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Under contract to the Agency for International Development, Bureau for Research and Development, Office of Agriculture
Project Office Hampden Square, 4800 Montgomery Lane, Suite 600, Bethesda, MD 20814 • Telephone: (301) 913-0500
Telex: 312636 • Fax: (301) 652-3839

IMPROVING THE EFFECTIVENESS OF AGRICULTURAL POLICY REFORM IN AFRICA: COCOA MARKETING REFORM IN GHANA

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Author: Nicolas Kulibaba, Abt Associates Inc.

Prime Contractor: **Abt Associates Inc.**, 55 Wheeler Street, Cambridge, MA 02138 • (617) 492-7100

Subcontractors: **Harvard Institute for International Development,** Harvard University, One Eliot Street, Cambridge, MA 02138 • (617) 495-9779
Food Research Institute, Stanford University, Stanford, CA 94305-6084 • (415) 723-0693
North Carolina State University, Department of Economics and Business, Box 7645, Raleigh, NC 27695-7645 • (919) 515-3107
Abel, Daft & Earley, 1410 King Street, Alexandria, VA 22314 • (703) 739-9090
International Science and Technology Institute, 1129 20th Street, NW, Suite 800, Washington, D.C. 20036 • (202) 785-0831
International Food Policy Research Institute, 1200 17th Street, NW, Washington, D.C. 20036 • (202) 862-5600

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ACRONYMS

APAP II	Agricultural Policy and Planning Project (Second Phase) of the U.S. Agency for International Development
AFRC	Armed Forces Revolutionary Council
CPP	Convention Peoples' Party
ERP	Economic Recovery Programme (Phases I and II)
JFM	June the Fourth Movement
KNRG	Kwame Nkrumah Revolutionary Guards
NAL	National Alliance of Liberals
NDM	New Democratic Movement
NLC	National Liberation Council
NRC	National Redemption Council
NUGS	National Union of Ghana Students
PDC	Peoples' Defence Committee
PNDC	Provisional National Defense Council
PNP	People's National Party
PP	Progress Party
PRLG	People's Revolutionary League of Ghana
RDC	Revolutionary Defence Committees
SMC	Supreme Military Council
WDC	Workers' Defence Committee

PREFACE

During the past decade policy reform has become a valuable tool in efforts by the U.S. Agency for International Development (A.I.D.) to improve the contribution of agriculture to the physical and economic well-being of developing nations. The success of reforms requires not only rigorous economic analysis and extensive host country collaboration, but also strategic implementation. To perform effectively in the design and implementation of policy dialogue and adjustment-related programs, A.I.D. field officers as well as their host-country counterparts must be familiar with the repertoire of strategic and political issues that affect the reform process.

The Bureau for Research and Development's Agricultural Policy Analysis Project, Phase II (APAP II) has been a key vehicle through which A.I.D. has developed practical insights for the initiation, implementation and sustainability of agricultural policy reform. In addition to highlighting issues like these, APAP II has developed practical tools and methods for agricultural policy analysis and implementation in developing countries.

The "Improving the Effectiveness of Agricultural Sector Policy Reform in Africa" research project was funded by the Africa Bureau of A.I.D. (AFR/ARTS/FARA) under a buy-in to APAP II, in an effort to improve the quality of policy reform efforts. The specific objectives of this activity have been (1) to gain better understanding of the political and socio-cultural factors that explain the success and failure of agricultural policy reform programs and projects in Africa; and (2) to develop a set of guidelines and training materials that will enhance the ability of A.I.D. staff and host country officials to effectively incorporate political and socio-cultural analysis into the design and implementation of agricultural policy and institutional reform programs and projects.

The role of policy leadership, the political impact of key technical assistance staff, and strategies for institutional change were examined in a range of countries and contexts using a common analytical framework. Field studies were conducted in Côte d'Ivoire, Mali, and Zambia, and desk studies examined Cameroon, Ghana, Madagascar, and Malawi.

This document is but one component of the research reports produced under the "Improving the Effectiveness of Agricultural Sector Policy Reform in Africa" task.
The complete corpus of documents include:

Improving the Effectiveness of Policy Reform in Africa: A Synthesis of Lessons Learned, by Nicolas Kulibaba and Catherine Rielly;

Improving the Effectiveness of Policy Reform in Africa: Manual for Agricultural Development Practitioners, by Catherine Rielly and John Tilney;

Improving the Effectiveness of Policy Reform in Africa: Training Module by Catherine Rielly and John Tilney;

Improving the Effectiveness of Policy Reform in Africa: Cocoa Marketing Reform in Ghana by Nicolas Kulibaba;

Improving the Effectiveness of Policy Reform in Africa: Marketing Reforms in Malawi by Nicolas Kulibaba;

Improving the Effectiveness of Policy Reform in Africa: Maize Marketing Reform in Zambia by William Levine and Charles Stathacos;

Improving the Effectiveness of Policy Reform in Africa: Cereals Market Policy Reform in Mali by Ismael S. Ouedraogo and Carol M. Adoum;

Improving the Effectiveness of Policy Reform in Africa: Rice Market Liberalization in Madagascar by Catherine Rielly;

Improving the Effectiveness of Policy Reform in Africa: Fertilizer Reforms in Cameroon by Catherine Rielly;

Improving the Effectiveness of Policy Reform in Africa: The Politics of Agricultural Policy Reform in Côte d'Ivoire by Jennifer A. Widner with Atta Brou Noel.

EXECUTIVE SUMMARY

This study examines the political economy of cocoa marketing reform in Ghana during the period 1979-1992. Following independence Ghana had become one of the most spectacular failures of the post-colonial epoch. Since 1993 however, Ghana has sustained a macroeconomic and sectoral reform effort that is remarkable for its longevity and its success relative to other nations of sub-Saharan Africa.

The reasons for Ghana's economic decline during 1960-1983 were policies that distorted markets for the most productive sectors of the economy but that subsidized government and elite constituencies. The key policy challenges facing the country were the need to redress the following imbalances and tendencies:

- Urban policy bias, which extracted taxes and rents from the agricultural sector to subsidize urban-based import-substitution industries, bureaucracies, and patronage-based businesses;

- Overvalued exchange rates, which created both an inflation tax on the population and encouraged destructive rent-seeking behaviors;

- Import-substitution industrialization policies that had been encouraged by Western development theorists during the 1960s, but that endured even in the face of failure, due to the emergence of constituencies of workers, managers and owners.

- A repetitive cycle in which political regimes having narrow popular support sought to perpetuate policies of self-enrichment. These were overthrown by regimes having a similar orientation and that remained in power only because they controlled the security apparatus.

Major reform in Ghana began with the political emergence of Flight Lieutenant Jerry Rawlings, who seized power in 1979, ceded authority to a civilian regime several months later, and returned to power in 1981. Rawlings and the Peoples' National Defence Committee were committed to fundamental change in policy and standards of governance. In 1983 the PNDC began a major economic reform program, beginning with the devaluation of the country's overvalued currency. Subsequent reforms promoted an increase in cocoa production, Ghana's principal export, by narrowing the gap between producer and export prices, and through institutional reform of the Cocoa Marketing Board.

The Economic Reform Program and agricultural marketing reforms succeeded for the following reasons:

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- A sustained crisis that called into question the fundamental principles of governance and policy-making. Deterioration of civil institutions and the fragmentation of traditional sources of power allowed the PNDC to "reinvent" government;

- Abandonment of revolutionary Marxist ideologues who occupied key positions early in the regime's tenure, in favor of market-oriented policymakers;

- Mobilization of dedicated, competent technocrats who served as champions, negotiators, and managers of a unified reform initiative over a sustained period;

- Substantial insulation of policy reform managers from competitive factions during the reform period. This was accomplished, however, through increasingly autocratic decision-making; and

- Access to technical guidance and substantial capital to support the reform process, at favorable terms.

Among the challenges to the reform process that emerged over time were the following:

- Authoritarian methods were effective for policy implementation, but were less effective in developing a supportive political culture and institutions for reform. The PNDC succeeded only partially in building a rural constituency for reform. In the 1992 presidential election, ethnic loyalties, rather than economic ones, posed a threat to the regime;

- Although donors claimed to be apolitical, Ghana suffered during the early stages of reform from donor reticence, tied to the neo-Marxist stance of the PNDC in its early years. While this was considered a liability by donors, it convinced Ghanaians of the regime's earnest commitment to major reform;

- Donors insisted on tackling macro-level issues first and, only afterward focusing on agriculture as a means of promoting growth. But devaluation was a sensitive issue, having led to the overthrow of an earlier regime. Rawlings chose to begin reform with the bitterest of medicine first and, having weathered the political consequences, felt free to proceed with sectoral reforms;

- Differences in flexibility of the IMF and the World Bank, and statutory linkages between the actions of those institutions when conditionalities were breached, created confusion, endangering support for reform during critical periods; and

- The "piling on" of conditionality linked to donor assistance raised demands on Ghanaian bureaucrats to unrealistic levels over time. Early efforts to strengthen Ghanaian institutions would have better enabled local technocrats to track and adjust policy implementation in a timely manner. Likewise, "cross conditionality" between donor programs multiplied and sometimes made reporting requirements redundant.

1. INTRODUCTION AND BACKGROUND

When Ghana became the first of Britain's African colonies to be granted independence in 1957, it joined the community of nations with justifiable optimism. Led by one of the era's charismatic liberationists, Kwame Nkrumah, Ghana was a nation of considerable economic and social promise, building its hopes for the future on what appeared to be a sound basis of abundant natural resources and talented human capital. But in less than two decades Ghana's experiment in nation-building had become one of the most spectacular failures of the post-colonial epoch. Political instability, failure of rule-ordered government, social disorder, economic decline and mass impoverishment had become the norm, leading numerous observers in and outside of Ghana to comment on the near total collapse of the Ghanaian state.

During the past decade, however, Ghana has returned from the brink of dissolution, sustaining a political and economic reform effort that is remarkable both for its longevity and its success relative to other nations of sub-Saharan Africa. One of the earliest participants in a multilaterally-funded Structural Adjustment Program, Ghana is regarded by many as something of a successful experiment in the application of neoclassical economics to the dilemmas of underdevelopment. However, as this case study will seek to demonstrate, the synergy of indigenous, unilateral initiatives combined with external assistance has been responsible for policy-led recovery there.

The underlying reasons for Ghana's economic decline between 1960-1983 were a complex web of policies and behaviors that effectively distorted markets for the most productive sectors of the economy in the interest of subsidizing government and its elite constituencies. The principal policy challenges facing the country were the need to redress the following imbalances and tendencies:

- Urban policy bias, which was based on the extraction of rents from the agricultural sector to subsidize the creation of urban-based import-substitution industries, bureaucracies, and patronage-based businesses;

- Artificially maintained overvalued exchange rates, which created both an inflation tax on the population and encouraged destructive rent-seeking behaviors;

- Industrialization policies, particularly in import-substituting manufacturing. While these policies emerged from mainstream European and North American thought during the 1960s, they endured even in the face of failure, due in large part to the emergence of vocal constituencies of workers, managers and owners.

- A repetitive cycle in which political regimes having narrow popular support sought to perpetuate policies of self-enrichment. These were overthrown by regimes having a similar orientation and which remained in powr only becaus they controlled the security apparatus.

This study concentrates on one aspect of Ghana's Economic Recovery Program (ERP), cocoa marketing reforms. However, the study shows that the agricultural marketing reforms have succeeded for the same reasons that led to the overall success of the ERP:

- A deep and sustained crisis which called into question the fundamental principles of governance and policy-making in Ghana;
- The progressive fragmentation of institutions and sources of power, which created an opening for charismatic, but sometimes insular, alternative leadership;
- The emergence of leadership and a political sub-culture that was committed to fundamental change from past policies, behaviors, and ethical standards of governance;
- The mobilization of a team of dedicated, competent technocrats who served as champions, negotiators, and managers of a unified reform initiative over a sustained period;
- Substantial insulation of policy reform managers from competitive factions during the reform period. The downside of this factor is, however, that political insulation of policy reform managers was accomplished only through increasingly autocratic executive decision-making.
- Substantial external technical advice and support;
- Access to substantial capital resources to support the reform process, at favorable terms.

This study assesses Ghana's agricultural policy reform efforts through the lens of political economy, i.e. examining the interplay of economic and political factors in the behaviors and performance of individual and collective (institutional) actors. Utilizing an analytical matrix developed for these comparative case studies by David Gordon and Catherine Rielly, the study seeks to identify how the disposition and power of those actors, the salience of their interests, and their relationships with one another contributed to the development and implementation of economic policy reform efforts in Ghana.

This study begins with a brief presentation of the analytical framework common to all of the studies carried out under the "Improving the Effectiveness of Agricultural Sector Policy Reform in Africa" research initiatives of the Agricultural Policy Analysis Project (APAP II). It then provides historical background to Ghana's economic crisis, examining the political configurations and policies that necessitated reform, particularly with regard to agricultural production and marketing. The study then discusses the reforms introduced as central to Ghana's agricultural liberalization efforts—cocoa pricing, marketing and input marketing reform—from the early 1980s to the present, and concludes with some observations regarding the salient political interactions, successful and unsuccessful elements of Ghana's cocoa marketing reform efforts, and the impact of political change upon reform.

It should be noted that this is a desk study, which relies exclusively on published or publicly available information on Ghana's ERP. The principal sources used in the preparation of this study are listed in the bibliography.

1.2 The Analytical Framework Employed in this Study

This study of the political economy of agricultural policy reform in Ghana is part of a comparative analysis of agricultural structural adjustment reforms supported by A.I.D.'s Africa Bureau (AFR/ARTS/FARA). The ensemble of case studies and synthesis material is intended for an audience of donors, government policy analysts, political leaders and those charged with developing agricultural reform measures and strategies. The studies seek to provide guidance for improving the quality and value of policy analysis during the design of reforms, and recommendations on assuring that necessary and sufficient conditions are in place to achieve desired policy outcomes.[1]

In recent years a considerable body of research has been devoted to the role of political factors in the application of economic theory, particularly with regard to problems of structural adjustment in developing economies. On the basis of this heightened interest in the interplay between the political and economic realms, this research effort seeks to identify how agricultural policy reformers in developing countries can effectively integrate the lessons of political economy into the application of economic theory.

An initial point of departure for each of the studies is the assumption that economic reforms cannot be analytically or practically divorced from the complexities of the political milieu in which they are to take place. Indeed, *every proposal for a reform and every prediction of its outcomes implies a series of assumptions about the behavior and effectiveness of political actors or institutions and how they may react in a given set of circumstances.*

The analytical framework employed by this and its companion studies applies a "phased" approach to the assessment of policy reform: policy innovation is but a first step in the reform process, whereas often formidable challenges lie in policy implementation and sustainability. As policy reform is generally carried out, however, greater energy is often devoted to the design and adoption of a given policy regime, whereas an ad hoc approach is taken to implementation. The phased approach employed by this study examines the various stages that each reform regime or initiative must encompass: initiation/adoption; implementation; and institutionalization/sustainability.

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[1]For a comprehensive description of the methodology employed herein and a synthesis of the results of all studies undertaken as part of this exercise, please see the Synthesis volume.

The value of this approach is that it permits assessment of the roles that key political actors, (whether individuals, institutions or informally organized groups), play—or are likely to play—in the agricultural policy reform process at it various stages over time. Specific attention is given to the salience and power of those actors in contributing to the success or failure of reform initiatives. The dynamic relationship between economic objectives and political behaviors (activism or reaction) necessarily requires the examination of events over time as a means of identifying how effective strategies for reform can be developed.

For the purposes of analysis, an analytical matrix was developed which grouped critical political actions, responses and behaviors into four broad categories, or themes:

- Coalitions and Mass Political Pressure
- Donor-Government Relations
- Political Elites and Factions
- Bureaucratic Interaction

Table 1.1 presents the analytical matrix the study employs along with key considerations to be taken into account when analyzing the relationship between the agricultural policy reform and the relevant political actors.

Each category of political interactions deals with the political behavior of relevant actors as they influence or respond to political and economic conditions that give rise to or result from the evolution of the policy reform process. The four categories admittedly imply certain assumptions about the prospective importance of types of political actors. However the categories are sufficiently broad to accommodate analysis of changes in the alignment and relative saliency of political actors that typically occur in an evolving political and economic context.

Examining **coalitions and mass political pressure**, for example, can identify the degree to which demographically important stakeholders—political parties, particular social classes, ethnic or religious groups, or the proverbial "man-in-the-street"—influence the reform process. Is their influence specific or diffuse? Did such groups provide an effective impulse for reform? Did they support, defend or oppose the economic or political trade-offs that are an essential element of the reform process? Were their responses based on perceptions of winning or losing, and how did this translate into support or opposition? Can mass political pressure be mobilized to support agricultural reforms even when there is significant lag-time between initiation and the ultimate derivation of benefits by such groups?

