conscious coalition formation as a basis for adjustment. The PNDC cultivated certain social interests without, however, entrenching its support among such groups or making its political survival conditional on their support. This was facilitated by the fact that the chief cadres of the programme came to power unburdened by political debts or links to special interests. Those organizations that provided the political muscle of the régime were not allowed to interfere with the policy process; on the other hand, those that did enjoy some proximity to policy-making (such as business) were deprived of any political clout. By thus refusing to institutionalize the social base of the régime, the PNDC avoided rooting itself in a determinate social and political reproduction dynamic which could be undermined by adjustment processes. In brief, then, three levels of autonomy, emerging from the de-institutionalization of politics and bureaucratic structures, helped to shape the political context and management of adjustment in Ghana: first, the autonomy of the régime from social forces; second, Rawlings’s autonomy from the PNDC; and third, the autonomy of the economic team from the

<sup>38</sup> On this process see Eboe Hutchful, “Institutional decomposition and junior ranks’ political action in Ghana”, forthcoming in Eboe Hutchful and Abdoulaye Bathily (eds.), *The Military and Militarism in Africa*, Dakar: Codesria.

régime. Over time both the PNDC and the economic team came to prize this space, resisting any institutionalization that would threaten or contract it. Consultation and accountability were minimized, and the circle of decision makers kept deliberately small. It is necessary to remember that Rawlings himself thrived precisely on the ability to truncate public institutions and subvert hierarchy. By manipulating and neutralizing the various social power centres, Rawlings was able to centralize power progressively around himself and to establish his personal pre-eminence and his autonomy vis-à-vis social movements, state institutions and the PNDC itself. While Rawlings, through such means, was able to break the deleterious hold of special interests on the state in Ghana, this did not enhance the institutional capacity of the Ghanaian state.<sup>39</sup>

Other factors also helped. One was simply the ability of the Ghanaian macro-economic team systematically to turn disadvantage into advantage, in a variety of ways. Thus if the breakdown of the public sector institutions presented serious challenges for the technical management of adjustment in Ghana, it also presented important opportunities. Bureaucratic obstruction and inertia were minimized through the facilitation of centralized control. The weakness of the domestic bureaucracy allowed the Fund, the Bank and the donors to fill the vacuum with their own staff as well as foreign consultants, producing rigour and speed and minimizing internal bureaucratic opposition. The lack of data (a serious problem in the early stages of the programme) allowed the team, where necessary, to place its own imprint on economic statistics. While social support and bureaucratic involvement were weak, the lack of institutional and social resistance made it possible to dispense with burdensome consultations and ignore opposition, thus facilitating an extraordinarily wide scope of interventions. Finally, in Ghana skilful and competent design of adjustment was only one side of the story. Machiavellianism was another. Management of adjustment also relied on manipulation and a variety of dirty tricks — the use of repression against programme opponents, stage-managing of public “consultations”, the “massaging” of data, undercutting opponents by criticizing the programme in public but supporting it in private, and so on.<sup>40</sup>

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<sup>39</sup> It is for precisely this reason that one has to be careful in speaking of the “political transformation of the PNDC” (Chazan, 1992).

<sup>40</sup> Curiously, the adjustment literature has tended to omit discussion of such political stratagems. Adjustment politics have sometimes been analysed as if they were transparent and above-board, governed by the rules of rational choice. Yet given the high stakes of adjustment issues, it would be surprising (or at least improbable) if they were entirely free of dirty tricks.



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## RELATIONS WITH THE FUND AND THE BANK

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If domestic and institutional management of the ERP were often controversial, its external management was, on the face of it, highly successful. Botchwey, the Finance Minister, received high marks for his diplomatic management of the donors and the multilaterals, while Abbey was recognized for the quality of his macro-economic work (with one Bank staffer actually describing him as “the best macro-economist in Africa”). Ghana’s team members became household names within the Bank and the Fund.<sup>41</sup> The Ghanaians were highly effective in terms of their ability to “play” the donors and tap the many sources of multilateral and bilateral sources of aid that were becoming available. Rigour and consistency allowed the Ghanaian team to shift the burden of ensuring adequate programme resources to the multilaterals and the donors. With their economic clout, donors in town became an important constituency in the political and policy process in Ghana, but there was some disagreement about the exact extent of this influence, with domestic forces (especially those opposed to adjustment) considering their influence to be altogether too great and the donors themselves apparently somewhat less sanguine in this respect (World Bank, 1993a:viii).<sup>42</sup> What is beyond dispute, however, is the fact that the management team’s relationship with the external constituency differed markedly from the lack of accountability and institutionalization which characterized the domestic management of adjustment. Here, candid dialogue was the rule. Several mechanisms, such as the Local Aid Group, the Joint Consultative Group on Policy (established to further programme co-ordination among United Nations agencies present in the country), and the Consultative Group meetings on Ghana provided platforms for policy dialogue with donors.