Given the often significant role of donors in promoting and supporting reform, **donor-government relations** are especially important, particularly when examining structural adjustment issues. Here, the framework seeks answers to some of the following questions:

- Did the donors or the government do a stakeholder analyses in advance of proposing reforms?

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Table 1.1:

Analytical Matrix

Improving the Effectiveness of Policy Reform in Africa

POLITICAL THEMES: LEVELS				
PHASES OF AGRICULTURAL POLICY REFORM	Coalitions & Mass Political Pressure	Donor-Government Relations	Political Elite, Factional	Bureaucratic Interaction
Initiation/Adoption	• Consensus Building • Public Perception of Crisis • Previous Style of Adjustment Discredited	• Perception of Need for Consensus • Donor Resources • Sense of Urgency to Act • Sequencing of Reforms • Conditionality	• Selling Reform to Politicians • Autonomy from Elites • Support of Elites • Clientelism • Political Management Skills	• Policy Champions • Critical Mass of Technocrats • Tactical Thinking • Autonomy • Parallel Markets
Implementation	• Protests • Winners/Losers: • Urban/Rural, Farmers, Military, Other Interest Groups • Compensatory Measures	• Pace • Conditionality • Institutional Reform Strategies • Timing of Financing • Level of Financing • Tactical Thinking	• Motivation: Ideas, Party, Donor Resources, Constituency, Ethnic Group, Diffuse Opposition • Duration of Regime, Legitimacy	• Capacity of Technocrats • Incentives • Effective Institutions • Technocrat Autonomy/Influence on Bureaucracy • Role of TA
Sustainability	• Compensatory Measures • Concentrated Benefits • Dispersed Costs • New Coalition	• Supply of Public Goods • Conditionality • Relations with Bank, Fund, USAID, Other External Relations • Resources	• Institutionalized Autonomy • Role of Ideas • New Consensus	• Rules/Norms Reducing Discretionary Power of Bureaucracy • Reform Pace • Successful Institutional Change

- Was it the donors or the government that took the lead in perceiving the need for reforms, and to what extent did they support and participate in the design of the reform program?

- Did donors or the government mobilize "winners" and diffuse "losers" in the reform process, that is, did it account for trade-offs among stakeholders?

- Did the donor community respond consistently to reform programs in terms of funding and conditionality?

- To what degree did donor and government perceptions of the need, pace, conditions, and support for reforms remain consistent and compatible?

Focus on **political elites and factions** seeks to determine the degree to which those who are in positions of political or economic privilege can act as a unified force for progressive change, or how they can effectively oppose or derail reform. These issues are especially critical in autocratic political regimes that, by their very nature, are extremely sensitive to clientelism and patronage. In instances where agricultural policy reform reduces or eliminates sources of revenue for political elites, the question of political "marketing" acquires particular importance. How did the political leadership "sell" proposed reform initiatives to their elite constituents and clients? Were there reform "champions"? Was the integrity of the reforms maintained or was it compromised by elite pressures? How was opposition among elites diffused or coopted? Were special accommodations made in the timing of reform implementation? How did this affect the outcome of the reform process?

Bureaucratic interactions within the framework are examined with attention to the degree to which the bureaucracy plays an important part in conceiving, supporting and implementing the reforms reform process. The analysis addressed questions such as:

What critical mass of support from technocrats in needed in order to successfully implement and monitor reforms?

Are the bureaucrats and political actors mutually supportive in the reform process?

What is the relationship between bureaucrats and donor agencies who support the reform?

How do bureaucrats seek to institutionalize reform programs?

As this study and its companions demonstrate, the interactions that transpire at each level of political grouping will vary during the evolution of the reform process, based on the perception or experience of the consequences of the reform process by different political actors.

2. POLITICAL BACKGROUND TO REFORMS

2.1 Emergence and Collapse of the Ghanaian State

"The regressive cycle of Ghanaian politics," as several authors have described Ghana's first two decades, began shortly after independence, with a debilitating series of failed economic policies, abrupt transitions, and short-lived regimes.[2]

Ghana was granted independence by Great Britain in 1957, and the leadership of the nation was vested in the Convention Peoples' Party (CPP), led by Dr. Kwame Nkrumah. The CPP had already been in office since 1951, holding a majority of positions in the Legislative Assembly, under the limited internal self-government accord between Britain and its then-colony, the Gold Coast.

The CPP remained in power until February 1966, when a by-then disgraced Nkrumah was overthrown in a military coup, the first of many to come. The new government, which called itself the National Liberation Council (NLC) was led by Colonel A.A. Afrifa. Afrifa and his fellow officers justified the coup on the grounds of Nkrumah's heavy-handed suppression of political opposition and the growing usurpation of powers by the president and his staff. An additional charge leveled against Nkrumah and his CPP colleagues was to become a persistent theme in Ghanaian politics, repeated many times in the years to come: that ruling elites were guilty of corrupting public office for the purpose of self-enrichment.

The NLC suspended the constitution, dissolved the National Assembly, and banned all organized or individual political activity.

> In doing so, the NLC introduced [an] object lesson into Ghanaian politics: the precondition for political reform is the complete dismantling of the previous regime. The NLC coup also revealed a profoundly important underlying dimension of Ghanaian political culture; namely, the tendency to assign the responsibility for poor economic performance on the corruption of the country's political leaders and on their managerial inadequacies, rather than the underlying policy framework.[3]

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[2] Pellow and Chazan, 1986, p. 88. Thomas Callaghy (1990, p. 271), has described Ghana's transformation from a multiparty democracy into a personalized, authoritarian single-party state as having established a precedent elsewhere in Africa, and thereby dubs this historical experience "the Ghanaian Syndrome."

[3] Leith and Lofchie 1993, p. 228. The authors also refer to a "first object lesson," i.e. that in Ghana "the key to political survival is to minimize the discontents of urban lower classes." This is discussed elsewhere in this study.

The NLC relinquished power in October 1969 in a general election that was won decisively by the Progress Party (PP), which gained more than two-thirds of parliamentary seats. The Second Republic, under the leadership of the PP's Dr. Kofi A. Busia, drew much of its support from Ghana's cocoa producing regions, among the Akan people of the Ashanti, Central, Western, and Brong-Ahafo regions. In urban areas, the PP drew support from elite's who were in the mainstream and on the periphery of Ghana's commodity export industries. The PP's principal opponent was the National Alliance of Liberals (NAL), composed primarily of populations beyond the mainstream of the cocoa zone and its links to the cities. These populations inhabited the country's Eastern and Volta regions, and were predominantly members of the Ewe ethnic group. These two regions had voted to join Ghana, rather than the neighboring francophone nation of Togo, in a pre-independence plebiscite but remained marginalized in national political affairs.

After a mere two years in power, the PP regime was toppled in 1972 by a military coup. The National Redemption Council (NRC), and its most senior ranks, the Supreme Military Council (SMC) in 1975, governed Ghana for the next seven and a half years, albeit in a rotation of several heads of state. This period coincided, not accidentally, with Ghana's precipitous economic decline. Overvaluation of Ghana's currency, the *cedi*, and rampant corruption were the driving forces of the nation's fall. In what one observer called "the pinnacle of decadence," SMC head Colonel Ignatius Acheampong presided over a government which became known for its policy rigidity, recklessly corrupt management of public resources, and monetary irresponsibility. In June 1978, during a regular meeting of the SMC and NRC, Colonel Acheampong was ousted by his colleagues. General Frederick Akuffo, formerly Army Chief of Staff, was chosen to head the SMC and lead efforts to blame Ghana's continuing economic downturn on Acheampong.

In June 1979 Flight Lieutenant Jerry John Rawlings led a revolt by junior officers of Ghana's armed forces and succeeded in ousting the SMC. With his radical rhetoric and a revolutionary ethos, Rawlings and his colleagues in the Armed Forces Revolutionary Council (AFRC) were unlike any of their predecessors. The AFRC stated its commitment to returning Ghana to democratic, civilian rule, but not before it could eliminate the forces of recidivism. As a demonstration of his earnest belief that corruption was an obstacle to genuine change, Rawlings and his AFRC colleagues ordered the execution of three former heads of state (Colonel Acheampong, and Generals Akuffo, and Afrifa) and other senior military officers.[4]

Three months after seizing power, the AFRC turned the reins of government to the winners of a general election scheduled even before the AFRC coup. What has come to be known as the "Third Republic" was led by Dr. Hilla Limann, a university professor and head of the People's National Party (PNP). Support for the PNP was based in old Nkrumah-era

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[4] Rawlings' violent retribution against the senior military officers was a signal departure from Ghanaian political traditions. Ousted leaders in the past had traditionally been placed under house arrest or exiled, usually to African destinations.

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stronghold, Ghana's cities, among white-collar workers in the public and private sector, students, the urban unemployed, as well as those whose principal business activity was driven by government contracts. Indeed, the PNP modeled itself on Nkrumah's CPP and went so far as to claim that it was following a socialist program based on Nkrumah's philosophy.

Rawlings, meanwhile, remained the most visible and vocal critic of the PNP government and its policies, regularly exhorting the new regime to stick to the straight-and-narrow of responsible fiscal management and good behavior. His commentaries from the political sidelines were a regular subject of debate in and outside of government.

However, throughout PNP rule, Ghana continued its downward economic spiral unabated. In spite of its many shortcomings the PNP regime was the first since Nkrumah's downfall to attempt to make agricultural marketing reform a policy priority. The PNP raised producer prices of cocoa beyond the international market price (at the official exchange rate) but as the economy continued to weaken, the PNP was unable to sustain this policy.

2.2 Radicalism on the Eve of Adjustment

On December 31, 1981—two years after the PNP took power—Jerry John Rawlings and his fellow officers again seized power, establishing the Provisional National Defense Council (PNDC).[5] Rawlings, whose populist appeal earned him the nickname "Junior Jesus," had by now grown more radical.[6] In his first address to the nation following the 1981 coup, Rawlings defined the PNDC takeover as "a revolution" and "a holy war" against corruption, fraud, and social injustice. In subsequent speeches he called for a "complete dismantling" of existing government institutions and a larger voice for the masses, as an antidote to the "pure fiction" of bourgeois democracy.[7]

A political unsophisticate, Rawlings was driven by a belief that Ghana's sole salvation was a complete repudiation of the institutions and personalities that had led Ghana into such dire social and economic straits. His radical *élan* and strident rhetoric broke with the style of earlier regimes. Rawlings' appeared to enjoy that fact that this was unnerving to the West and he did little to disabuse Western leaders of the notion that his was to be a Libyan-style socialist revolution. (This was to exact a toll of indecisiveness and delay among donors when Ghana ultimately launched its clearly non-socialist Economic Reform Program.)

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[5] Rawlings had lost his military commission only a month before the coup, under an order issued by Limann.

[6] It is worth noting that in time, as Ghana's population bore the burden of recovery under Rawlings' Economic Reform Programme, Rawlings' came to be known as "Junior Judas" to those of his detractors who believed that he had sold out Ghana's interests to the mandates of the Bretton Woods institutions.

[7] Petchenkine, 1993, pp. 119-120.

In the days following Rawlings' second seizure of power, vocal radical groups with names like the June Fourth Movement (JFM), the New Democratic Movement (NDM), the Kwame Nkrumah Revolutionary Guards (KNRG), and the People's Revolutionary League of Ghana (PRLG) sprang full-blown in a search for political opportunity. These groups were united in two ways. The first was their stated belief that the evil of neo-colonialism had ruined Ghana, corrupting successive regimes as multinational corporations reaped obscene profits from Ghana's power plants and cocoa plantations. The second was their insistence that any program of economic, political and social reform must be based on enhanced state authority and control of the affairs of Ghana's citizens.[8]

Rawlings' leftist allies comprised a small number of urban intellectuals trained at or employed by the national university at Legon, where the "dependency" school of political economy had been popular since the mid-1970s. Their influence was, at first, based less on ideological affinity than on longstanding friendships between Rawlings and several of their leaders: the Tsikata brothers (law lecturers at the University of Legon and founders of the NDM); Chris Atim, (former vice president of the National Union of Ghana Students and chairman of the JFM), and Sgt. Alolga Akata-Pore, a member of the JFM who is widely believed to have been the principal strategist behind Rawlings' seizure of power.[9]

The association of these groups and individuals with Rawlings provided them with a highly-visible platform for a political philosophy that enjoyed little currency in Ghana outside of university circles, and from which they could seek to mobilize the "popular forces" necessary for Ghana's revolution. Emphasizing the need for popular participation in radical reform, they sought allies among junior officers and in the rank and file of the army, trade unions, and youth groups. However, in time, it became clear that many of the new adherents to the radical political cause were drawn to Rawlings, rather than the radical platform itself.

As originally constituted, the PNDC can hardly be said to have represented the interests of the Ghanaian masses: headed by Rawlings, the PNDC also included six commissioned and non-commissioned officers who had been associated with the AFRC, (the first Rawlings regime), a trade unionist and a Roman Catholic priest.

During its first year in office the PNDC launched a program of political "reforms" which demonstrated both its ideological disorientation and its political insecurities:

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[8] Clearly the most radical of these was the JFM, which was unequivocal in its call for a break with "imperialism" and the and its ties to the Ghanaian bourgeoisie. The NDM, on the other hand, promoted a platform of inclusion in which patriotic professionals and businesspeople had a necessary, positive role to play in societal transformation.

[9] Kojo Tsikata was ultimately to take charge of the state security apparatus, while his brother, Tsatsu, was to hold a seat on the PNDC.

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Ghana:
Chronology of regimes and events since World War II

1946	Election of first African majority in Legislative Council.
1948	Political agitation against 1946 constitution; riots in capital.
1951	New constitution grants internal self-government; Kwame Nkrumah wins landslide victory.
1954	Nkrumah elected prime minister.
1956	Nkrumah re-elected prime minister.
1957	Independence(March); Nkrumah as prime minister.
1960	Ghana becomes republic, with Nkrumah as president.
1964	Single-party rule by Convention Peoples Party
1966	Nkrumah overthrown by military; National Liberation Council headed by Brigadier A. Afrifa.
1967	Cedi is devalued from ₵ 0.71/US \$ to ₵ 1.82/US \$.
1969	Return to civilian rule (August); K. Busia elected president (October).
1971	Devaluation of cedi from ₵ 1.02/US \$ to ₵1.82/US\$ (December).
1972	Busia government ousted by military; National Redemption Council headed by Colonal Acheampong (January); revaluation of cedi to ₵1.28/US \$; import and foreign exchange controls tightened (February).
1975	Supreme Military Council replaces National Redemption Council.
1977	Inflation exceeds 100 percent.
1978	Acheampong ousted as chairman of Supreme Military Council, replaced by General Akuffo (July); Cedi devalued to ₵2.75/US \$; urban unrest continues into new year (June 1978-May 1979).
1979	Flt. Lieutenant J.J. Rawlings prosecuted for attempted coup (May); mutiny ousts Supreme Military Council, establishes Armed Forces Revolutionary Council, headed by Rawlings (June); Rawlings begins anti-corruption and black marketing campaign; Makola market razed on Rawlings' orders (June-October); Akuffo, Acheampong, Afrifa executed; previously scheduled elections held (July), won by H. Limann who is innaugurated in September;
1981	Rawlings overthrows Limann (December 31); establishes Provisional Natinal Defence Council government.
1982/3	Drought and fires destroy major food and cash crop plantings; return of Ghanaians expelled *en masse* from Nigeria; political extremists murder several judges.
1983	Rawlings launches Economic Recovery Program (April); Cedi devalued and exchange rate unified at ₵ 30/US \$ (October).
1986	Auction of foreign exchange begins (September); import licensing system abandoned.
1988	Foreign exchange bureaus established (February).

- Institutions for popular participation were established in urban and rural areas, in the form of People's Defence Committees (PDCs), Revolutionary Defence Committees, and Workers' Defence Committees (WDCs). These bodies—in reality local cells of the JFM, the NDM and the KNRG—were designed to extend the revolution into Ghana's villages, neighborhoods and worksites. In practice they served both a useful police function (albeit at the price of elevating political paranoia) and as vehicles of opportunism for those anxious to get on the revolutionary bandwagon;

- A "campaign against privilege" sought to harass, repudiate and seek retribution against political and business figures who had allegedly profited from the immiseration of Ghana's citizens. Peoples' tribunals, investigative commissions, public repudiation, and gangsterism were all employed as means of demoralizing and disenfranchising Ghanaian elites.

The initial economic reform program of the PNDC was a hybrid of revolutionary exhortation (self-reliance, communal labor and resource-sharing, national campaigns to assist in transporting agricultural staples and export commodities) and across-the-board rent, wage and price freezes.[10] At times it was difficult to tell where political militancy ended and economic policy began: price control policy often amounted to little more than physical harassment of traders and seizure of their goods by hoodlums acting in the name of the PDCc or WDCs. In fact, with a bankrupt treasury, an equally bankrupt set of ideas for recovery, and little room to maneuver over the short-term, this was about all that the PNDC *could* do.

The gap between Rawlings' and his radical supporters grew irreconcilable during the first year of PNDC rule. Rawlings recognized that radical proposals to reconstruct the institutions of government were more self-serving than representative of popular sentiment. Repeated complaints that WDC and RDC cells were profiteering from food aid sent to rural communities, operating extortion and protection rackets, and literally running wild convinced him that these were, in fact, dangerous groups that could neither devise a program for reform, nor win over the masses. While Rawlings' was never accused of corruption nor directly implicated in human rights abuses, the generally supportive Ghanaian press took him to task repeatedly for tolerating an environment in which such excesses could take place.

Meanwhile, challenges to PNDC power and legitimacy began to emerge. Only six months after Rawlings seized power, three members of the Supreme Court were kidnapped and murdered by a group associated with PNDC member and trade unionist I.A. Quaey. In

[10] Among the PNDC's successes was its 1982 campaign to ensure that cocoa beans grown in the interior would reach Ghana's ports. (Shortfalls in transportation had prevented the Ghana from exporting more than half of its harvested cocoa in 1980 and 1981.) Between February and May of 1982 the PNDC declared a university and secondary-school holiday and organized student brigades to transport the backlog of accumulated cocoa beans to the coast.

September and October 1982 coup attempts were put down that involved or implicated several other members of the PNDC.[11]

The end of Rawlings' infatuation with radicalism came quickly, and for reasons largely unrelated to ideology. Added to the decay within his regime and the barrenness of its policy agenda came natural disaster: in 1982 and again in 1983 drought struck West Africa. Already diminished food supplies were depleted in many regions, and an epidemic of brush fires destroyed several hundreds of thousands of hectares of foodcrops and as much as a quarter of the country's cocoa plantations. By mid-1983 water supplies in Lake Volta were perilously low. Shutdown of the hydro-turbines at the Akosombo Dam resulted in the closure of numerous energy-intensive Ghanaian industries, while residential power supplies were reduced by half. Finally, in late 1983 over the course of only several days, Nigeria expelled nearly one million Ghanaians—the equivalent of 10 percent of Ghana's population—who it alleged were working in Nigeria illegally.

Hence, on the eve of Ghana's experiment in structural reform of the economy—the Economic Recovery Programme of 1983—Ghana's already demoralized population found itself under the assault of nature, external politics, and chronic economic decline. Rawlings' and the PNDC recognized that if the regime was to survive, both external assistance and bold policy measures would be required. Having loudly and frequently repudiated European "neocolonialism," the PNDC sought—and failed— to obtain emergency economic support from external donors: Rawlings' overtures to the Soviet Union and its satellites were rebuffed with the advice that Ghana seek recourse to the International Monetary Fund, while Libya offered little more.[12]

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[11] Others coup plots and coup attempts followed in 1983, although none directly involved a member of the reformed PNDC.

[12] That "not even the Soviet Union could be bothered" has become a staple of Ghanaian political folklore, if not history. Although the Soviet Union's suggestion that the PNDC turn to the IMF is widely reported in studies of Ghana during the period in question, the author has been unable to locate any specific information on the date or context in which that event occurred.

3. ECONOMIC POLICY AND THE ROAD TO RUIN

At independence, Ghana's viability as a new state was based largely on the vitality of its economy and its status as one of the more advanced of the sub-Saharan African colonies. A major global exporter of cocoa, gold and tropical timber, Ghana had accumulated foreign exchange reserves in excess of $500 million. Unlike other incipient nations in the region whose agricultural sectors were dominated by foreign-owned plantations and ranches, Ghana's agricultural sector was controlled by small peasant producers with relatively easy access to arable land. As a result, Ghanaian per capita income had been growing at a rate of 3 per cent per annum throughout the second half of the 1950s and, at independence, was approximately $300. At the time of independence, Ghana rivaled South Korea as a middle-income country.

Following independence, Ghana's performance was poor, due in part to a development strategy that called for rapid industrialization, subsidized by rents from the agriculture sector. This problem was compounded by reckless monetary policies, inefficient fiscal management, and high levels of corruption in and outside of government. While this combination of factors has, by now, become so exemplary as to qualify as the syndrome of economic failure throughout sub-Saharan Africa, Ghana at the time was continuing to play a pioneering role. In the words of one analyst "...just as Ghana pioneered political independence from colonial master in Africa, so also has she pioneered a set of self-destructive economic policies which many more recently decolonized African countries have also followed...."[13]

Several key features and outcomes of Ghana's economic policy regime between independence and 1983 merit attention here.

3.1 Political Philosophy and Pragmatism

A mere thirty years after the first wave of independence for African states it has become difficult to recall the radical social and political transformations that were set in motion by the departure of colonial rule.

On the eve of independence Ghana shared many of the characteristics of other sub-Saharan African nations. The largest element of the population—more than 75 percent—was comprised of rural farmers living in a not-yet fully monetized economy. Political participation among rural populations was low and consisted primarily of highly-localized activity under the aegis of ethnically-based traditional structures. Traditional leaders in the Akan ethnic kingdoms (including the Ashanti) formally held ownership rights to land and labor and were justifiably wary of any political developments that would reduce their political and economic prerogatives.

The advent of Kwame Nkrumah and CPP rule during the years leading to independence brought about a direct challenge to the status quo, in which traditional leadership was openly

[13] Toye, 1991, p. 151.

challenged. Gambling that traditional leaders could contribute little to his ambitious plans for socialist nation-building, Nkrumah instead opted to seek his power base in Ghana's cities, where he could mobilize the country's incipient modern work force and the inevitable bureaucracy that would come with nationhood.[14] Once in power, Nkrumah and the CPP actively issued orders that traditional leaders who opposed them be stripped of their authority, opening the way for wholesale privatization of formerly communal lands and other resources.

Nkrumah's East-bloc style programs for economic modernization were based largely on the stated goals of socialism and radical economic and social change. While the ideological purity of Nkrumah's socialist platform was sullied well-prior to the collapse of his regime, Nkrumah implanted a strain of political philosophy that was to endure until the mid-1980s: Ghana's leaders believed that their political survival depended on the ability of the state to be the principal provider of jobs, capital, and public welfare in the life of the country.

Combined with emerging tendencies toward opacity of central authority and clientelism among rulers, this legacy proved to have destructive effects.

3.2 Urban Bias and Rural Rents

At independence, Ghana's greatest economic strength was the productivity of its farming population. The principal sources of foreign exchange earnings were the export of cocoa, tropical timber and to a lesser extent, gold. In an effort to promote development of other economic sectors, Ghana's leaders decided early on to tax the agricultural sector in order to finance the mushrooming costs of government, infrastructure development, and industrialization.

Leith and Lofchie argue that one of the defining moments of Ghanaian political development occurred in March 1948, when unemployed ex-servicemen, primary school-leavers and unemployed urban malcontents rioted in the capital city of Accra. At issue was a nexus of grievances, including widespread unemployment, housing shortages, the high cost of imported consumer goods and, of course, anti-colonial sentiments. They note that "the volatility of the political forces unleashed by these factors constituted a powerful object-lesson for future governments: the key to political survival is to minimize the discontents of urban lower class."[15]

Nkrumah's Convention Peoples' Party (CPP) was founded shortly afterward, uniting urban "discontents" with low-level civil servants and urban-based professionals under a single political banner:

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[14] In 1960 Ghana's force of employed workers numbered 337,000, rising to 457,000 by 1976. Among the stated goals of Nkrumah's "Seven Year Plan," which covered the 1963-1970 period, were those of increasing the number of administrative workers in government by 23 percent, and the number of teachers by 112 percent. (Patchenkine, 1993, pp. 16-17.)

[15] Leith and Lofchie, 1993, p. 228.

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> The urban bias approach suggests that the post-independence policy framework of the CPP government can be explained by its determination to pursue policies that would offer the greatest prospect of maintaining the loyalty of these volatile supporters. A variety of policies were employed to shift society's resources toward these groups and away from rural populations in a weaker bargaining position....[16]

Hence, while Ghana's independence era strategy can be characterized by urban bias, it is more likely that a pragmatic process of constituency-building was at work. The urban supporters of Nkrumah's CPP government were, indeed, positioned to benefit from the strategy of taxing agriculture to fuel the growth of government and manufacturing as industries. Nkrumah's commitment to rapid industrialization and bureaucratization suited them, given that factories and offices needed to be built adjacent to the greatest concentrations of available labor: Ghana's cities.

Whatever the rationale of Nkrumah's party may have been, the initial policy orientations of the new nation set in motion a cycle of rent-seeking that was to have disastrous consequences for Ghana over the long term.

Cocoa, Ghana's principal export commodity, was taxed in multiple ways: suppression of producer prices through regulation; taxation at the export dock; charges for the costs of official service providers, and payment to producers in over-valued currency. At the same time, the state apparatus for agricultural marketing grew beyond rational proportions. Ghana's Cocoa Marketing Board can hardly be described as having been monolithic: convoluted management structures, patronage-driven decision-making, and financial leakage at every level of its operations suggested instead an institution out of control and beyond redemption.

3.3 Industrialization Strategy

Theories and prescriptions for economic development in the early 1960s were starkly different than those that dominate current thinking. Among the leading figures of that era was W. Arthur Lewis, who worked for a time as an advisor to Prime Minister Nkrumah. Along with such theorist-practitioners as Gunnar Myrdal, Raoul Prebisch and others, Lewis argued that terms of trade between the developed and developing nations would continue to systematically erode and widen the gap between them. Economies that relied heavily on the export of

[16] *Ibid*. This interpretation may be an oversimplification, however. Post-independence governments throughout sub-Saharan Africa have exhibited the similar tendency of extracting rents from whichever sectors produced the highest revenues as a means of subsidizing investment in government, infrastructure and, ultimately, the profligacy of their leaders. That agriculture or mining have been the principal sources of rents can be explained in terms similar to those used by the American felon, Willie Sutton who, when asked why he robbed banks is alleged to have replied, "Because that's where the money is."

agricultural commodities would be particularly disadvantaged over the long term if they staked their prospects for growth on trade with the exporters of manufactured and processed goods. Added to this concern were bleak assessments of the state of African entrepreneurialism at that time.

Responding to the advice of Lewis and others, Prime Minister Nkrumah and his advisors embarked on a "big push" strategy of industrialization and import substitution in which the state would be a driving force. Although Ghana's application of industrial development theory enjoyed a brief honeymoon in the form of rapid short-term industrial growth, in the end policy-makers strayed far from the ideal envisioned by Lewis and his colleagues. From 1955 to 1969 annual growth in manufacturing value added far outpaced the growth rate of GDP, by more than 16 percent.[17] However, Ghana's emerging industries were typically last-stage processing and assembly operations, which imported nearly all of their materials and manufactured components.

Among the first policies to be implemented was a protectionist trade regime, which utilized a complicated system of licensing, quotas, tariffs, and bans. These restrictive measures were not applied strategically to encourage specific industries but, instead, covered a broad and diverse range of enterprises. Increasingly, monopolies were granted to local manufacturing enterprises, many of which were owned by the state. By the mid-1960s over 25 percent of Ghana's industrial value added was generated by state or joint-ownership enterprises.[18] The voracious appetite for investment finance by the parastatal sector of the economy effectively crowded out private entrepreneurs, making the regime's dismal assessments of the private sector a self-fulfilling prophecy.

A second problem with Ghana's industrialization policies was their sheer complexity. Economic rationale was sacrificed over the short-term to an increasingly confusing array of policy measures, administrative and financial facilities, parastatal enterprises and exchange controls.

3.4 Exchange Rate Policy and the Agricultural Sector

One of the principal flaws of Ghanaian economic policy following independence was the steadfast insistence of the nation's leaders on maintaining a fixed nominal exchange rate.[19] The large foreign exchange reserves held by Ghana's banks at independence were sufficient to cover the national import bill. The overvalued exchange rate for Ghana's currency thus reduced the cost of imported raw materials and capital goods during the "big push" toward industrialization during the 1960s, and provided no incentive to emergent industries to base their strength on inexpensive and abundant local resources, in the form of labor and raw materials.

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[17] Leith and Lofchie, 1993, p. 236.

[18] *Ibid*, p. 237. For a more detailed discussion of this period also see Leith, 1974.

[19] The "nominal exchange rate" is the local currency price of foreign exchange.

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Table 3.1:
Cocoa-derived Revenue of the Ghanaian Government, 1954-1980

Year	**Cocoa Export Revenue** in *Cedis (millions)*	**Total Government Revenue in** *Cedis (millions)*	**Index of Real Cocoa** *Revenue (1975=100)*	**Index of Real Government** *Revenue (1975=100)*
1954/55	81.2	161.8	147	101
1955/56	33.9	128.8	59	78
1956/57	29.5	98.8	51	59
1957/58	58.5	119.7	101	71
1958/59	52.7	133.2	88	77
1959/60	54.2	140.3	90	81
1960/61	64.9	166.5	102	90
1961/62	68.0	150.0	98	74
1962/63	55.2	165.0	76	79
1963/64	43.4	245.0	53	104
1965	21.4	284.0	21	95
1966	9.5	115,7	8	34
1966/67	34.6	235.3	32	75
1967/68	77.6	293.1	67	87
1968/69	79.9	283.6	64	78
1969/70	124.7	360.6	97	97
1970/71	196.5	486.2	139	119
1971/72	122.4	421.9	79	94
1972/73	96.4	391.7	53	74
1973/74	173.0	583.0	80	93
1974/75	279.7	810.5	100	100
1975/76	179.8	869.8	41	69
1976/77	269.0	1,151.6	28	42
1977/78	287.2	1,392.1	18	29
1978/79	1,220.0	2,578.4	48	35
1979/80	1,492.0	2,949.9	39	27
1980/81	560.3	3,279.3	7	14

Source: Cord Jacobeit. "Reviving Cocoa: Policies and Perspectives on Structural Adjustment in Ghana's Key Agricultural Sector." In Rothchild, 1991, p. 230.

Profligate fiscal management took its toll early on Ghana's foreign exchange reserves, and when they became depleted in the mid-1960s, the authorities turned to foreign exchange rationing and import licensing. Initially, political authorities ordered that priority be given to allocations for the purchase of raw materials and equipment for import-substitution industries, thereby raising *de facto* levels of protection for "made in Ghana" goods. However, the administration of foreign exchange allocations was both disorganized and corrupt.

Following Prime Minister Busia's election in 1969 the first of several attempts to depart from the fixed nominal exchange rate regime was made. Under Busia, marginal gains were made in improving government fiscal management. However, with optimism inspired by high world prices for Ghana's principal export, cocoa, the Busia regime continued expansionist economic policies for a brief time. When cocoa returned to its historic price levels in mid-1971 the government faced a serious balance of payments crisis. In a fundamental departure from past efforts to manage the economy using state instruments, Busia announced a market-determined devaluation of the *cedi*. For this reason, only several days later, Busia was overthrown by Lt. Col. Acheampong, who immediately revalued the *cedi*. The lesson of Busia's exchange rate policy was not lost on subsequent regimes, who came to believe that resorting to market-determined exchange policy was tantamount to political suicide.

Foreign exchange policy took perhaps its greatest sectoral toll on export-oriented agriculture, i.e. cocoa, contributing greatly to the decline in the real producer price of cocoa beginning late in the Nkrumah regime. Furthermore, as cocoa production and government revenue began to decline in response to low producer prices, regimes resorted to deficit budgeting and the promiscuous printing of money. This, predictably, had an inflationary effect, and by 1977 inflation leaped from annual growth of 37 percent in the early 1970s to more than 100 percent.

As indicated in Table 3.2, during the decade prior to 1975 income-terms of trade for Ghana's cocoa farmers declined by 22 percent, while nominal producer prices rose by some 70 percent. During the following decade, income-terms of trade plummeted even more dramatically, to merely 22 percent of 1965 values, while nominal producer prices rose by a further 7,790 percent! It should be recalled that the 1970s were a period of globally high cocoa prices. However, Ghana's overvalued exchange rates on one hand, and low producer prices on the other combined to reduce Ghana's role as a supplier to world markets: whereas the nation held a 29 percent share of the international market for cocoa in 1970, by 1980 its share had dropped to merely 17 percent.[20]

Throughout the 1970s Ghana's cocoa sector was caught in a double bind: imported inputs necessary for sustaining optimal yields in cocoa plantings required scarce foreign exchange. However in order to stretch the nation's foreign exchange earnings, fiscal policy-makers decided to gouge cocoa producers more deeply, by reducing local purchase prices for cocoa.