In spite of (or perhaps because of) close policy dialogue and collaboration on technical aspects of the programme — for instance, overall the Bank committed twice as much staff-time to the structural adjustment programme in Ghana as to that of any other African country (World Bank, 1992:17) — conditionality and cross-conditionality featured heavily in the Ghanaian programme. The second Reconstruction Import Credit (RIC II) contained 42 separate “monitorable targets” (some with several sub-targets); the first and second structural adjustment credits expanded this to 88; and the agricultural sector adjustment credit of 1992 had 40. The lavish deployment of conditionality drew attention to significant areas of policy disagreement and debate, and these have been underlined by (sometimes) deliberate lapses in

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<sup>41</sup> Not all officials of multilateral referred to Ghana in superlatives, however. There were the Ghana sceptics within both institutions, whose numbers seemed to increase in later years and who tended to be much more critical of the Ghanaian programme than the institutions that they worked for.

<sup>42</sup> Hence, in clear contrast to the belief of most Ghanaians, the Bank report cited here argues that “the leverage of foreign aid is often exaggerated. Even when reforms have been undertaken, donors are not well-equipped to undertake implementation. . . . internal political factors are generally the deciding factor, although in a close contest donors may occasionally shift the balance. In several important areas, donors’ support for reform made little difference” (World Bank, 1993a:viii).

implementation (Toye, 1991; Martin, 1992). Many of these issues revolved around specific policy and sectoral issues rather than the underlying thrust of the ERP. They included COCOBOD, the speed and scope of divestiture of the state enterprises, the extent of liberalization of bank credit and interest rates, the desirability and degree of tariff protection for domestic industry, the pace and depth of devaluation in the early period of reform, and the decompression of the salary structure. The momentum and pace of the programme was also a cardinal issue. The IMF in particular pushed hard to accelerate the pace to ensure that reform would be irreversible, particularly in the face of a volatile political environment, while Ghanaian officials advocated a more gradual pace of adjustment that would more closely reflect Ghana's circumstances and capacities.<sup>43</sup> In several instances Ghanaian officials felt that Bank staff in particular, for political or ideological reasons, took an excessively aggressive stance on policy or institutional issues where the Bank lacked the necessary experience and expertise. Bank staff came in with a "textbook approach", citing the experiences of other countries, but had little knowledge of Ghana.<sup>44</sup> The Bank audit of the Structural Adjustment Loan essentially conceded many of these complaints (World Bank, 1992:18-26). Ghana also had difficulty reconciling conflicting advice from the Fund and the Bank, and frequent staff changes undermined the consistency of the policy advice that Ghana was receiving from the personnel of both institutions (Abbey, 1989; 1991). Ghanaian officials sometimes also had reason to question the disinterestedness of the advice that they were receiving from some officials of the multilaterals; in their view, certain Bank staff had used Ghana to further their career objectives, and many in the Bank had subsequently been "promoted on the backs of Ghana".<sup>45</sup>

These policy disagreements led occasionally to situations where, in effect, Fund and/or Bank officials competed with Ghanaian technocrats to influence the Ghanaian political authorities. World Bank negotiators had learned — given the context of an autocratic political leadership committed to reform — that it was sometimes advantageous to commence with the politicians rather than the technocrats, and that all that was needed was Rawlings's personal commitment to ensure that a policy would be implemented.<sup>46</sup> This led to several situations where agreement was first reached in principle with the political authorities, **before** the technical staff were consulted, and the

<sup>43</sup> Thus IMF officials resident in Accra were squeezed by contradictory pressures from Washington (to speed up the process and accept fewer compromises) and from the local authorities (to slow down the process and be more sensitive to social and institutional constraints). (Interview with Fund officials in Washington, D.C., March 1993.)

<sup>44</sup> Interview with Ministry of Finance official and member of the macro-economic team, 18 August 1995. However, the problem clearly went beyond "textbook economics". As a Bank report candidly admits:

There is little experience in the Bank or in governments or in universities and no widely agreed theoretical apparatus for guiding the transformation of a public sector-dominant and controlled economy into a market-oriented, private enterprise-driven one. The Bank's approach in support of such transformation so far has been ad hoc rather than on the basis of a grand design (World Bank 1992:24).

No wonder some Ghanaians felt that they were being used as guinea pigs.

<sup>45</sup> This statement actually comes from a Bank official in Washington, but similar statements were made by Ghanaian officials to a Bank audit team. See World Bank, 1992:26.

<sup>46</sup> Interview, Ishrat Husain (World Bank official), Washington, D.C., 17 March 1993.

details only later presented for vetting by the technocrats. An example was the proposal of Bank staff to base the producer price for cocoa on the f.o.b.<sup>47</sup> price. Agreement was reached on this with the PNDC (before consultation with COCOBOD staff), but the proposal was opposed by COCOBOD technicians on the grounds that it did not make enough allowance for marketing costs. As a result, political leaders were presented with two conflicting sources of analysis and advice from the two teams of technocrats (in the case of COCOBOD, the insistence of the Bank helped to undermine over time — though perhaps not altogether unfairly — the position of the national technocrats in the eyes of the political authorities, even though Bank staff themselves had little or no experience in this area of reform). This would seem to reverse the usual assumption in the literature that, typically, in adjustment policy-making, agreement would be first reached between national and Bank technocrats, and only later “sold” to (presumably reluctant) politicians. In these particular instances it was Ghanaian technocrats, rather than politicians, who resisted the Bank position on the basis that it was not technically sound or feasible.<sup>48</sup>