[20] Herbst, 1993, p. 24,

Currency overvaluation also served to undermine domestic savings and local investment, and prompt capital flight. Low actual prices of foreign currency, pessimism regarding future monetary and economic prospects, and more competitive rates of return on savings and investment lured Ghanaian capital offshore or to the increasingly vibrant economies of Nigeria, Côte d'Ivoire and Togo. Because Ghana's inflation was significantly greater than any of her trading partners, the cedi became grossly overvalued. This, in turn, created disincentives to exporters and forced many cocoa producers to begin smuggling their produce to neighboring francophone countries.

While the first decade of Ghana's independence provides, in retrospect, a resumé of macroeconomic policies that failed to generate sustained economic growth, it was not until the advent of the Acheampong regime that the consequences of those policies became patently self-destructive. As Leith and Lofchie (among others) have argued, under Acheampong Ghana's leaders moved from "policies which redistributed the national pie (albeit at the price of national stagnation" to policies which *reduced* the national pie."[21]

The policy instrument of economic ruin, they suggest, was an "inflation tax": as the man-in-the-street saw the real value of his or her capital (in the form of local currency) eroded by inflation the Central Bank, as an instrument of the regime in power, saw its own liabilities reduced by inflation. The effectiveness of such a policy as a means of managing the economy was, of course, grossly limited by the ability of the economy to support the chain reaction of instability that is set into motion by chronic and unhampered inflation. However, Leith and Lofchie point out that:

> The inflation tax, like currency overvaluation, can also be thought of as a myopically rational response by government to the transaction and agency costs of collecting taxes by other means. It is easily imposed and, because it does not involve the creation and maintenance of an additional bureaucracy, not only has minimal transaction costs but is less susceptible to revenue dilution through side-payments between bureaucrats and their clients than virtually any other form of taxation. An additional attraction of the inflation tax for governments is that it imposes taxation on groups not fully reached by overvaluation and the agricultural parastatal system; namely, urban wage earners. Like overvaluation and producer price controls, however, the inflation tax also bears heavily on peasant export crop producers because they are captives of a cash system, while urban dwellers can find alternatives to money through barter.[22]

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[21] Leith and Loftchie. 1993 in Bates and Krueger, 1993.

[22] *Ibid.*

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The benefits of the inflation tax in the mid-1970s became readily apparent in 1977, a year in which GDP as measured in local currency declined by 90 percent. 108-percent inflation effectively allowed the Acheampong regime to reduce the value of its liabilities by the equivalent of 7.6 percent of GDP, albeit at the ultimate cost of both its political credibility and its hold on power.

3.5 Parastatal Clientelism and Agricultural Policy

Among the most powerful and enduring of Ghana's political institutions during the nation's early history had been the Cocoa Marketing Board (CMB), established during the colonial period as a means of stabilizing producer prices in the unstable global market for cocoa. Following independence the CMB was transformed into a parastatal institution charged with coordinating the production and marketing of not only cocoa but also a wide range of other agricultural products, including bananas, groundnuts [peanuts], coffee and oilseeds.[23]

From independence onward, central authorities determined annual levels of taxation and local currency prices for agricultural commodities. The CMB, as principal intermediary between government and Ghanaian farmers, administered the domestic marketing and taxation of cocoa and other commodities through rural buying centers; transported cocoa and other commodities through its subsidiary, the Produce Buying Company; brokered export sales of cocoa for hard currency; and made payment in local currency to Ghanaian producers. The considerable margins between local producer prices and export revenues were either passed through to government in the form of tax revenue or, increasingly over time, absorbed to cover the considerable costs and financial leakage of the CMB and its operatives.

As suggested by Table 3.1, the CMB's position was paramount in the provision government revenue for several decades because its hold on cocoa marketing. The policy of successive regimes of extracting rents from agriculture (in the form of high implicit taxation) to subsidize other sectors of the economy, made the CMB a pivotal instrument in the exercise of political power in Ghana. The very considerable economic resources at the disposal of the CMB, the poor quality of its internal financial controls, and the relative autonomy of its operations outside of the urban centers created not only an institutional monolith, but also a profit center for those in power who sought to develop extensive client networks or benefit personally from corruption of its operations. Management of the CMB and its subsidiaries, recruitment of its personnel, and the administration of its service contracts acquired a political importance that went well beyond the nominal sphere of its operations.

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[23] Subsequent sections of this study discuss the suppression of the Cocoa Marketing Board in 1979, and the creation of its successor institution, the Ghana Cocoa Board (COCOBOD).

Table 3.2:
Cocoa Producer Prices and the Development of Real Income in Ghana, 1957-1988

Year	Nominal Producer Prices (Cedis/ ton)	Barter Terms of Trade of Cocoa Farmers (1975=100)	Income-Terms of Trade of Cocoa Farmers (1975=100)	Producer Prices US $/ton Exchange Rate Official	Black Market
1957	276	231	164	386	
1958	264	221	123	370	
1959	236	192	132	330	
1960	220	177	151	308	308
1961	220	167	195	308	308
1962	220	153	169	308	308
1963	216	144	164	302	387
1964	198	117	138	277	341
1965	182	85	128	255	278
1966	152	63	70	213	71
1967	198	89	90	235	119
1968	247	103	115	242	113
1969	279	108	97	274	159
1970	294	111	122	288	170
1971	293	101	105	285	194
1972	338	106	130	256	201
1973	387	103	114	332	258
1974	487	109	101	423	181
1975	578	100	100	502	290
1976	679	75	79	590	210
1977	976	50	42	848	106
1978	1,599	47	33	1,056	178
1979	3,314	64	42	1,205	212
1980	3,941	50	36	1,433	270

Source: Cord Jacobeit. "Reviving Cocoa: Policies and Perspectives on Structural Adjustment in Ghana's Key Agricultural Sector." In Rothchild, Donald. 1991, p. 224. (N.B. In his original article the author cites numerous data sources.)

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The CMB was but one of many parastatal companies that had survived into the early 1980s. However, as the principal intermediary between Ghana's farmers and the Government, its inefficiencies and abuses and its utility as a source of private gain for public service were widely known and widely criticized by the time that Fl. Lt. Rawlings seized power in 1979. As one Ghanaian journalist noted "The first rung in the long ladder of leeches that feed on the sweat of the cocoa farmers is the Cocoa Marketing Board—it is well known and well documented that one of if not *the* plum organisation in the public service is the CMB."[24]

At the nexus of political and economic power, the CMB was ultimately to present policymakers with perhaps the single greatest institutional challenge of the reform process.

[24] Elizabeth Ohene, "Words, Deeds & Cocoa," *West Africa*, 31 August 1982, 2104; cited in Herbst, 1993. Emphasis in the original.

4. INITIATING POLICY REFORM

The remaining sections of this study will analyze the political economy of agricultural sector reforms undertaken in Ghana since 1983, particularly with regard to cocoa marketing. Because of the critical interlinkages between cocoa—Ghana's principal agricultural export—Ghana's monetary policy, and other elements of the Economic Reform Programmes this study will examine agricultural sector reforms beside contemporaneous reforms elsewhere in Ghana's economy as well.

The political events of 1982 and the calamities that accompanied them demonstrated to Rawlings and the PNDC the futility of "quick fix" measures and public exhortation in the face of Ghana's prolonged economic crisis. While there was no consensus at the highest levels of the regime on where to go next, it was clear that drastic measures were in order if the regime was to keep its promises to bring about revolutionary change. The PNDC's response came in the mid-1983 PNDC budget address in which the regime inaugurated the Economic Recovery Programme (ERP). Radical only in the sense that it was an about-face from past practice, the ERP laid out the elements of what was to become one of Africa's first and more successful experiments in structural adjustment.

4.1 Rawlings and the Policy Elite

In spite of the high profile accorded to the more radical members of the PNDC during its early months in power, Rawlings refused to name a Finance Secretary from the ranks of the leftist groups that clustered around him. Instead, in June 1982 Rawlings named Kwesi Botchwey, a well-known university lecturer, to the post of Secretary for Finance and Economic Planning. Botchwey's nomination was an interesting one for the simple fact that while he had earned his reputation in Ghana as a radical theorist and scholar of the phenomenon of "monopoly capital," he had also mastered neoclassical economics. He was, hence, acceptable to PNDC radicals, but at ease among those of a conservative bent.

As a complement to Botchwey, Rawlings also sought counsel from Joseph Abbey, a member of the University of Ghana's Economics Department and a former Commissioner for Finance and Economic Planning. During 1982 Abbey led a small group of technocrats in an evaluation of Ghana's reform policy options. The Abbey team concluded that the linchpin of any reform program must be devaluation of Ghana's currency and an increase in the producer price of cocoa. Abbey appealed to Rawlings and the PNDC by pointing out that the overvalued *cedi* not only favored the nation's urban population, but was undermining agricultural producers and generating rents for the corrupt. Abbey also pointed out that past discussion with multilateral institutions, begun under the Limann regime, had indicated that any donor assistance to Ghana would be conditioned in a similar manner.[25]

[25] In April 1981 the Limann government began discussions with the multilateral donors. The IMF outlined the policy conditions that would likely become part of any stabilization program: devaluation of

As Abbey, Botchwey and other key members of the PNDC economic policy team warmed to the inevitability of an adjustment program with the IMF and World Bank, the way was opened for the PNDC to receive assistance from them in formulating a reform program. Martin has pointed out that:

> PNDC staff members spent a great deal of time compiling data requested by the [International Monetary] Fund, which left little time to draft arguments about the political, administrative, or economic feasibility of measures. The [World] Bank's more gradual, sensitive approach allowed more time to prepare arguments.[26]

While the ERP, in its ultimate form, reflected the heavy-hand of the IMF in a number of its specific reforms, at least one of the key elements of the program required little negotiation with the Ghanaian policy team: raising the producer price of cocoa. Indeed, in his second address as PNDC chairman and on numerous occasions since Rawlings had condemned the exploitation of Ghana's cocoa producers by previous regimes and called for improved incentives for cocoa and other agricultural production.

Prior to the public announcement of the ERP, the PNDC consistently avoided the subject of the IMF and World Bank missions and, even afterward, remained insistent that subsequent programs and projects were fully Ghanaian in form and content.

Joan Nelson, among others, has observed that one of the principal obstacles to the adoption of economic stabilization measures has often been that political leaders with limited economic training have difficulty understanding the logic of reform programs.[27] Whether the ultimate design of the ERP is credited to Rawlings or his "policy champions", the fact remains that the arguments of competent economists swayed him. He knew, on the one hand, that dealings with the multilateral financial institutions would force him to enact an array of inevitably unpopular measures. At the same time PNDC radicals and their entourage were able to offer no viable or convincing rejoinder. With the support of Botchwey, PNDC member P.V. Obeng and the New Democratic Movement, Rawlings was in a single stroke able to move Ghana toward recovery while simultaneously marginalizing the last surviving radicals in the PNDC.

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the *cedi*, increased cocoa producer prices, increased interest rates, plausible scheduling for the repayment of foreign debt (including $ 580 million in arrears), and reductions of government spending and civil service payrolls. At the same time the regime also approached the World Bank in an effort to obtain an Export Rehabilitation Credit. They were told that any such credit would be conditioned upon a complete reorganization of the Cocoa Marketing Board. See Toye (1991) and Jeffries (1991) for a discussion of this episode and deliberations of the PNDC.

[26] Matthew Martin, p. 236.

[27] Nelson, 1990, p. 335. Nelson also speaks of Rawlings' "intellectual conversion" by this group of "patriotic professionals."

Various explanations have been offered as to why Rawlings and the PNDC initiated the Economic Recovery Programme in mid-1983. The most frequent explanation is that Ghana's ongoing economic crisis had simply worn down any resistance to reform. A speech by Rawlings in May 1983 in which he argued that the ERP was "the only viable option open to us" is often cited to support that conclusion. However Herbst (1993), Toye (1991) and Jeffries (1991) all argue that economic immiseration is hardly a finite condition for a nation and that, had he chosen to do so, Rawlings could have continued to postpone reform. Herbst argues, instead, that Rawlings' decision to adopt a reform program was motivated in part by the intellectual and financial bankruptcy of those who opposed the idea of reform; his decision was, in his own words, a declaration of war against "populist nonsense" and an expression of his mounting distrust of their loyalty.[28]

4.2 Donor-Government Relations

The PNDC decision to embark on a totally new course took place during a period when the donor approach to development was undergoing a fundamental change. The World Bank's 1981 report, "Accelerated Development in Sub-Saharan Africa," made the blanket argument that Africa's economic difficulties were the result of government economic regulations in such matters as exchange rates, prices, and the administration of agriculture and other productive activities. Indeed, this view opened the way for the establishment of the Bretton Woods institutions' principal new strategy for policy reform: the structural adjustment program (SAP).[29]

Given their disdain for the IMF and the World Bank, Rawlings and the PNDC were faced with a dilemma. In order to succeed, the ERP required donor aid. If that assistance was to be forthcoming, the regime would have to make public concessions to an approach it had heavily critiqued in the past. Yet to maintain its credibility at home, the regime had to seem not to be caving in to conditionalities imposed by the donors. The easiest way through this dilemma was to insist that the only hands on Ghana's economic policy tiller were those of Rawlings' elite policy team. This essentially political decision, combined with the real need to insulate the policy team from opposition forces at home, convinced Rawlings to provide his policy team with a high degree of autonomy in its day-to-day functioning.

The relationships between the Rawlings' regime and successive World Bank and IMF missions were, according to Martin (1991), dramatically different. The IMF approach relegated Ghanaian policymakers to the role of data gatherers, while IMF officials and consultants drafted

[28] Herbst, 1991, p. 33.

[29] The World Bank's first structural adjustment loan was granted in 1980-81. In the same year the IMF authorized members to make cumulative purchases outside its special facilities equal to 500 percent of the members' quotas. The latter move was designed to encourage sub-Saharan Africa and other underdeveloped nations to take advantage of facilities which they had not utilized during the 1960s and 1970s.

the basic elements of a reform program. Distrusting Ghanaian projections of inflation, fiscal and balance of payments data, the Fund chose to override it with estimates of its own, with their own attendant impact on the substance of the Ghanaian reform program. The World Bank teams, however, encouraged the PNDC to design a program of its own and to develop arguments to justify it.[30]

As the design of the ERP advanced, there was disagreement among all parties on a number of issues, largely related to the scale, speed and sequencing of reform measures, rather than on the substance of the reforms themselves.

Ghana's principal advantage in negotiating with the multilaterals in 1982-1983 was the absence of any institutional memory regarding Ghana's ability to live up to any commitments that it might make. As a new regime and first-time recipient of IMF assistance, the PNDC was able to make credible claims about the destabilizing influence that sudden and dramatic reform might have, particularly with regard to monetary, trade liberalization and fiscal measures. For their own part, the Bretton Woods institutions were under considerable pressure to come up with at least one success story of economic recovery in sub-Saharan Africa, and Ghana appeared to possess both the resource base and the political will necessary to succeed.

Ghana's principal disadvantage, however, was the lack of a champion in the donor community itself. The radical rhetoric that had characterized the PNDC's first year, its unsuccessful efforts to court Libya and the Soviet bloc, and the socialist ideology of its strongest supporters had tainted the regime during a period when leadership in the United States, Great Britain, Canada and elsewhere was taking a sharp turn to the ideological right. In the end, however, the prospect of yanking Ghana out of the socialist camp was attractive enough to convince the executive directors of the multilaterals that a first-phase effort would be at the very least worthwhile.

During ERP I (1983-1985) the principal source of financial aid was to be the IMF, which agreed to provide some 238 million SDR in Standby Assistance in 1983-1984 and an additional 180 million SDR in 1984-1986. The World Bank designed a combination of program aid (in support of balance of payments recovery) and project lending for sectoral rehabilitation efforts. (see **Table 5.1**) As the ERP evolved over time, the World Bank would ultimately play the more important role.

Conditionality, as a feature of donor assistance, played a predictably significant role in launching the ERP. Preconditions to any disbursements of IMF or World Bank assistance were rather severe. They required the PNDC to provide irrevocable proof of its commitment to reform through devaluation, clearance of arrears on external debt, budget cuts, and raising interest rates.

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[30] Martin, 1991, p. 236.

In the initial agreements between the PNDC and the multilateral institutions, conditionality proved to play a much smaller role than it would over time: while only 20 conditions were attached to the IMF 1983 assistance program, more than twice that number would be attached to subsequent programs. Likewise, conditions attached to both IMF and World Bank assistance tended to be rather broad in the initial round of lending, becoming both more specific and "tighter" over time.

4.3 Coalitions and Mass Political Pressure

As noted earlier, public support for Rawlings' return to power in the 1981 coup was based less on an understanding of what his policy agenda might be than on belief in Rawlings' own dedication to radical change. Indeed, the first year of PNDC rule was undistinguished by any major economic policy initiatives. Instead, Rawlings and the PNDC enacted political change by disenfranchising elites of previous regimes, clamping down on systemic corruption, and establishing an apparatus for maintaining the peace and repressing opposition. As a network of radical Community and Workers' Defence Committees were established throughout the country over time, they did little or nothing to undermine Rawlings' image as "the man in charge," in spite of the fact that their own eventual corruption and strong-arm tactics served him poorly.

As Jeffries (1991) has pointed out, Rawlings clearly enjoyed an exceptional degree of freedom to maneuver in relation to domestic political forces compared with other African leaders of the period. While he had popular support, he had no clearly defined constituency to which he was accountable. The groups that might normally have been expected to oppose his economic reform program—the beneficiaries of policies biased in favor of urban elites—were numerically small or politically weak in Ghana by this time. Entrepreneurs who had benefitted from the policies of previous regimes were not only getting diminishing returns from Ghana's crisis economy, but experiencing social humiliation at the hands of the radical Peoples' Tribunals. They, along with much of Ghana's professional middle class, including many civil servants and technicians chose to follow their capital offshore.[31] Nonetheless, if the ERP were to succeed, much depended on being able to lure Ghanaian entrepreneurs and their capital homeward.

Ghana's farmers, largely voiceless in government and insulated from free markets by the CMB, had seen their quality of life eroding steadily since independence. From 1970 onward production of all food crops other than cassava had declined, due both to production disincentives in the form of price regulation and shortages of imported machinery and inputs. Cocoa production during that same period had declined by approximately 60 percent. Were it not for the somewhat ready access to parallel markets in surrounding Francophone states,

[31] Flight from Ghana was eroding than ranks of public employees as well: at least 14,000 trained teachers left the Ghana education service between 1975-1981, of whom approximately 3,000 were university graduates.

production might have declined even further.[32] Ghanaian farmers knew that the low prices for cocoa and other crops, and their difficulties in getting crops to market and obtaining payment, were due to the inefficiency and corruption of the parastatal apparatus. However, in the absence of an effective institutional mechanism through which they could voice their grievances, they had long remained politically marginalized. Rawlings and the PNDC knew that any policy measures that would provide Ghana's farmers with relief would go far toward improving the prospects of the regime itself. Raising producer prices for cocoa would be a relatively easy start, winning over a constituency 225,000 strong. More difficult, however, would be maintaining political equilibrium during implementation of other long-overdue reforms: devaluation and the dismantling of the powerful CMB.

Probably the greatest potential challenge to the ERP could have been mounted by Ghana's trade unions. However, from the moment of his return to power, Rawlings recognized their power and set out deliberately to divide and conquer the strongest trade union factions. By 1983 Ghana's trade union movement was already buckling under the stress of prolonged economic crisis. The leaders of its principal constituent body, the Trades Union Congress (TUC) had collaborated with prior regimes and been co-opted into supporting policies that clearly damaged the pocketbooks—if not the political goals—of its members. Shortly after Rawlings' return to power, long-time TUC Secretary General Issifu resigned and was succeeded by Richard Baiden, a highly experienced trade unionist who had led the movement of opposition to Issifu within the TUC. Rawlings' supporters in the TUC renounced any allegiance to Baiden and, instead, threw their support behind the radical Association of Local Unions (ALU). The ALU's leaders were also closely linked to the June Fourth Movement and, hence, provided a means of getting Rawlings' ear. By April 1982 the TUC leadership was deposed and the PNDC placed the Congress under a hand-picked management committee composed of PNDC supporters.

4.4 Bureaucratic Interaction

As discussed above, formulation of the ERP was neither a democratic nor consultative effort. Rather, a task force of hand-picked advisors to the PNDC recommended corrective measures in a process driven more by the lessens of neoclassical economics than political ideology. The ERP's prescription for action focused on outcomes—indicators of stability and growth—rather than on the difficult political and institutional decisions required to attain them.

Nonetheless, Rawlings' "policy champions" represented a cross section of the Ghanaian intelligentsia, most of whom had grown up under Nkrumah's unique brand of socialism and undergone subsequent intellectual conversions to Marxism, free-market capitalism or, over time, both. None, however, was a professional bureaucrat or civil servant of long standing. While all were fully capable of anticipating resistance to reform among entrenched bureaucrats, ERP

[32] Pearce (1992.20) argues that as much as 35 percent of all Ghanaian production in the late 1980s and early 1980s was marketed outside of Ghana.

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neglected to lay out a strategy for dealing with the institutional resistance that was certain to come.

Dealing with institutions was left to Rawlings and his political advisors, who settled on a strategy summed up in few words: protect policy by insulating the policymakers and undercut potential sources of resistance by the most expedient means at hand.

Following two decades of national economic decline and erosion in most government institutions, the sole organization that served as a platform for Ghana's bureaucrats was the Civil Servants' Association, a traditional trade union under the TUC umbrella. At the advent of the ERP, Rawlings' divide-and-conquer tactics in dealing with the TUC had effectively undercut its power, if not that of each of its constituent organizations. The creation of radical WRCs in the workplace established a force for monitoring and intimidating any workers' groups that might oppose the PNDC and its policies while creating a quasi-representative organ that could, at least in name, claim to speak for the bureaucrats.

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5. IMPLEMENTING THE ERP

Announcement of the ERP came in the form of the April 1983 budget address, phrased to emphasize the break that was to be made with the entire thrust of Ghanaian economic policy since independence. In the announcement Finance Secretary Botchwey presented a policy package that would "create a new relationship between the state and Ghana's people". Botchwey noted that "the rigid enforcement of prices unrelated to costs of production is [not] a satisfactory basis for action" and instead insisted that "pricing policy...be based on production costs together with appropriate incentive margins."[33] Botchwey went on to argue that Ghana's needs went beyond stabilization: the magnitude of economic crisis required a fundamental "adjustment."

The key reforms outlined in Botchwey's budget address included a substantial *de facto* devaluation of the *cedi*, an increase in the price of many foods, goods and public services (including hospital care, public transportation, postal rates and utilities). **(See Table 5.1)**

Recognizing that the ERP would, in its earliest days, appear to be aimed at making life as miserable as possible for urban dwellers, Rawlings immediately launched a campaign aimed at mobilizing support of the rural masses. In a public address only several days after the announcement, he pointed out that certain of the imminent price increases would only have negative effects in the cities, and argued:

> We have reached a critical stage in our history and we need to ask ourselves serious questions: why has it become so profitable in this country simply to engage in trade instead of production? Why are the most productive and industrious people usually the poorest? Why do we make it less profitable for a person to produce maize here than for him to get an import license to import it from abroad? Idleness and parasitism have become more rewarded in this economy than productive work... This is the time to reverse this process.[34]

Rawlings, hence, publicly declared an end to a theme that had long dominated Ghana's economy and politics since the end of the colonial era: Ghana's rural population would no longer be counted on to subsidize the non-productive, inefficient urban economy.

Prior to discussing the agricultural components of the ERP, it is necessary to review one other of the programs on which the ultimate fate of the ERP was to depend.

[33] Herbst, p. 29.

[34] Herbst, p. 30.

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Table 5.1: Principal Policy Instruments of Ghana's Economic Recovery Programme

ERP I (1983-1986) was a broad-based effort designed to stabilize Ghana's economy and set the stage for economic growth. The selection of policy instruments for reform and their intended goals were typical of what were to become standard practice for structural adjustment programs supported by the IMF and the World Bank throughout the 1980s.

From the beginning Ghana's policymakers envisioned the eventual need for a second-phase program which would more fully liberalize the economy.

The principal policy instruments of ERP I included:

Devaluation of the *cedi*: The PNDC began by introducing a system of export bonuses and import surcharges. This was followed by a series devaluations between 1983-86. A two-tier foreign exchange system was created. Tier one operated on the basis of periodically-adjusted exchange rates and was reserved for transactions related to energy payments, government borrowing and cocoa exports. All other transactions were carried out through second-tier mechanisms, based on weekly exchange auctions. The auction system became more comprehensive over time.

Tax Reform: Progressively of the tax system was weakened in order to improve the incentive structure of earnings and to keep highly-skilled personnel in the civil service. Levies on non-labor incomes were decreased for all Ghanaians. Other tax reforms included increases in petroleum and other commodity taxes.

Price Decontrol: Price controls were lifted on a wide range of items, while charges were increased substantially for governmental and quasi-governmental services in health care, education, telecommunications, electricity and water. Government subsidies on a broad range of commodities were reduced.

Budgetary Reform: Fiscal balance was improved through reduction of borrowing from domestic institutions, broad decreases in new spending, reduction in civil service rolls, and increased financial control of government institutions. Budgetary support to local governments was reduced by 50%.

Parastatsal Reform and Divestiture: Although Ghanaian policymakers recognized the need to divest loss-leading parastatals and create openings for increased private investment, ERP I included only a limited set of actions intended to identify those parastatals to be divested or reformed.

Increasing Domestic Savings: This was accomplished through an increase in interest-rates for savings accounts.

Cocoa Marketing Reforms: ERP I called for two key measures in this domain increasing the producer price of cocoa and reducing the marketing costs of the Cocoa Marketing Board.

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5.1 Exchange Rate Reform

The fulcrum of the ERP was exchange rate reform, aimed at stabilizing the balance of payments, restoring the incentive to export, and enabling the regime to raise prices for agricultural producers.

Mindful of the volatility of devaluation as a political issue (it had, after all, brought down a previous regime), the PNDC allowed the official exchange rate to remain at 2.75 cedis to the U.S. dollar.[35] Instead, the regime designed a system of exchange rate bonuses for exports and exchange rate surcharges for imports that amounted to a de facto devaluation.

Based upon its political success in implementing the initial "pseudo-devaluation," the complexity of administering the export bonus/import surcharge system, and pressure from the IMF, only six months later the PNDC announced a de jure devaluation, establishing a uniformexchange rate of 30 cedis to the U.S. dollar. Between October 1983 and December 1984 three subsequent "adjustments" to the official exchange rate were made in which the nominal exchange rate was allowed to rise to 50 cedis to the U.S. dollar. During 1985 three additional devaluations were carried out, raising the exchange rate by a total additional 20 percent. It was not until January 1986 that the PNDC took the boldest stroke of all, enacting a 50 percent devaluation that raised the nominal exchange rate to 90 Cedis to the dollar.

With the greater political and economic burden of devaluation behind it, in September 1986 the regime inaugurated a foreign exchange auction. Initially limited to a small range of import and export transactions, over time the auction system became more comprehensive in scope to include virtually all current account transactions. The principal virtues of the auction system were that it transferred responsibility for establishing exchange rates from the PNDC to the market, and brought Ghana into the good graces of the multilateral "theologians" who decried all multi-tier or officially-determined currency arrangements.

5.2 Cocoa Production and Marketing Reform

5.2.1 The General Thrust of ERP I in Agricultural Markets

While a principal theme of ERP I was to shift incentives and investments to the export sector (with cocoa as a principal beneficiary), the overall thrust of agricultural market liberalization was to stabilize and promote the production of strategic staples and industrial crops by increasing prices paid to producers. The price control regime that had prevailed prior to ERP I had proven inadequate. It is difficult, however, to separate out the effects of price control disincentives and those caused by other factors at play, not the least of which was inflationary monetary policy.

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[35] This official exchange rate had not changed since August 1978, in spite of average annual inflation of 60 percent for every year since.

ERP I approached the problem of boosting food and cash crop production by, first rationalizing monetary policy in order to restore market incentives for agricultural production. As price decontrol was enacted elsewhere in the economy, the PNDC sought to maintain a floor price for a limited number of agricultural commodities, including maize, rice, oil palm, cotton and tobacco.

Limitations on the effectiveness of this policy were determined principally by the prevailing marketing structure. Where parastatal entities, such as the Ghana Food Distribution Corporation (GFDC) or the CMB, were responsible for purchasing the majority of locally-produced commodities, controls had proven effective. But for such crops as maize, where the GFDC purchased less than 10 percent of production, market forces prevailed, to the advantage of Ghana's farmers. In recognition of the incentives present in the marketplace (and in an effort to suppress parastatal mismanagement of marketing), the PNDC moved to alter the mandate of the GFDC under ERPI; the GFDC was no longer obliged to purchase and distribute principal food staples and, instead, assumed ever greater responsibility for maintaining emergency stockpiles of cereals in the interest of national food security.

5.2.2 Cocoa Production Reform

Cocoa production in Ghana reached its lowest historical level since independence in 1983 (159,000 tons), due to the combined effects of drought and related brush fires and the cumulative effects of dysfunctional domestic marketing. High inflation and persistently low producer prices led farmers to abandon new cocoa plantings and to reduce spending on plantation maintenance, in spite of the fact that pesticides and fungicides continued to be heavily subsidized (to 90 percent). Annual losses to pest and diseases during the 1970s and 1980s were estimated to have been as high as 130,000 tons. This in turn resulted in diminishing productivity at both the local and national level.

In ERP I the PNDC recognized the need to rehabilitate cocoa plantations and to improve the ability of farmers to maintain them. Beside its commitment to gradually increase the producers' share of the cocoa export price, the PNDC believed that the massive work of rehabilitating plantations would require a creative use of available rural labor. The creation of cooperatives or cooperative-like organizations in rural areas would, it seemed, be the most efficient way of linking neighboring cocoa farmers into a central service that would provide them with inputs and extension services. Ghana's donors believed that this plan, in spite of its evident merit, betrayed a lack of commitment by the PNDC to the privatization of services being provided by the CMB and its subsidiaries.

Inspired by the previous year's success in organizing entire communities to assist in moving stockpiled cocoa from rural areas to collection points, beginning in 1983 Rawlings encouraged traditional leaders to begin organizing cooperative work groups for the purpose of revitalizing abandoned and nonproductive cocoa plantations. Recruiting unemployed Ghanaians who had recently been expelled from Nigeria, Rawlings' ordered the creation of so-called

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"Mobisquads": youth brigades that would be assigned responsibility for assisting specific local communities. As noted by Mikell:

> As temporary mobilization techniques, the new groups were enormously successful—young men were employed in the villages and compensated, and old cocoa farms were replanted with cocoa...nevertheless, the primarily male Mobisquad groups underwent a rapid transition from voluntary labor to wage compensation to organized youth cooperatives. As they became a force to be reckoned with in the rural areas, the veneer of communal control and responsibility for these groups wore thin, and peasant suspicions rose. The links between the Mobisquads and the PNDC government became more obvious, and cocoa farmers came to view them as organizations that were only slightly less political than the new Committees for the Defence of the Revolution and that had few connections to the rural social structure.[36]

As a complement to the Mobisquads, the PNDC organized youth groups assigned to work with the Cocoa Services Division (CSD) of the somewhat reorganized CMB—newly called COCOBOD.[37] These groups were trained to provide technical assistance to farmers in distributing and replanting new hybrids of cocoa, promoting crop diversification, and controlling pests and plant disease. Between 1984 and 1987, the groups worked with peasant farmers. Unlike the Mobisquads, they dispelled any distrust of the PNDC's political motives by providing valuable assistance to rural communities.

While the PNDC's rural mobilization efforts may be considered a success in terms of helping to convince rural communities of the regime's commitment to improving cocoa production and in generating rural employment during a period of crisis, their success in boosting production was severely limited over the short term due to a variety of factors. The recent drought and brushfires had inflicted very serious damage on the plantations themselves, requiring at least several years for surviving trees to recover. The time required for new plantings to produce cocoa was still five to seven years away. Hence, while Ghana's cocoa production rose only marginally in 1984 (to 175,000 tons), by the following year a steady growth trend began: 219,000 tons in 1985 and 230,000 tons in 1986.

Efforts to alleviate other bottlenecks to production and marketing were also undertaken under the ERP. Several decades of inadequate maintenance and investment had eroded the nation's transportation infrastructure, while inflation and foreign exchange shortages had greatly diminished the size and efficiency of the national motor pool. Vehicle shortages and inadequate roads had led to sometimes unsurmountable barriers to the distribution of cocoa and other crop inputs to farmers and to the delivery of cocoa from the interior to Ghana's export docks.

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[36] Mikell, 1989, pp. 90-91.

[37] For a discussion of CMB's reorganization see section 5.2.4 below.

Negotiations with the World Bank opened the way for the first new donor program under the ERP, aimed at rehabilitating Ghana's transport system and physically reconnecting Ghana's farmers to world markets. Between 1983 and 1985 donor funds of more than $ 130 million were made available in a series of reconstruction and export rehabilitation programs for road, port and rail construction and upgrading.

5.2.3 Pricing Reform

Prior to devaluation, it had been impossible for successive Ghanaian regimes to raise producer prices. Although the Limann regime nominally tripled the cocoa price in 1981, its actions merely increased the CMB's already large operating deficit. Whatever cocoa producers might have gained by Limann's largesse, high inflation and related increases in the price of agricultural inputs merely undercut the price increases. The situation inherited by the PNDC was so grave that during the 1982/83 season Rawlings appealed to farmers to accept a reduction in cocoa prices. Predictably Rawlings' appeal was strongly resisted.