Some of the disagreements between the Ghanaian and Bank-Fund teams were also of a theoretical nature. The Ghanaians generally leaned toward a more “structuralist” and supply-oriented approach than Bank staff. On several occasions, the Ghanaians voiced serious misgivings about the theoretical underpinnings of the Fund-Bank programming model. Ironically, these critiques have been most forcefully articulated by Abbey, the intellectual leader of the Ghanaian macro-economic team and the individual team member considered closest to Bank and Fund policy positions. Abbey used the platform of the annual Per Jacobsson Lecture to dramatize this dissent from the Fund-Bank model. The occasion was the selection (by the Fund and the Bank) of Ghana (together with New Zealand) as the most successful example of adjustment in 1989, and the theme was, appropriately, “On successful adjustment: Lessons from Ghana”. According to Abbey, “The experience of developing countries that have undertaken adjustment programs supported by the Bretton Woods institutions clearly leaves much to be desired”. Far from being a showcase for Fund-Bank prescriptions, Ghana’s own case “clearly demonstrates that, for the strategy [of adjustment] to be effective, some very radical changes will have to take place in the thinking and formulation of adjustment programs by the Bretton Woods institutions”. Abbey cites a number of key areas — particularly in the pacing and sequencing of reforms, in the form and speed of liberalization, and in the approach to social and political impact of adjustment — where Ghana’s strategy deliberately diverged from the classical Fund-Bank approach, as well as situations where following Fund-Bank prescriptions led to serious difficulties.

Abbey was particularly critical of the elasticity optimism (the assumption that domestic production would respond quickly in the short-term to relative price changes) underlying the financial programming of the Fund, the

<sup>47</sup> Free on board (i.e., where the seller agrees to put the cocoa on board the truck, ship etc., at no charge, but the costs of transportation must be paid by the buyer).

<sup>48</sup> On the other hand, there were several examples of situations where the Ghanaian macro-economic team resisted Fund-Bank positions not because they disagreed with them, but because they felt that they might be difficult to sell to the political leadership. Support for most policy measures presented to the PNDC cut across institutional lines.

corresponding short-term orientation of stabilization measures and their exclusive focus on the balance of payments objective, and the lack of appropriate emphasis on longer-term structural and supply-side issues. Rawlings, too, has frequently been critical of the political exactions of adjustment, describing them as “very costly” and expressing no surprise that “it doesn’t seem to work in a lot of places”. In the case of Ghana, adjustment had been relatively successful “because we see the need to do some surgical work on our internal and fiscal policies. But I don’t think that we can say that for so many others.”<sup>49</sup>

These were not the only significant examples of disparity in perception between the Fund and the Bank, on the one hand, and Ghanaian officials, on the other, with regard to core experiences of adjustment. Ghanaian and multilateral officials also drew somewhat different conclusions from the experience of policy dialogue and technical collaboration. In the view of Ghanaian officials, the extensive interventions of multilateral officials in policy design and review did much to undermine any possibility of developing local capacity and programme ownership (a criticism endorsed by some Bank officials). Hence while a Bank Structural Adjustment Loan audit was claiming that intensive consultations with the Bank had “fostered an unambiguous sense of ownership” among Ghanaian officials (World Bank, 1992:xv), Botchwey was criticizing the take-over by the Bank and Fund of important aspects of policy design and review in African countries, and demanding changes that would “put the [Ghanaian] government in the driving seat” in designing its own macro-economic framework and conducting the Public Expenditure Review. While admitting that Ghana, like other African countries, “remains weak in the capacity for policy analysis and implementation”, Botchwey attributed the co-optation of policy-making by the multilateral institutions to the insistence of the donors on the Fund’s or the Bank’s seal of approval. In his view: “Until Government takes the responsibility of doing these things for itself and, yes, making its own mistakes, the capacity for policy analysis and implementation will not broaden or deepen”.<sup>50</sup> Some Ghanaian officials found the claims of a policy “dialogue” hollow. As Abbey observes, with Ghana’s own experience in mind, “unless the government ‘owns’ the program . . . the World Bank might believe that a dialogue is taking place, but in fact what is happening is that a country that needs money — very badly, too — is being forced to take a few measures that it does not understand and that the World Bank itself is not really confident about” (Abbey, 1991:524).

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## THE POLITICAL ECONOMY OF ADJUSTMENT: RETHEORIZING THE GHANAIAN CASE

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<sup>49</sup> Cited in Barbara Gullahorn Holecek, “Paying the piper: Conversations with Jerry Rawlings”, *Transition*, No. 62, 1993.

<sup>50</sup> Opening Statement at the Consultative Group meeting. See **Report of the Proceedings by the Chairman**, Meeting of the Consultative Group for Ghana, Paris, 24-25 June 1993, Attachment, pp. 4-5.

Abbey's theoretical dissent also raises an intriguing question. If the Ghanaians disagreed with the Fund and the Bank about the causes of their "miracle" (and, in any case, approached it within a different ideological framework), might they also not disagree about what the "miracle" itself was about? Has Ghana's experience in market-opening been the example of neo-orthodoxy touted by the multilateral agencies, or is reality more complex?<sup>51</sup> Clearly there are several aspects of the Ghanaian experience — such as the *dirigiste* nature of the programme, the marginal influence of the private sector, the extreme centralization (and even informality) of policy-making, even the fact that adjustment arguably proved more successful in stimulating the public than the private sector — which do not fit comfortably into this allegedly "neo-liberal" scenario, or conform with the image of Ghana as the ideal case of adjustment. The pace of reform and implementation was also quite uneven. While the initial macro-economic reforms were rapid and even brilliant, and certainly required considerable political courage, progress on structural and institutional reform turned out to be slow and even indifferent. Indeed, Toye (1991) has suggested that the actual record of implementation of IMF conditionality in Ghana was actually quite unremarkable, on the whole. In part, of course, this was because such structural reforms are intrinsically more complicated than the administered reforms of the stabilization period at which the PNDC had earlier excelled. Nevertheless, there is some evidence that the reasons for the disparity in performance were more complex than such an explanation would suggest.

To unravel this problem requires once again trying to grasp the initial vision of Ghanaian leaders and technocrats. Originally, macro-economic reform was not seen as leading to the dominance of market relations as such. While economic liberalization was contemplated, privatization was not. The faith in state management of economic life per se remained unimpaired. At the beginning of the adjustment process there was little commitment within the régime to private enterprise and capitalism (and in the case of the left there was actually much aversion). On the other hand, the leading reformers also shared a deep suspicion of the Ghanaian bureaucracy, not out of principle but for specific historical reasons to do with the performance and (suspected) political loyalties of the civil service. Within this group the fiscal needs of the state were the prime force driving reform and determining the key elements of macro-economic policy; enterprise productivity and international competitiveness were arguably secondary considerations. As I have suggested in another context, their initial inspiration for reform was, if anything, **mercantilist** rather than **capitalist**. And indeed, closer examination suggests that the initial phases of macro-economic reform and liberalization were not inconsistent with the interests of the state. If anything, what was notable about the initial phases of macro-economic reform was less the productivity gains in the real economy than the fiscal gains to the state. First, abolition of price controls and currency overvaluation allowed the state to capture economic rents which had previously gone to speculators. Second, improvement in incentives and elimination of price distortions led to progressive redirection of trade from informal markets and from smuggling of exports — cocoa, gold, timber — to formal markets. Third, devaluation itself entailed a massive windfall in local currency for the

<sup>51</sup> For a more extended discussion see Eboe Hutchful, "Why régimes adjust: The World Bank ponders its 'star pupil'", *Canadian Journal of African Studies*, Vol. 29, No. 2, 1995.

state, evident in the rise in cocoa export receipts, as well as in taxes on international trade. Finally, trade liberalization and tax reform resulted in a significant broadening of the tax base of the state. However, these gains were modest compared to the “policy rents” that became available to Ghana beginning in 1986 as a result of sustained macro-economic reform. (By policy rents I refer, in essence, to the bribes paid to Ghana for sustaining macro-economic reform and satisfying associated conditionalities.)

These fiscal gains were no accident — they were the overriding objective of macro-economic policy. In the initial reform phase, the Ghanaian authorities “intentionally used devaluations to raise government revenue”, adjusting the exchange rate according to the anticipated size of the deficit (Kapur et al., 1991:27). Performance in the area of taxation, too, was (in the words of one Bank report) “exceptionally high” and “always exceeded that required by conditionality, both as regards collection and policy changes” (World Bank, 1992:20-21) and was the most successful aspect of the overall reform programme. The National Revenue Secretariat was considered the most dynamic and highly motivated department in a public service otherwise characterized by lethargy. On the other hand, in striking contrast to the solicitude for the state’s fiscal health, many in the private sector considered the régime hostile or indifferent (Tangri, 1992), and unwilling to provide assistance in adjusting to difficult economic circumstances. As we have seen, the private sector itself was by and large marginal to the adjustment policy process. A World Bank survey in 1989 found surprisingly negative and pessimistic views of the régime and the overall economic climate (World Bank, 1990:54-55). Stories of harassment of domestic business have persisted throughout the life of the régime. As late as June 1993, Botchwey, the Finance Minister, still found it necessary to reiterate in a meeting with donors that the régime was not anti-business.

This analysis suggests that the notion that Ghana’s reforms were neo-liberal is probably simplistic. True, there has been much macro- (and micro-) economic learning. The early macro-economic “successes” — in particular the discovery of the “magic of the marketplace” — clearly marked some sort of turning point for the Ghanaian team as well. There was less talk of a tactical agenda behind the ERP and of a broader design of transition to socialism. Nevertheless, this learning process cannot be expressed simply in terms of a linear movement from statist thinking on the one hand to an unqualified belief in **markets** on the other. Nor was the “learning” unlimited or in all respects “voluntary”; it is quite clear that the Ghanaians were forced by developments as well as donor pressure to “adjust” even further (and in a different direction) than originally anticipated. In any case, by the early 1990s the Bank was reporting definite evidence of the resistance of the Ghanaians to certain components of the reform programme (actually this “resistance” was manifest much earlier; arguably what had changed was the “tolerance” of the Bank itself). According to a report on Ghana prepared in February 1993, reform had stalled, even given the lavish use of conditionality and foreign aid. There had been “limited progress on restructuring the public sector’s commercial undertaking”, public sector employment was still excessive, the scope of government functions was overextended and public enterprises continued to suffer from lack of financial discipline. While foreign aid had helped move reform along in Ghana, in the final analysis domestic politics and interests proved