The reasons for which cocoa pricing policy required reform were purely pragmatic. Price incentives were necessary not merely to stabilize and increase production, but also to put an end to the smuggling of cocoa into neighboring countries. Although it can be argued that Togo (to the east) and Cote d'Ivoire (to the west) extracted unreasonably high taxes from their own cocoa producers, they nonetheless passed on a higher share of world market prices to their producers than did Ghana. Togo and Cote d'Ivoire also assured that farmers were expeditiously paid, whereas Ghanaian cocoa farmers were regularly paid in promissory chits because of cash insufficiencies related to inefficient and often corrupt management of CMB marketing operations.

Among the conditions attached to ERP I-era aid packages negotiated with the IMF and the World Bank were three that directly impacted on PNDC cocoa pricing policy: (a) a commitment to increase the producer price of cocoa; (b) a commitment to decrease the marketing costs of the CMB, and (c) the removal of subsidies and price controls.

Multilateral conditionality aside, the PNDC was already strongly committed to cocoa price increases; indeed, much of the regime's political appeal was based on its stated intention to provide farmers with at least 50 percent of the world market price. (This commitment was expanded in 1986, establishing the goal of paying producers 55 percent of the world market price by 1989.) However, in sequencing price increased the PNDC also had to balance the revenue demands of the state (traditionally tied to cocoa revenue) against efforts to provide increasing incentives to cocoa farmers.

As indicated in Table 5.3, under the ERP nominal producer price increases were enacted which, by 1986, raised the producer price share to 30 percent of the international price (but still merely a third of the price offered to neighboring Ivoirian producers). In the following year Ghana's producer share increased to 42 percent of the world price (versus the Côte d'Ivoire's

57 percent). Bolstered by monetary reform that stabilized the value of the currency and drove at the farmgate compared with prices they had obtained just prior to the ERP.

The ability of the PNDC to make good on its commitments was determined in large measure by world cocoa markets. Earlier regimes squandered opportunities for more equitable pricing policy during periods when they enjoyed the greatest maneuverability; the decade of the 1970s was a period of global cocoa shortage and consequently high prices, which peaked in 1977. The era of high prices, which coincided with economic decline in Ghana, prompted nations elsewhere to invest heavily in new plantings of cocoa, allowing Brazil, Côte d'Ivoire and Malaysia to drive Ghana ever-farther down the list of major producers.[38] By the mid-1980s—and the advent of ERP I—the new plantings of the previous decade had begun to yield,

[38] These new plantings not only increased global acreage, but also introduced higher-yield varieties than those which were predominant in Ghana.

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Table 5.2:
Cocoa-derived Revenue of the Ghanaian Government, 1984-1986

Year	Cocoa Export Revenue in *Cedis* (millions)	Total Government Revenue in *Cedis* (millions)	Index of Real Cocoa Revenue (1975=100)	Index of Real Government Revenue (1975=100)
1981/82	—	4,885.3	—	—
1983	2,800.0	10,240.9	13	16
1984	4,509.0	22,641.0	14	25
1985	8,861.0	40,311.0	26	40
1986	14,000.0	73,600.0	33	60

Table 5.3:
Cocoa Producer Prices and the Development of Real Income in Ghana, 1981-1988

Year	Nominal Producer Prices (Cedis/ ton)	Barter Terms of Trade of Cocoa Farmers (1975=100)	Income-Terms of Trade of Cocoa Farmers (1975=100)	Producer Prices US $/ton Exchange Rate	
				Official	Black Market
1981	5,333	31	21	1,939	203
1982	12,000	58	35	4,363	194
1983	16,667	36	17	4,832	218
1984	25,417	39	16	719	212
1985	45,073	63	29	834	300
1986	70,800	80	46	787	373
1987	112,500	91	38	732	
1988	152,500	94	62	757	

Source: Cord Jacobeit. "Reviving Cocoa: Policies and Perspectives on Structural Adjustment in Ghana's Key Agricultural Sector." in Rothchild, Donald. 1991, p. 224. (N.B. In his original article the author cites numerous data sources.)

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down inflation, by 1988 cocoa producers realized a net increase of 300 percent in real returns creating a cocoa glut in the world market. Although world cocoa consumption grew at an approximate rate of 4 percent/annum throughout the 1980s, it remained several hundred thousand tons below global annual supply during the same period.[39]

5.2.4 Reform of Marketing Institutions

Among the reforms included in ERP I that the PNDC and the donor community supported strongly were measures that would completely reorganize state control over the apparatus for cocoa marketing. As noted earlier, the Cocoa Marketing Board had, over time, become one of the largest institutions of government, noted for its power as a patronage-driven institution as well as for its inefficiency. In 1979 Rawlings had convened the so-called Archer Committee to investigate the CMB. The Committee's report cited widespread abuses, mismanagement, gross overstaffing, corruption, and lack of motivation as being characteristic of the CMB.

One of the more transparent defects in CMB operations had been its system of making payments to farmers during annual cocoa purchasing campaigns. Cash shortages at purchasing points were chronic, due largely to embezzlement in regional offices of the CMB, and farmers were frequently obliged to accept payment in the form of chits, good for subsequent payment at an unspecified place and time. In 1982 the PNDC introduced a new system, known as the Akuafo Cheque. This system removed any responsibility for cash management from local CMB officials. Instead, farmers received payment in the form of a check, signed by the produce buying-clerk and treasurer of the CMB buying agency, which was negotiable at any bank. Although this system was a positive step forward, it was a half-measure at best; the scarcity of rural banking facilities undercut the utility and, hence the popularity, of this system.

In 1984 the PNDC announced the reorganization of the state cocoa marketing apparatus. The newly-established Ghana Cocoa Board, (widely known by its acronym, COCOBOD) was slated to undertake a wide range of reforms, including staff reductions of 40 percent; reduction in the number of cocoa purchasing stations (from 4,279 in 1981 to 3,118 in 1984); the divestiture of 92 state-owned plantations, processing facilities, and insecticide manufacturing plants, and a greater role for contractors in the transport and processing of cocoa. Beside the goal of increasing operational efficiency was also Rawlings' public commitment to reduce COCOBOD's marketing costs.

Implementation of COCOBOD reforms proved to be a source of great frustration to the PNDC and donors alike. Beside the evident interest of COCOBOD staff and officials in safeguarding their sinecure, COCOBOD's cash resources, its material holdings and extensive network of patronage were the spoils to be gained by whoever might emerge as the victor in a political power struggle.

[39] Batemen et al. 1990, p. 3.23.

Initial COCOBOD reforms focused on the effort to reduce the bloated staffing of the institution. By late 1984 an organizational staffing study was complete, calling for the immediate elimination of some 19,000 positions. (This figure was considered too conservative by the World Bank as well as several members of the PNDC, including Rawlings). During 1985 a first round of cuts resulted in the release of more than 16,000 COCOBOD staff. Subsequent reductions occurred in 1986-1987, when 10,000 fictitious "ghost" employees were removed from the payroll and 14,000 additional workers were released. By the end of 1988 the remaining "core" staff of COCOBOD numbered 50,000.[40]

Additional problems were encountered in other areas of COCOBOD reform, particularly with regard to the divestiture of plantations and processing facilities, and the privatization of cargo transport operations. During the first two years of the ERP, efforts to draw up a short-list and action plan for divestiture were unsuccessful, nor could the legal modalities for the privatization of state property and the identification of eligible prospective operators be decided upon. While the technical complexity of these actions created a barrier to action, so too did bureaucratic resistance on the part of surviving COCOBOD staff in Accra and elsewhere.

5.3 Political Elites

The first victims of the ERP were several members of the PNDC. Internal ideological conflicts in the regime, made manifest in several plots to overthrow Rawlings, allowed him to purge the PNDC by the end of 1983, removing those who were disloyal to him or opposed to the form and content of the economic adjustment program. Those who remained were committed to the ERP, if even they may have had doubts about certain of its reform elements.[41]

A key factor in the success of the ERP was Rawlings' maintenance of small, cohesive and competent group of economic advisors, comprised of Finance Secretary Botchwey, former Finance Commissioner Joseph Abbey, and PNDC member P.V. Obeng. This "critical mass" of advisors had analytical autonomy and privileged access to the PNDC and were afforded the resources and political support necessary for carrying out policy analysis and strategy-building. Over time, the PNDC also granted the team a broad negotiating mandate.

In order to ensure that the policy team could proceed in its work unhampered, the PNDC protected them from the media and public criticism. Whenever the PNDC accepted the team's advice, the regime assumed responsibility for developing an implementation strategy and took full political responsibility for the decision in the public eye.

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[40] Toye, 1991, pp. 174-5.

[41] Of the seven original members of the PNDC, only one—Rawlings—remained in 1985. Two had resigned in November 1982; one was executed in August 1982 for complicity in the killing of Supreme Court justices; two were purged after an unsuccessful coup attempt in 1983, and one resigned in December 1984.

Performance of the policy team is all the more impressive given the broad focus of the ERP and Ghana's structural adjustment program, and the complexity of dealing with donors whose own actions sometimes reflected disagreement with regard to the short and medium term objectives of the adjustment program. It is beyond question that Ghana's negotiating position was strengthened over time by the maintenance of this core group of policymakers and their increased ease in dealing with donors and creditors alike.

Nonetheless, the PNDC during this period evidenced two principal weaknesses. The first was the question of its political legitimacy. As a regime that had seized power (rather easily) by force of arms, it had not yet moved to establish anything close to a constitutional or democratic mandate. In its favor, however, was the fact that it enjoyed considerable support from a population that was desperate for economic relief. While such elements of the ERP as devaluation, price decontrol and civil service staff reductions might have been expected to provoke major civil turmoil, the fact that they did not suggests that the PNDC enjoyed a somewhat protracted political honeymoon.

The second weakness of the PNDC was, perhaps, more threatening to its ability to build a rural constituency for its policies: the problem of ethnic politics. The elites of the regime were drawn predominantly from the Ewe ethnic group, a minority population concentrated in western Ghana.[42] Although few critics have charged the PNDC with ethnic favoritism in its policies, resentment of its largely Ewe composition have been rife. Particularly ironic is the fact that the principal beneficiaries of ERP reforms have been the Akan and Ashanti cocoa-farming populations who inhabit the middle forest belt of the country. Although ethnic politics have never influenced civil society in Ghana so dramatically as elsewhere in Africa, the fact remains that the Akan ethnic groups claim power based on the magnitude of their regional contribution to the nation's export earnings.

5.4 Donor-Government Relations

During ERP I, the PNDC was largely successful in complying with the conditions attached to financing from the IMF and World Bank. However, in spite of their excellent record, after 1984 Ghana's reformers found that ever-tighter conditionality was attached to any new grants and lending. The majority of conditions focused on the regime's policy of progressive devaluation, interest rate rises, budget cuts, and arrears clearance.

Having enjoyed considerable success during the first two years of the ERP, in 1986 the PNDC faced mounting protest of its wage and civil service reforms and sought to reverse decisions that had slashed living allowance payments and raised gasoline prices. At the same time, the regime had dragged its feat on commitments to remove fertilizer subsidies, privatize parastatal companies, and reorganize COCOBOD. With the PNDC showing signs of

[42] Rawlings personal stigma was not only that his ethnic ties to Ghana were among the Ewe, but also that his father was not African at all; he was a Scottish colonial officer.

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"adjustment fatigue", the World Bank and IMF came increasingly into conflict over the ability of Ghana to meet conditionality criteria. As far as the IMF was concerned, any reversal of wage policy was a violation of its lending agreement, and in April 1986 the Fund suspended lending. This, in turn, required the World Bank to delay any of its own disbursements on program lending for ninety days. World Bank negotiators sided with the PNDC in arguing that a reversal of wage and allowance policy would be critical to maintaining incentives in the public sector and to reduce some of the emerging administrative and bureaucratic barriers to ERP implementation. This crisis endured until September, when pressure from OECD countries convinced the IMF that this single concession might be all that was necessary to save Ghana's program, just as other adjustment programs in sub-Saharan Africa were falling apart. This conflict demonstrated to all concerned the lack of resiliency of adjustment programs with regard to political contingencies.

Bilateral aid during ERP I was coordinated through a donors' Consultative Group, established at the initiation of the World Bank in an effort to mobilize bilateral assistance to cover specific financing gaps in Ghana's SAP. Most bilateral donors responded slowly, due in large part to the radical posture of the PNDC and doubts about its commitment to adjustment.

Meetings of the Consultative Group sought expressions of intent for assistance by donors, made in the form of non-binding "indications," each of which required subsequent bilateral negotiation. During the first years of the ERP (1983-1984), donor "indications" remained below the levels requested by the World Bank and the IMF and left the PDNC short of some of the quick-disbursing aid needed to fill financing shortfalls. Even where "indications" were made, disbursements tended to lag.

An additional brake on the progress of the ERP was Ghana's inability to obtain debt relief. Ghana's principal creditor governments (the United States, West Germany, the United Kingdom, and Canada) accounted for 75 percent of bilateral debt. All of these had refused to reschedule Ghana's debt prior to 1984, compounding the nation's difficulty in satisfying a principal condition for assistance from the Bretton Woods institutions: payment of arrears on all debt. To their credit, however, the principal creditor nations responded quickly to the early progress of the ERO and, beginning in 1985, the OECD governments began to cancel Ghana's concessionary debt as it fell due.

5.5 Bureaucratic Interaction

The moralistic approach to reform initially taken by the PNDC was, in large part, a tactic designed to place the beneficiaries of the status quo on the defensive. This applied as much to Ghana's bureaucrats as it did to black market traders. The principal challenge facing the PNDC, however, was not that of moral conversion, but rather convincing public servants that a measure of sacrifice and operational changes would be necessary if the economy was to ultimately improve. The urgency of the ERP and the "tightness" of conditions attached to donor-funded programs would not allow the bureaucracy the luxury of being spared the short-term effects of devaluation or price decontrol, or the long-term effects of staff compression. For the bureaucracy to survive, it would be necessary to sacrifice some of its own.

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From the day that he returned to power, Rawlings' strategy had been to shift the center of Ghanaian politics away from the urban centers, toward what he hoped would become a rural constituency for reform. This philosophy was thoroughly embedded in the substance of the ERP and in the PNDC's political marketing of the reform process. Not surprisingly, this strategy alienated many in the urban-based civil service. The insertion of RDCs and WDCs in government offices aggravated the atmosphere of mounting distrust, albeit providing the regime with eyes and ears in a potential hotbed of opposition.

Other, more technical problems existed within the bureaucracy. Civil servants recruited in the twenty years since independence had known nothing other than an economy in decay and an administration with little accountability for its performance. Incentive structures were grossly deficient, and inflation had seriously eroded the purchasing power of public salaries. Training and retraining programs figured nowhere in the public budget, and many offices operated without even a modicum of supplies or furnishings.

The ERP depended greatly upon the ability of government agencies to respond to short-term calls for data, to create working groups for institutional reform, and to monitor the progress of the reform program. As the ERP got underway, the human resource deficiencies of the bureaucracy became quickly evident, and successive technical assistance teams were mobilized to carry out tasks that were simply beyond the reach or experience of many career bureaucrats.

With regard to agricultural sector reforms, Ghana had no institutional mechanism for providing the data and monitoring sectoral performance necessary to satisfy donor agencies. Years of controlling markets by fiat had left a gap in the ability of COCOBOD or its counterparts to calculate and adjust agricultural producer prices or for performing the necessary tracking to keep fertilizer and fuel prices aligned with those in the world marketplace. Hence, technical assistance missions were sent in annually during ERP I to recalculate and renegotiate these each year, delaying disbursements of stop-gap financing. Similar problems existed elsewhere in the bureaucracy, impacting on reform efforts in public budgeting, monetary policy, consumer price decontrol, and trade liberalization. Technical difficulties also arose in efforts to resolve cross-debt between parastatals and to reform public sector monopolies and monopsonies.

The problem of institutional non-cooperation also arose, sometimes in complicity with PNDC leadership. The stated ERP objectives of privatizing many COCOBOD functions, divesting plantations, and introducing fees-for-service in education and public health services gained little ground before 1987 and were ultimately postponed to ERP II. There can be little doubt that these delays were due in large measure to disagreements between the PNDC and donors on the pace and sequencing of reform. Bureaucrats, whose limited power and job security depended on the status quo, were only too willing to comply with "go-slow" signals from the PNDC.