paramount, blunting further reform (World Bank, 1993a:vii-viii). Another Bank report, which followed shortly thereafter, concurred pessimistically: “Today, more than one decade after the adjustment program started, the control of economic activities remains pervasive” (World Bank, 1993c:22). Reform was particularly weak in the agricultural sector (World Bank, 1992:12). Bank staff were particularly perplexed by the *modus operandi* of the Ghanaian management team, particularly the centralization of policy and decision-making and apparent willingness to live with serious weaknesses in the public administration structure (World Bank, 1987:25). According to another report: “[w]ithin the government, there is a strong tendency to centralize decisions (*sic*) making, even on day-to-day operational matters. Capable staff are underutilized and not adequately motivated” (World Bank, 1993a:xii). As we have seen, a major effort to address these problems through the Structural Adjustment Institutional Support Project (SAIS) failed decisively (World Bank, 1993c:iii). This was all the more puzzling because in other respects Ghana had been such a good adjuster.

The Bank’s understanding of the reasons for these “obstacles” to reform in Ghana was limited. Bank evaluations and audits of the ERP differ strikingly in tone and critical posture, or simply appear inconsistent and self-contradictory. The explanations range from the alleged nationalism of the PNDC and its tendency to resist foreign advice (hardly plausible given earlier praise about the receptivity of the Ghanaians to foreign advice) (World Bank, 1993c:iii) to its desire to protect its control of public patronage (World Bank, 1993a:xii) to blaming the World Bank itself for not doing a better job of persuading the Ghanaians (World Bank, 1992:18-19). What all this probably confirms (as suggested in one Bank audit) is the Bank’s own lack of “clear understanding of the socio-political framework” in Ghana (World Bank, 1993c:11). It was not until relatively late that the Bank made a systematic effort at a coherent understanding of its experiences with adjustment in Ghana, with the evaluation of SAC I and SAC II in 1992 (World Bank, 1992). The conclusions of this exercise did not impart any greater assurance of the Bank’s grasp of the political economy of reform in Ghana.<sup>52</sup>

Is there an alternative framework that better facilitates understanding of the driving forces behind the particular trajectory of adjustment in Ghana? Yes there is, and the starting point is the social contract that underlay Nkrumah’s vision of modernization and nation-building. Nkrumah’s socialist state had three formal and informal objectives: first, generation of the welfare and service infrastructures (highly subsidized state education, health, housing and other facilities) thought to be characteristic of a modern, dynamic economy and society; the incubation, through the public sector, of a

<sup>52</sup> Remarkably, in the only coherent distillation of the Bank’s experiences in the political economy of adjustment in Ghana, the reservations expressed in other reports were almost completely absent. In addition, the Ghana programme was cited (implausibly) as a model of consultation. The Bank audit praised what it saw as the “open consultative process by which the program [ERP] was designed”, citing Ghana as an example of the extent to which “the inclusion of the private sector, unions and other interests in such [consultations] can foster greater understanding and acceptability of the necessary policy measures” (World Bank, 1992:xv). This observation would appear obviously inconsistent with the assessments of many observers of adjustment in Ghana (including some from the Bank quoted in this paper) who have seen the **lack** of consultations as one of the distinguishing features of adjustment management in Ghana (Tangri, 1992; Martin, 1992; World Bank, 1990).

technocracy — a professional, bureaucratic and scientific intelligentsia — that would act as the directive force of modernization and the managerial élite of the modern nation state; and provision of the resources necessary for political legitimation and reproduction through state patronage. Under the concept of “socialism” — a complex and contradictory blend of developmentalism, populism, corporatism, nationalism and pan-Africanism — Nkrumahism held out visions of rapid, painless and egalitarian modernization funded by the state and cocoa export receipts. The rhetoric of socialism encouraged notions of state patronage and public entitlements as the primary bond between state and citizenry. This required the state to guarantee, through a mix of regulation, subsidies and direct ownership, a wide range of economic and welfare goods, and to intervene in the market to ensure equity and protect the national interest.

The over-taxation of producers, collapse of the cocoa market, and inefficiency and waste of the public sector sharply eroded the material basis of this project, and precipitated an acute economic crisis. To compensate, the state resorted to massive and inefficient deficit financing and controls. The military régime that followed the coup of 1966 did not entirely destroy Nkrumah’s modernist vision and its underlying social and fiscal assumptions, but produced a relatively minor reformulation of that vision and its policy instrumentalities — purging the ideological residues of “socialism”, and injecting themes of liberalism and fiscal discipline — without fundamentally changing the social orientations of the state. The embedded notions of state — regarding entitlements, as well as the economic ideology of the military-technocratic rulers — fuelled resistance to economic reform beyond this point. The core statist and welfarist vision of Nkrumahism was preserved (Killick, 1978 has commented tellingly on these continuities), particularly as bureaucratic strata came to identify their interests with the structure of public production and regulation. At the same time as the state resisted self-discipline, social forces capable of disciplining the state from the outside failed to materialize. Rimmer is correct in arguing that Ghana “lacked any social group that was both powerful enough to shape policy and possessed of an interest better served by economic growth than by public protection and patronage” (1992:10). Key social groups in Ghana (including those opposed “politically” to the former president) thus remained wedded to crucial aspects of the Nkrumahist project.