Table 5.4:

Ghana's Principal Adjustment Facilities 1982-1989

IMF	**Year**	**Amount (SDR millions)**
Standby	1983-84	238.50
Standby	1984-86	180.00
Standby	1986-87	81.80
Extended Fund Facility (EFF)	1987-90	245.40
Structural Adjustment Facility (SAF)	1987-90	129.86
Enhanced SAF (ESAF)	1988-90	368.10
Total Committed 1983-1988		1204.06
World Bank		**(US $ millions)**
Reconstruction Import 1	1983	40.00
Export Rehabilitation 1	1984	35.88
Export Rehabilitation 2	1984	40.12
Export Rehabilitation 3 (Technical Assistance)	1984	17.10
Reconstruction Import 2	1985	60.00
Health and Education	1986	15.00
Industrial Sector 1	1986	24.95
Industrial Sector 2	1986	28.50
Structural Adjustment	1987	80.90
Education Sector	1987	34.50
Structural Adjustment	1987	14.66
Agricultural Services	1987	17.02
Structural Adjustment	1987	34.00
Institutional Support	1987	34.00
PAMSCAD	1988	10.60
Financial Sector	1988	100.00
Public Enterprise Assistance	1988	10.50
Cocoa Rehabilitation	1988	40.00

Adapted from Martin (1991)
Sources: IMF and World Bank Annual Reports, 1983-89; Matthew Martin, 1991. *The Crumbling Facade of Africa's Debt Negotiations: No Winners*. John Toye, 1989. "Ghana's Economic Reforms and World Bank Policy-Conditioned Lending, 1983-88."

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Staff decompression in COCOBOD and other agencies was often delayed during ERP I by the unavailability of funds designated for staff severance payments. Even when such payments became available, bureaucrats reacted predictably by stalling the process.

5.6 Coalitions and Mass Political Pressure

PNDC political strategy during the launching of ERP I was based on two assumptions: the need to keep potential sources of resistance off-balance through political disenfranchisement and intimidation, and the development of supportive constituencies with a tangible stake in the PNDC's survival. Although the regime continually reasserted its intention of restoring democracy to Ghana throughout ERP I, the challenges of economic reform provided the regime with ample justification for delaying democratization.

The greatest potential obstacle to implementation of the ERP was protest by urban consumers and unionized workers. That these did not occur can be attributed to several factors. As noted earlier, the most politically provocative elements of ERP I were exchange rate adjustment and decontrol of consumer prices, which necessarily entailed a brief period of inflation. The political and economic impacts of these actions were minimized *a priori* by the deterioration in real incomes underway since the 1970s. The immediate effects of devaluation were hardly so severe as policymakers had anticipated because Ghanaian consumers were already paying parallel market prices for most items at the time of the 1983 budget announcement; devaluation and price decontrol merely aligned official policy with the realities of the marketplace.

Implementation of ERP I coincided with growing authoritarianism on the part of the PNDC. Numerous authors point to the "culture of silence" that predominated in Ghana during this period. While the PNDC enjoyed qualified support from many Ghanaians who were in favor of any alternative to the status quo, potential opponents of reform evidenced a sense of powerlessness and justifiable fear of repression. Although protest was not absent, it did not begin to exert an influence on policy-making until 1986.

In keeping with the regime's revolutionary ethos, the first year of PNDC rule was marked by numerous documented human rights abuses, including property seizures, physical attacks, media censure, extrajudicial detention, and murder. Although instances of physical violence do not appear to have been directed by the PNDC itself, clearly other abuses were. Property seizures and harassment were clearly intended to be symbolic, focusing on merchants and civil servants who appeared to be profiting from economic exploitation of the public. The 1982 burning of Makola Market No. 1, Accra's central market, was ordered by Rawlings as a demonstration of his earnest intent to curb profiteering. While some abuses were directed at known or suspected opponents of the regime, many others were carried out by zealous young radicals acting in the self-justified interest of "the revolution."

As noted earlier, Rawlings and the PNDC also took pre-emptive actions to destabilize such potential sources of opposition as the Trades Union Congress and the security forces, and to install cells of local supporters in all official and commercial institutions.

One example of the PNDC's approach to shifting the balance of power is especially pertinent: efforts to control the smuggling of cocoa to neighboring countries. The PNDC's approach to this problem not only impacted on agricultural marketing, but provides a paradigm of the strategy used by the PNDC in all sectors of the economy. Its essential elements were (a) to mobilize public opinion against the enemies of the economy; (b) to reinforce official agencies by creating checks and balances among them; (c) to create civilian counterweights to potentially corrupt official agencies; (d) to place the administration of justice in the hands of "popular" institutions.

As noted earlier, smuggling occurred for a number of reasons, including competitive prices paid by the Togolese and Ivoirian governments, the relative strength of the CFA Franc, the sheer difficulty of getting cocoa to market on Ghana's deteriorating roads, and the physical proximity of alternative markets for populations living in border regions.

Although successive military regimes took the moral high ground in anti-smuggling campaigns, it was widely alleged that military leaders themselves were among the principal beneficiaries of the clandestine trade. Although capital punishment was prescribed for smuggling as early as 1972, enforcement was neglected. The Border Guard service, charged with patrolling Ghana's frontiers, had few incentives to act against smugglers: they were poorly paid and relied extensively on payments extracted from smugglers.

In 1982 the PNDC launched a campaign that attributed smuggling to large-scale farmers, wealthy traders, transporters and corrupt officials, and which exhorted the public to turn against them. For much of that year Ghana's borders were officially closed and new penalties for smuggling were prescribed, including the forfeiture of lands to the state. In order to obtain a system of checks and balances on enforcement, the PNDC mobilized mixed brigades of regular army troops and a Police Task Force to act as a counterweight to the corrupt Border Guards. The meting out of justice for economic crimes was vested in the newly created Peoples' Tribunals.

The PNDC assumed, incorrectly, that the establishment of the PDCs would provide it with an additional force for order. The PDCs were mobilized in the belief that their roots in rural communities provided them with privileged information about smuggling activity. However, until the ERP took hold "Smuggling was less a form of profiteering than a means of survival...The PDCs were supposed to appeal to patriotic youth, but in reality it was the youth who were most regularly involved in breaches of the law. Consequently, the PDCs usually opted for the role of spectators in the campaign against smuggling."[43]

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[43] Nugent, 1991, p 79.

The failed experiment of using the PDCs to root out smuggling led the regime to change tactics in 1984. The Border Guard Service was officially abolished, following a short-lived invasion of opponents from Togo, and the regular army placed in charge of border surveillance. A civilian counterpart was created, dubbed the People's Militia, recruiting local youth without regard for their ideological allegiances. Retired army officers were called up to constitute a newly-established Civil Defence Organisation, charged with instilling discipline and curbing the excesses of the Peoples' Militias.

6. SUSTAINING REFORM

In spite of continued downturn in many of the country's key indicators of growth during its first year of implementation, ERP I largely succeeded in achieving its goal of economic stabilization. Beginning in 1984 Ghana experienced five years of steady economic growth: GDP returned to levels unknown since the early 1970s, while per capita GDP began to rise at a rate of 2 percent/annum.

The program succeeded also in shifting growth to priority sectors, with the share of exports of GNP rising from only 6 percent in 1983 to more than 10 percent by 1987. The PNDC was somewhat unsuccessful in limiting import growth during this period. Continuing balance of payments deficits were offset, however, by multilateral finance inflows and largely the result of machinery and transport equipment necessary for first-phase rehabilitation of national transport and critical industry rehabilitation.

Rationalized taxation and tax collection generated significant new revenue for the central government, with the share of GDP accruing as tax revenue rising from only 5 percent in 1983 to more than 15 percent by 1987. Conservative government spending and management of the money supply, reflecting conditions of Ghana's agreements with donors, allowed the central government to achieve a budget surplus by 1987 as well.

In spite of a nominal fall in the value of the cedi of more than 8,000 percent, devaluation adjusted for inflation resulted in real depreciation of the currency of only 33 percent of its 1972 level.

Some of the success of ERP I can be attributed to the fortuitous recovery of the agricultural sector following the drought of the early 1980s, a rebounding of world cocoa prices, and a drop in the price of petroleum. Although cocoa exports did not begin to rise until 1986, a shift in the terms of trade in Ghana's favor resulted in increased export proceeds of 60 percent during the 1984-1986 period.[44]

Much-feared inflation in the wake of the cedi's devaluation proved to be minimal, given that parallel exchange rates already prevailed in the marketplace during the launching of the ERP.

Economic stabilization was not without significant costs. Predictable, if overlooked, impacts of adjustment included declining standards of living for many of those at the lower-middle levels of Ghanaian society: farmers outside the cocoa sector and women farmers nation-wide, petty traders, and redundant workers in the public sector were the incidental victims of budgetary retrenchment and policies to promote accelerated recovery in the export crop

[44] Toye, 1991, pp. 165-169.

subsector. The urban and rural poor, whose incomes tended to lag behind recovery, continued to lose ground disproportionately.

The unevenness of ERP I outcomes were especially notable in the non-cocoa agriculture sector. New incentives for cocoa producers had been enacted at the expense of interventions to assist food producers. While the gradual removal of subsidies on fertilizer and other agricultural inputs was offset by increased prices to cocoa farmers, food producers had to rely on longer-term market responses to recover their own lost ground.

The relative success of ERP I presented the PNDC with a new set of social and political challenges and, beginning in 1987, Rawlings decided to launch a new series of political reforms aimed at bolstering rural support for the regime. In July Rawlings' and the PNDC issued two key policy documents. The National Programme for Economic Development laid out the targets of ERP II, with an emphasis on the need for sustained balance between economic and political objectives. This document was to serve as the basis for negotiations with donors on the creation of the Programme of Actions to Mitigate the Social Costs of Adjustment (PAMSCAD), a series of local initiatives designed to offset problems of unemployment and inadequate service delivery in poor rural and urban areas.

The second document, known as "The Blue Book", served as an auto-critique of the PNDC's efforts to restore democratic institutions and a blueprint for new efforts to create "real democracy" in local government. The linchpin of this effort was to be the election of District Assemblies which would exercise "state power as the peoples' local government." The Blue Book included detailed measures for establishing the District Assemblies and for assigning to them a role in economic and social development.[45]

6.1 ERP II

The continued commitment to adjustment measures by the PNDC was largely strengthened by the positive results of ERP I policies and the relatively low resistance they had encountered. The stream of foreign exchange inflows that had appeared during ERP I, (due in large measure to aid, improved terms of trade, and improvements in export markets), convinced even policy skeptics that the resources necessary to prop up weaker sectors of the economy could be obtained by staying on the course of reform.

The launching of the second phase of Ghana's Economic Recovery Programme (ERP II) began in 1987, and coincided with the nation's first Structural Adjustment Program. The focus of ERP II and the SAP comprised: (a) developing an incentive framework to stimulate growth, encourage savings and investment, and strengthen the balance of payments; (b) improving resource use while ensuring fiscal and monetary stability, and (c) improving the efficiency of public sector agencies and institutions.

[45] Chazan, 1991, p. 35.

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Trade and exchange rate reforms remained at the center of ERP II. While ERP I had succeeded in depoliticizing exchange rate determination and introduced flexibility into the monetary regime, the arrangement neither established a truly floating exchange rate, nor did it close the gap between quasi-official rates and those on the parallel market. Hence, under ERP II certain further steps were necessary. Beginning in February 1987 the two-tier exchange rate, which had separated export transactions from all others, was unified at the weekly auction rate. In April 1988 the PNDC authorized the creation of licensed foreign exchange bureaus that were permitted to trade at rates even higher than those established at the weekly auctions, with margins often 30 to 40 percent higher. During subsequent months this gap was closed further, with weekly auctions becoming able to satisfy the foreign exchange requirements of all bidders. As a consequence, premiums at licensed foreign exchange bureaus dimined sharply.[46]

Successful devaluation completely eliminated the use of export bonuses and import levies as a means of regulating cross-border trade. The next step, under second-phase reforms, was to reduce import and sales taxes that had remained in place to protect local industry. By January 1989, import licensing was abolished and replaced by a system of one-step declarations of intent to import. Under ERP II import tariffs were to be maintained in the 20-25 percent range, low by comparison with those of neighboring countries in the CFA Franc zone.

ERP II interventions in public resource management centered on efforts to mobilize domestic resources, restructure recurrent expenditures of government, and create a series of three-year rolling public investment programs. Resource mobilization efforts were tied to efforts to enhance the efficiency and equity of the tax system.

Although government revenue and expenditure remained flat during the program, the structure of taxation was shifted in order to revitalize private business activity. All excise duties on products other than petroleum, tobacco and beverages were eliminated. Corporate tax rates were to be gradually reduced from 55 percent to as low as 35 percent (with variations in the rate applicable to the sectors in which the businesses operated, with agriculture subject to the lowest possible rates). Capital gains tax-rates were also to be reduced or, in the case of mergers, acquisitions and publicly traded capital, eliminated entirely. Personal income tax burdens were reduced indirectly, through gradual increases in personal allowances and tax brackets. At the same time, however, allowances and perquisites to public and private sector workers were newly included in revenue calculations.[47]

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[46] Alderman, 1991, pp. 12-17.

[47] Kapur, *et al.*, 1991, pp. 32-34.

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6.2 Cocoa Production, Pricing and Marketing Reforms Under ERP II

6.2.1 Cocoa Production Reforms

The centerpiece of cocoa production reforms under ERP II was a five-year, US $143-million cocoa rehabilitation project cofinanced at concessionary rates by the World Bank and other donors. The project established a goal of increasing national production of the highest quality cocoa to 300,000 tons per year by 1991, an objective that was ultimately attained ahead of schedule in the 1988-1989 growing season (albeit during a glut on world markets).[48]

The principal geographic focus of the project was Ghana's Western Region, that area of the middle-forest belt with the youngest and most productive plantations. In addition to boosting production efficiency, the project also had a tacit motive, i.e. to curb export smuggling by better linking producers in that region to world markets. (An additional motive for the PNDC was to bolster political support in this Akan-dominant population.) Infrastructure in the Western Region, adjacent to the Cote d'Ivoire border, remained poor, thereby encouraged smuggling in spite of any improved price incentives in local markets. Hence, roughly half of initial project disbursements were invested in the construction of 3,000 kilometers of new feeder roads.

Additional project objectives included increasing the productivity of cocoa production nation-wide, through the introduction of new drought and disease-resistant high-yielding hybrids, improved quality and availability of research and extension services, and improved plantation maintenance. In the Western Region, as elsewhere in the nation, yields of only 300 kg/hectare remained low when compared with those characteristic of Ghana's principal competitors (e.g. 1,000 kg/ha in Asian cocoa-producing nations).

Conditions attached by the donors to the rehabilitation were few in number, but touched upon politically sensitive areas of reform, including the implementation of a five-year program aimed at further net reductions of COCOBOD staff; privatization of COCOBOD plantations and three of its industrial facilities. Additionally, donors required that a mechanism be established for improved monitoring of markets and the annual announcement of producer prices for cocoa no later than March 31 each year.

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[48] The degree of enthusiasm for this effort is demonstrated by the relatively large number of donors who agreed to co-finance the project. Beside concessionary loans in the amount of roughly US $25 million provided by the World Bank's International Development Association, an additional $128 million in grant and loan aid was subscribed by United Kingdom, the African Development Bank, and the Arab Bank for Economic Development in Africa. Local counterpart funding totalling some US $32 million was provided by COCOBOD and the investment budget of the central government.

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6.2.2 Cocoa Pricing Reform

The rhythm and pace of cocoa pricing reforms under ERP II continued to be determined only in part by world markets. Cocoa rehabilitation efforts began during a period when world cocoa prices were plummeting, from a high of US $2,500-$3,500 per ton during 1983-85, to a low of merely US $ $800 per ton in October 1988.[49]

In Ghana, the effects of post-drought rehabilitation efforts and producer price increases began to be felt before the end of ERP I, and by 1988 production of 305,000 tons was nearly double that of four years earlier.

Nonetheless, with world prices at a historical low, Ghana held to its political commitment to increase producer shares of world prices to 55 percent (and, by 1992, 60 percent). By 1990, as neighboring countries were reducing prices paid to their farmers, Ghana announced a price increase of 28 percent, compared with that of the previous year. As a result, for the first time in several decades, COCOBOD reported that an increased proportion of cocoa was being smuggled into Ghana from Côte d'Ivoire and Togo.

COCOBOD's ability to stay the course on increasing producer prices was the result of several factors, not the least of which was reform of the country's foreign exchange regime. An additional factor which entered into play was the reduction of central government budgetary allocations for agricultural subsidies. By 1990 COCOBOD implemented full cost-recovery of inputs by eliminating the subsidies on motorized sprayers (69% subsidy), insecticides (76%), and hand operated sprayers (80%). Finally, increased efficiencies in COCOBOD marketing operations were resulting in cost savings that could be passed on to producers.

6.2.3 Cocoa Marketing Reform

The greatest resistance to cocoa subsector reforms of ERP II and its complement of donor assistance focused on the ultimate fate of COCOBOD. The donor vision of a fully privatized marketing institution was at variance with the PNDC's originally-stated intentions, and became the subject of heated debate in which issues of national sovereignty came into play. Beside the tight conditionalities imposed by donors, the PNDC sought compromise in the form of a commitment to divest COCOBOD of only those functions that the private sector could be proven to perform more efficiently. While donors were enthusiastic about providing technical assistance to improve COCOBOD efficiency, they offered little to mitigate the politically-provocative effects of mass layoffs undertaken under ERP I, not to mention those slated to occur under ERP II.

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[49] The glut on world cocoa markets was due mainly to massive increases in Malaysian production, which rose from 165,000 tons in 1986-87, to 240,000 tons in 1988-89. By 1988, Malaysia overtook Ghana as the world's third-largest producer of cocoa.

The PNDC and COCOBOD management initially agreed to earmark the input supply function of the organization for privatization, but sought to postpone divestiture of its cocoa purchasing functions. (The argument for the latter was based as much on technical concerns as political ones, citing the wave of product adulteration that had occurred when purchasing functions of Nigeria's market board had been privatized some time earlier.)

Noting that cocoa processing was largely neglected by the massive inflow of donors' loans and grants, COCOBOD argued that improved efficiency in processing facilities was a strategic necessity in order to capture quality premiums during a period of sluggish prices for raw cocoa. Hence, acting unilaterally to strengthen its institutional hold, COCOBOD began rehabilitating cocoa-processing factories at Tema and Takoradi. It was ultimately successful in soliciting donor funds to complement its own resources

Institutional resistance to reform also occurred with the complicity of the newly-established Official Implementation Committee (OIC) for privatization. Comprised of ostensibly neutral parties and informed by nationalist sensibilities, the OIC took the position that COCOBOD plantations should only be sold or ceded to local bodies, such as District Assemblies, cooperatives, and Mobisquads. In 1988 the OIC contracted with the Land Economy Department of the University of Science and Technology to undertake valuations of the forty-two COCOBOD plantations in 1988; for at least two years, however, no report was submitted. The principal obstacles to valuation cited by the OIC were the absence of a stock market, unreconcilable parastatal cross-debt, the prevalence of nonperforming assets in parastatal holdings and, finally, the inadequacy of resources at its disposal to carry out valuations of each facility.

To their credit, the PNDC and OIC effectively pursued a joint-venture agreement with a European chemicals manufacturer to partially privatize COCOBOD's insecticide production plant by 1991. However, for the proponents of full-scale privatization, this was merely a partial victory.

6.4 Political Elites and Factions

As noted earlier, the PNDC launched ERP II in a position of relative strength. Reform had produced positive trends in the economy, many of which were evident in the daily lives of Ghana's citizens. However, while Rawlings and his colleagues had demonstrated admirable flexibility in the implementation of the reform program, the regime had nonetheless remained authoritarian in its structure and methods. At no period since the advent of ERP I was there any question about Rawlings' political strength nor his ability to structure political processes according to his own strategic objectives.

Having paid extensive lip-service to the eventual need for a more democratic society during the earliest months of his tenure, Rawlings had succumbed to the greater expediency of maintaining tight control over the institutions of governance and, where he could not, establishing alternative institutions accountable directly to the PNDC. The revolutionary PDCs and WDCs, which were originally intended to serve at least a quasi-democratic function, had been abolished in 1984 for their attempts to create "parallel structures of authority." Their replacements, the CDRs, were little better, enjoying no representative functions and acting principally as the eyes and ears of the regime in local communities.

The Blue Book reforms, however, marked a new era in which the PNDC indicated a willingness to empower democratically-elected bodies without regard to ideology. The simple demographic fact that these would strengthen the regime's image in the eyes of rural populations served Rawlings' continued goal of building a power base outside of Ghana's cities.

District Assembly elections required more than eighteen months to organize during which district demarcation and rules for candidate and voter eligibility were elaborated, and voter registration took place. The first round of elections took place in the Ashanti, Western, Eastern, and Central regions in December 1988, and the last round eight weeks later. Electoral results were somewhat encouraging to the regime, with voter participation reaching 60 percent (compared with only 36 percent turnout in the 1979 parliamentary elections). Rural turnouts were higher than those in urban areas (ranging between 44 and 12 percent), suggesting that Rawlings' had achieved at least one of his goals: increasing the engagement of rural populations in the formal political process.[50]

Resistance to the electoral process was centered among already organized groups in the trade unions movement and certain ethnic and professional enclaves, who charged that limited democratic opportunity would merely strengthen the appearance of legitimacy of the PNDC, while allowing it to preserve a stranglehold on policymaking and the repressive machinery of authority.

Strengthened by the results of the local elections and in response to critics at home and in the donor community, Rawlings began to move the process of democratization forward beginning in 1991. While he and an alliance of rural activists, former radicals, decommissioned military officers and pro-reform intellectuals were able to secure their hold on the presidency and in the newly reconstituted parliament, electoral victory was less than satisfying. Ethnic politicians as well as civil servants turned out in support of Rawlings' opponents and, when they were defeated in the presidential race, opted to boycott subsequent legislative elections.

6.4.1 Donor-Government Relations

Ghana's relations with donors during ERP II grew more complex. Where the form and function of stabilization efforts had been determined largely by the IMF, under ERP II the World Bank assumed the leading donor role in the design and financing of growth-oriented reforms.

[50] Chazan, 1991, p. 37.

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With the growing complexity of Ghana's relationships with donors came a number of problems. Conditionalities attached to donor financing accrued throughout ERP I and ERP II: IMF conditions rose from less than twenty in 1983 to between forty and fifty in 1988-89, largely because of institutional linkages in structural adjustment and related facilities; World Bank conditions proliferated as rapidly with each new sectoral program and project.[51]

Conflicts in conditionality also arose due to differences of opinion and poor communications between donors. For example, during ERP I devaluation drove up the cost of Ghanaian debt service and other foreign exchange transactions in the budget, resulting in the need to reduce domestic spending. At the same time, political circumstances convinced the PNDC that the withdrawal of petroleum and fertilizer price subsidies should proceed at a slower than anticipated pace. While the World Bank empathized with the PNDC's plight, the IMF merely saw this as a sign of intransigence and a breach of conditionality. Similar issues arose over time related to the pace of interest rate increases and the consequence of tightened credit during a period when the World Bank hoped to see faster growth in farmer income and contributions to GDP growth.

Political and ideologically-motivated reticence of bilateral donors during ERP I largely evaporated once the PNDC demonstrated its commitment to reform. Bilateral "indications" of aid rose sharply between 1987-89, with pledges of $800 million in 1987 and 1988, and $900 million in 1989, meeting or exceeding, Bank targets. The donors were driven in part by a sense that they needed to compensate the PNDC for shortfalls in cocoa revenues due to exogenous factors and foreign exchange costs for critical imports. Between 1985-1988 Canada, France, Germany, the United Kingdom and the United States canceled $412 million in concessionary debt and began to allow rescheduling of some short-term commercial debt.

If the technical staff of donor agencies appeared satisfied with Ghana's progress in enacting economic reforms, the political message sent from European and North American capitals grew more stern during ERP II. Democratization as a theme, and increasingly a condition, for economic assistance came into its own during this period, and the PNDC found itself under mounting external pressure to legitimize itself as a regime through the electoral process. While it proceeded at its own measured pace, the regime was eventually able to satisfy even this demand.

6.4.2 Bureaucratic Interaction

As noted earlier, the high quality of senior economic policymakers under the PNDC was hardly exemplary of lower levels of the bureaucracy. Even where talented civil servants were in place, the legacy of colonial bureaucratic culture and the revolutionary austerity of the PNDC created institutional disincentives to bureaucratic initiative. Rawlings himself made a point of this in numerous public addresses in which he argued that "too many people still stand waiting

[51] Toye, 1991; Martin, 1991.

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to be told what to do next, waiting for authorisation to do the obvious, afraid to act in case someone higher up disapproves." [52]

In order to improve incentives in the civil service, under ERP II the PNDC risked rupture with the IMF in a campaign to raise civil service wages to more competitive levels. At the same time, differentials between the highest and lowest paid civil servants were widened, mainly to attract the most qualified talent to senior positions in public administration.

These measures received a mixed reception, with lower-paid civil servants reacting predictably with work slowdowns and progressive abdications of responsibility, directing tasks upward to better-paid colleagues. The atmosphere of resentment was further aggravated by a continuing series of staff reductions in the public sector, which resulted in the loss of 20,000 positions (mostly in lower rungs) between 1987-1990, and a further 5,000 positions in 1991. While the PNDC was able to negotiate a "special efficiency budget" to cover the costs of retraining and providing assistance to the victims of staff compression, this only partially offset political opposition to the policy.

Donor technical missions had recognized early on that the problems within the Ghanaian bureaucracy were not merely due to cultural or political reticence. Many agencies were simply not structured to undertake the kinds of policy analysis required by such an ambitious reform program; the capacity to conduct preparatory analysis, to identify policy options and strategies, and the mechanisms to advise senior government officials simply did not exist. Hence, as new programs and projects came on line, donors tended to accord an ever higher priority to building capacity within governmental institutions, resulting in a strengthening of many bureaucratic functions, both in terms of the quality of their output and in the security of those with tenure in the bureaucracy.

The greatest bureaucratic obstacles to reform remained centered around the thorny issue of parastatal divestiture, where civil servants and technocrats acted in complicity with senior government officials who sought to stall the privatization process. In this way the PNDC and, in its post-election incarnation, the NDM, were able to mobilize even low-level civil servants to outflank donor-driven efforts to privatize COCOBOD.

6.4.3 Mass Organizations

Sensitive to the inequities of the impact of reform, in 1988 the PNDC negotiated donors to create the Programme of Actions to Mitigate the Social Costs of Adjustment (PAMSCAD). PAMSCAD interventions included social projects in nonformal education, training or retraining of the unemployed, feeder road construction, and community health. However, limited donor commitment to the program (only $85 million by 1990) and

[52] Toye, 1991, p. 187.

disbursement lag among donors produced only modest results: 20 community-initiative projects were completed during the first two years of PAMSCAD, while 190 were awaiting start-up.

While the PNDC made much of the launching of PAMSCAD, the regime was ultimately the victim of its own policy of restricting the flow of information regarding aid inflows. Having raised public expectations unrealistically with regard to the PAMSCAD initiative, the regime found its hands tied in attributing blame for the project's poor results to donors. Having used initial PAMSCAD projects to reward pockets of support for the PNDC, the regime also found itself short on resources for other areas when donor assistance lagged.

Although the PNDC sought repeatedly to adjust implementation of ERP I and II to the negative outcomes they generated among poorer segments of Ghana's population, the regime was been greatly limited in its ability to compensate them. Structural adjustment in Ghana entailed a measure of shock therapy and was based on the assumption that a period of as much as five to seven years would be required for positive distributional impacts of growth to make themselves felt.

Hence, it was with a measure of calculated risk that the regime undertook the process of consultation that resulted in the 1987-1988 District Assembly elections. As noted earlier, the elections were a qualified success, as measured in turnout and execution. Nonetheless, the qualified faith of the PNDC in the electoral process was reflected in its decision to ban organized political parties from fielding candidates and to reserve one-third of Assembly seats to its own appointees.

Under both internal and external pressure, in 1992 the PNDC conceded to the necessity for a general election for the presidency and a reconstituted parliament. Rawlings and the PNDC believed that the outcomes of ERP I and II would bring the regime support for several reasons: economic reform had produced a measurable reversal in rural-urban terms of trade in favor of the rural population, and gains from producer price increases had begun to filter down to rural farmers, particularly in cocoa-growing regions. Of serious concern to the PNDC was the fact that the majority of benefits from cocoa reform remained concentrated among the largest-scale producers, while the burden of costs that certain reform measures had entailed were especially hard-hitting for the rural population, including levies for public services in education and health.

The 1992 presidential election provided a more accurate indicator of the degree to which both Rawlings and his economic reform programs had succeeded. The election pitted him against a field of five candidates, only one of whom was of any consequence: university lecturer Albert Adu Boahen of the largely Ashanti and Akan-based New Patriotic Party. In fact, the ideological differences between Rawlings' and his opponents were marginal. The PNDC's political wing, the newly-constituted National Democratic Congress party, succeeded in obtaining some 58 percent of votes cast, in an election marked by high voter turnout. Rawlings' victory came, however, without the support of the largely Ashanti and Akan cocoa farmers and pockets of former civil servants and urban dwellers, who resorted to ethnic allegiances in backing

Boahen. Only marginal differences between the candidates gave lie to the fact that the election was a referendum on structural adjustment. Instead, it was a referendum on the personality of Rawlings himself.

Rawlings was only partially vindicated by the results of the parliamentary elections, held after polling for the presidency. In an election boycotted by the opposition, the National Democratic Congress carried 189 of 200 parliamentary seats, while allies in an NDC coalition gained an additional nine seats.

7. LESSONS LEARNED

Ghana's economic crisis was the result of a complex array of factors, including several decades of policies based on the extraction of rents from the rural economy to subsidize urban-based industries and institutions; untenable import-substitution industrial development and high levels of protection for local industry; artificially maintained overvalued exchange rates, which created both an inflation tax on the population and encouraged destructive rent-seeking behaviors; and a repetitive cycle in which political regimes having narrow popular support sought to rule by force of arms while perpetuating policies of self-enrichment.

Two decades of economic downturn and progressive impoverishment created a political void and popular disillusion with the fundamental principles of governance and policy-making. This in turn opened the way for a charismatic, if for a time authoritarian, leader, committed to fundamental change from past policies and standards of governance.

The relative success of Jerry Rawlings and the PNDC in designing, implementing and sustaining progressive economic reforms can be attributed to several key factors:

- The political autonomy of the regime resulted from an absence of desirable alternatives; the discrediting of virtually all predecessor regimes; and authoritarian methods of political self-preservation;

- Political commitment and moralistic determination by those in power to enacting fundamental reforms which would redefine the objectives of government in favor of the population at large;

- The mobilization of a team of dedicated, competent technocrats who served as champions, negotiators, and managers of a unified reform initiative over a sustained period;

- Substantial insulation of policy reform managers from competitive factions during the reform period. The downside of this factor is, however, that political insulation of policy reform managers was accomplished only through increasingly autocratic executive decision-making.

- Substantial external technical advice and support;

- Access to substantial capital resources to support the reform process, at favorable terms.

Ghana's experience of economic reform provides a series of qualified lessons learned regarding both the character and effectiveness of governance.

- Ghana's leaders enjoyed a strategic advantage in seeking to simultanecusly enact political and economic reforms. The severe deterioration of civil institutions that preceded the regime allowed it to "reinvent" government. However, the basis of their mandate to do so is difficult to evaluate in the absence of legitimizing constitutional or popular mandates. The PNDC approach to reinventing government was piecemeal and opportunistic, as they sought to create, repress or bolster institutions in order to manipulate support for their policies.

- Ghana's experience underlines how authoritarian methods, however unpalatable to the proponents of democratization, provided the regime with clear field of action and opportunity to insulate policymakers from populist pressure. Clearly, had not Rawlings and the PNDC enjoyed such political autonomy many of the most difficult reforms would have been postponed or, perhaps, not implemented at all. This was clearly the case with regard to devaluation, market liberalization, compression of government institutions and the civil service, and the enforcement of anti-corruption measures.

- Where authoritarian methods may have been effective tools for policy implementation, they proved less effective in developing a supportive political culture and institutions for reform. Rawlings and the PNDC succeeded only partially in their efforts to build a rural constituency for reform and, in fact, saw that ethnic politics could override even economic benefits as a motive for participants in the political process.

The role of donors in supporting Ghana's economic reform program was, likewise, a qualified success.

- In spite of the self-avowed apolitical character of development assistance, Ghana clearly suffered during the initial stages of reform from donor reticence, attributable to the unpalatable revolutionary stance of the PNDC during its earliest years. If this was perceived as a liability by donors, it nonetheless succeeded in convincing Ghanaians of the regime's earnest intent with regard to reform.

- Ghana also provides qualified vindication of the donors' insistence on tackling macro-level issues first and, secondly, focusing on strategically important sectors of the economy (in Ghana's case, agriculture) in order to promote accelerated sectoral growth.

- Differences in the flexibility of approaches by the IMF and the World Bank, and statutory linkages between the actions of those institutions when conditionalities were breached, created confusion and endangered support during critical periods of [illegible] reform process in Ghana.

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- The "piling on" of conditionality linked to donor assistance raised demands on Ghanaian technical staff to unrealistic levels as the reform process peaked. Earlier efforts to strengthen the capabilities of Ghanaian institutions would have better enabled local officials and technocrats to track and adjust policy implementation in a timely manner. Likewise, "cross conditionality" between donor programs multiplied and sometimes made reporting requirements redundant.

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