The result was an underlying policy continuity and consensus, transcending to a large extent political and class affiliation, on several core issues of economic and social policy, relating to the leading role of the state in economic and social modernization, and in the provision and subsidization of social services.<sup>53</sup> The sources of such statist and welfarist thinking in Ghana were multiple, complex and sometimes contradictory, rooted

<sup>53</sup> Hence even the National Liberation Council, the régime usually seen as most hostile to state enterprise, stated as follows: “We have rejected any hard and fast ideas about the sphere of the public or the private sector based merely on ideological or simple theoretical conditions”. The NLC recognized that active state participation in economic activity would be necessary to promote vigorous economic growth. Similarly, while it has been fashionable to regard the anti-Nkrumah opposition as “liberal”, this was not always clearly the case in **economic** matters. Important Ghanaian **business** interests were among the believers in the invisible hand of the market-place, being in fact the first and most systematic advocates of the intervention of the state to correct the “distortions” of the colonial market-place. Even at this early stage spokesmen for domestic business clearly saw state enterprise as a potential threat.



variously in paternalistic colonial development ideology, traditional communitarianism, nationalism, socialism, corporatism and modernization theory. Nevertheless, there were important arguments of a technical and normative character within the paradigm, relating to whether the modern sector should rest on some blend of public and private enterprise (the so-called welfare state option) or exclusively on public enterprise (the “socialist” option), how much of the state’s capital spending should go on directly productive as opposed to social sector investment, and the moral dilemmas posed by the explosion of political corruption and rent-seeking behaviour within the system. (The conclusion from this was that it was the system itself, rather than state intervention per se, which was at fault.) What was beyond dispute was the idea that the state should have a prominent and active role in social and economic modernization (considered particularly necessary if Ghana were to compete successfully with or control foreign capital). I would like to employ the term “fiscal coalition” to capture this broad consensus regarding the fiscal and economic responsibilities and behaviour of the state, and the term “fiscal paradigm” to describe the substantive fiscal assumptions represented in this consensus. Although support for this fiscal paradigm may be (and was) diffused through society, it would be a mistake to see the corresponding fiscal rhetoric as actually working — or working equally — in the interests of everybody, let alone the poor. Nor should a fiscal coalition be conflated with a so-called “urban coalition” (rural bourgeoisie with strong connections to the state are some of its beneficiaries) or with a particular ideological, political, or even class bloc. However, political and ideological factions may exist **within** a fiscal coalition. In Ghana, “left” and “right” political groups have shared remarkably similar (activist) assumptions about the fiscal obligations of the state (hence the persistent fiscal populism of Ghanaian régimes), but have tended to disagree about the objectives behind this deployment of the fiscal and economic power of the state. This helps to explain both the remarkable similarity in fiscal behaviour across régimes, the broad resistance to stabilization, and yet the degree of **ideological** polarization in Ghana.

By the time of Rawlings’s two coups, and propelling those coups, both the fiscal exhaustion of the state (precipitated as much by the squeeze on international receipts as by its own policies) and the increasingly corrupt and undemocratic character of Ghanaian régimes had combined to precipitate an “integrative crisis”. Rawlings came to confront the definitive crisis of this developmental paradigm, with its minor reformulations across successive régimes. In retrospect, Rawlings came to reform this paradigm, not to destroy it. One may argue cautiously that Rawlings considers himself to be the heir to Nkrumah’s **politics** (which continues to exercise great popular appeal) and not his **economics** (which has been decisively discredited). The policies adopted by Rawlings’s régime are to a large degree intelligible in terms of the deficiencies of the paradigm and at the same time the normative and technical arguments that have occurred within it in the past, related in part to the internal tensions in Nkrumah’s own modernizing vision. Rawlings has tried to reconfigure the development paradigm and its associated notions of entitlements. The price for Nkrumah’s statist vision was state overload and, at the same time, the erosion of the creativity and self-sufficiency of civil society. As the state laid exclusive claim to the function of modernization, it came to assume a heavy and ultimately unsustainable burden. The morality of “socialism” was distributionist; economic growth

(efficiency) was a distant real policy objective. Rawlings has laid much greater stress on productionist and less on distributive norms, and shifted from ruinous controls to a more market-based and efficient pricing system. He has actively discouraged the more blatant forms of political patronage and rent-seeking behaviour. In disengaging the state from some of its functions, he has sought to encourage more development from below and greater local self-reliance. What has definitely not changed is the core agenda of modernization, with its vision of top-down transformations, in which the directive role is exercised by an urban- and state-based technocratic stratum, or the objective of reconstructing the economic base of the state (Mikell, 1992:93).

In Rawlings's pragmatic view, to save the state, it had to be brought to confront the market. By reviving the productive base of the economy, he has also strengthened the fiscal base of the state. Instead of the zero-sum game which had come to characterize the relationship of the state with the peasantry and the private sector, the PNDC made possible both the realization of increased surplus by the peasantry and increased extraction by the state. The intention (if not necessarily the result) was a private sector revived but also subordinated to a recharged state apparatus. As far as the state bourgeoisie, incapable of confronting its own fragile basis of reproduction, is concerned, Rawlings has come to play a Jacobin role, dragging this class into confrontation with its vulnerability and an awareness of the unsustainability of its statist foundations.<sup>54</sup> In the process, however, this project has become "lost between state and market", to evoke Callaghy's suggestive phraseology (Callaghy, 1990). The régime appears unable or unwilling to fashion a synthesis or synergy of state and market. In the words of one World Bank report:

Under the adjustment program, considerable pragmatism has been shown. In spite of a strong statist view that remains, official control of many economic activities has been withdrawn. But convincing signs of a new approach and a new partnership have not been forthcoming from the government (1993a: 22).

Abbey has echoed this view, though with a somewhat different emphasis:

The creation and development of the institutions needed to support the market-oriented policies — regulatory agencies for public utilities like electricity, water, roads, etc.; anti-trust and anti-dumping commissions; export promotion bodies; securities and exchange commissions — has been slow, cumbersome, and technically difficult. In several instances not even the preliminary work has been started. . . . The state continues to be rolled back as the privatization process gathers momentum, but creating the environment that is required for the private sector to play the lead role is proving slow and difficult.<sup>55</sup>

<sup>54</sup> In spite of the opposition of sections of Ghana's urban professional élite, Rawlings himself is nothing if not a progeny (a bastard one, to be sure) of this stratum (Achimota and all that).

<sup>55</sup> "Development and structural adjustment in Ghana: A case study", mimeo of a speech delivered at Chatham House, London, 19 March 1996, p. 12.

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## THE RELEVANCE OF THE GHANAIAN CASE

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Ghana has been central to the often bitter debate on adjustment in Africa (in the same way that it was central to the debate on African socialism in the 1960s). For several years running (most lately in a 1994 World Bank report on adjustment in Africa) Ghana has been seen as the most successful case of adjustment in Africa. This track record was consolidated early in 1993 with a successful transition to electoral democracy when a new government (also headed by Jerry Rawlings) took over from the old, suggesting a vote for reform.<sup>56</sup> However, it is not at all clear that Ghana's performance will bear the load of example that advocates of adjustment have sought to place on it, whether in terms of the success of the programme and its replicability, or the compatibility of adjustment and democracy. The Ghanaian programme earns high marks for consistency and even political courage, and for that reason it is sometimes easy to exaggerate its actual accomplishments. In brief, the ERP would seem to make a powerful — though qualified — case for macro-economic reform. The case for structural transformation, on the other hand, is much less persuasive. Up to 1991, performance in the fiscal area was particularly impressive. Government revenue as a share of GDP rose from 5.3 per cent in 1983 to an average of 14.5 per cent between 1986 and 1991 (or about 16 per cent of GDP when external grants and other inflows are included). This, in turn, facilitated strong recovery in real spending, with total public expenditure rising from about 7 per cent of GDP in 1983 to 14 per cent between 1987 and 1991. At the same time the persistent deficits in the recurrent budget turned into a small surplus from 1986. This allowed the government progressively to retire short-term trade arrears and reduce its indebtedness to the domestic banking system. Gross national savings as a proportion of GDP rose from 3.5 per cent in 1983 to about 13 per cent in 1991, while gross investment rose from a historical low of 3.7 per cent of GDP in 1983 to about 16 per cent in 1990. This recovery in investment levels was generated primarily by the public sector, again reflecting the strength of external inflows, perhaps the most important single feature of the fiscal scene. Official grants and long-term concessional loans rose from the equivalent of less than 1 per cent of GDP in 1983 to about 10 per cent by 1990, facilitating a build-up of foreign reserves and gradual elimination of external payments arrears.

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Nevertheless, the Bank must also accept some of the blame for this situation. The somewhat dogmatic notion of a completely deregulated economy, stripped of the active and dynamic role of the state, and propelled solely by market forces, which informs the World Bank's vision of the adjustment process, does not correspond to the short- or long-term thinking of Ghana's technocrats or resonate among any of Ghana's major economic blocs. It may be argued that Ghanaians as a whole do not subscribe to the polarized and dogmatic thinking that often permeates the debates on adjustment. They do not always see markets as liberating or efficient or states as always antipodal to markets, nor do local "liberals" always support individual entrepreneurship and oppose state intervention, and so on. By pressing that agenda the Bank has arguably impeded the emergence of an indigenous and pragmatic synthesis of state and market.

<sup>56</sup> See Stephan Haggard and Steven B. Webb (eds), **Voting for Reform: Democracy, Political Liberalization, and Economic Adjustment**, Oxford University Press for the World Bank, 1994.

This fiscal picture was complemented initially by strong output recovery. Cocoa production rose from a low of 159,000 tons in 1983-1984 to 300,000 tons in 1988-1989. Performance in the mineral sector was even more impressive, with gold production rising from 10,200 kilograms in 1983 to 40,700 kilograms in 1993, overtaking cocoa as the leading export earner. Overall GDP growth averaged 5.2 per cent per annum between 1987 and 1989 (after an initial spurt of 8.6 per cent in 1984) but declined to 4.4 per cent in 1990-1993 (IMF, 1994).

However, with the exception of mining, this initial growth spurt has not been sustained, with most growth indicators falling off after 1988. Much of the slowdown is accounted for by falling commodity prices (cocoa in particular), with the terms of trade for Ghana's exports declining by almost half between 1987 and 1993, from an index of 103 to 58 (1985=100). In addition, the growth pattern associated with the ERP is far from ideal and reflects little structural change, with services (particularly trading and transportation) constituting the most dynamic sector, largely at the expense of agriculture (services rose from 38 per cent of GDP in 1983 to 46.4 per cent in 1993, up from 28 per cent in 1971) while agriculture declined sharply from 53 per cent of GDP in 1983 to 41.6 percent in 1993 (mainly due to contraction of the share of the food sector). The industrial sector has been relatively stagnant after an initial spurt of growth. While micro-enterprises have expanded significantly, little restructuring or net expansion has occurred in the large and medium-size enterprises. As a result, the structure of the Ghanaian economy has altered little since the beginning of adjustment. In addition, sectoral reform (and particularly divestiture) has been slow and generally unimpressive in its results. Overall, the limitations of Ghana's "recovery" (as the country enters its second decade of adjustment) include: low savings mobilization, interest rates that are stuck at very high levels, limited industrial recovery and stagnant agricultural productivity, lack of export diversification, lack of employment and income growth (the former has become particularly critical), continued dependence on high levels of donor funding and negligible foreign private investment (outside of mining).

Furthermore, since 1992 (with the transition to democracy) macro-economic management has also come under renewed stress, with considerable slippage, deepening macro-economic imbalances, and the reappearance — for the first time since the early 1980s — of fiscal deficits and substantial net government borrowing from the central bank. These fiscal overruns are related to pressures from renewed labour militancy, with almost constant strikes and demonstrations by the public and private sector unions, and, during 1995, an attempt by the opposition parties to fuse their campaign with these manifestations of economic discontent. This led to a corresponding need to dispense patronage in order to retain political support (beginning with substantial salary increases to civil servants on the eve of the 1992 elections), something which the régime had not needed to do in the past.<sup>57</sup> Allegations of corruption and large-scale financial mismanagement in the government and public sector have also become rife, some of the cases preceding the transition and reflecting the continuing weaknesses of

<sup>57</sup> In this respect, Ghana's experiences are consistent with the sample in Haggard and Kaufman (1989), which suggests that régimes undergoing democratic transition tend toward fiscal policies which are more expansionary than in the past.

financial controls, but others clearly connected with the new electoral dispensation and the needs of the NDC political machine.

In other respects, however, democratization has had little obvious effect on the management style of the government, particularly given the domination of the legislature by the ruling party as a result of the boycott by the opposition parties of the National Assembly elections.<sup>58</sup> There are strong continuities between the old order and the new, particularly in terms of the Cabinet and the Office of the President, which is virtually a reconstituted PNDC. Political informalization continues to be a prominent feature of the régime. Nonetheless, it is clear that liberalization of the previously authoritarian context is presenting significant challenges to the régime's macro-economic management capacity. This was emphasized by the humiliating defeat of the government in its attempt to introduce a 17 per cent value-added tax (VAT), a measure which sparked demonstrations and riots in the major cities, with the loss of several lives, and gave considerable lift to the opposition parties. The government reacted by (temporarily) suspending the VAT.<sup>59</sup> As Abbey admits, "the significant executive authority and political autonomy of the ERP years have been hard to maintain in the Fourth Republic".<sup>60</sup> These and other pressures have precipitated the gradual disintegration of the macro-economic team. In August 1995, the Finance Minister and political architect of the ERP, Kwesi Botchwey, resigned, primarily in protest against his inability to restrain the excessive budgetary demands of the public sector and, in particular, uncontrolled spending by the parastatal Ghana National Petroleum Corporation.<sup>61</sup> Immediately after Botchwey's resignation, a purge of the Ministry of Finance swept away much of the technical team that had underpinned the ERP.<sup>62</sup> On the other hand, when the Economic Management Team (EMT) was reconstituted it was dominated by old faces. The EMT has been enlarged with 18 members, among them three representatives from the governing parties (the NDC and Egle Party) and is chaired by P.V. Obeng with Kojo Tsikata as vice-chair (the members include Abbey, Tsatsu Tsikata and Ato Ahwoi). Only time will tell whether these changes will restore the momentum of the Ghanaian programme.

<sup>58</sup> See Kwasi Anyimadu, former head of the Policy Analysis Division (PAD), in **West Africa**, 10-16 June 1994, p. 33.

<sup>59</sup> To make it yet more embarrassing, Togo and Zambia succeeded in passing similar measures in the same period.

<sup>60</sup> "Development and structural adjustment in Ghana", *op. cit.*, p. 12.

<sup>61</sup> The corporation is headed by Tsatsu Tsikata, Rawlings's closest adviser and himself a member of the adjustment management team. It has been repeatedly criticized by the IMF and the Bank, as well as sources within the government, for grandiose and wasteful investment and trading schemes. In his financial report to Parliament in 1994, Botchwey identified the financial operations of the corporation as an important source of the fiscal overruns of the government. The split within the adjustment management team may have helped to prepare the ground for the subsequent purge in the Ministry of Finance.

<sup>62</sup> The scale, method and timing of the purge are difficult to explain, and apparently neither the incoming Finance Minister, Peprah (the former Minister of Energy and Mines) nor the outgoing Minister and his deputies were consulted.

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