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The impact of the World Bank and the IMF on the political economy in Ghana

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The Ohio State University, 1993
The Impact of the World Bank and the IMF on the Political Economy in Ghana

DISSEMINATION

Presented in Partial Fulfillment of the Requirements for the Degree Doctor of Philosophy in the Graduate School of The Ohio State University

By

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The Ohio State University 1993

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### II. THE DISCOURSE OF STRUCTURAL ADJUSTMENT IN AFRICA

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CHAPTER I
INTRODUCTION

During the 1980s, in response to deteriorating economic conditions in developing countries, there was a shift of emphasis toward market oriented economic reform in international development policy. Major international development agencies, especially the World Bank and the IMF, mainly supported by Western industrialized countries, have pressed developing countries to liberalize the domestic market, reduce import restrictions, devalue exchange rate in accordance with the international financial market, and privatize state-owned enterprises. Many multilateral and bilateral donors began to require, in return for their assistance, policy changes which stress greater reliance on market forces in allocating resources and reduced government control in the economy. In this approach, called structural adjustment, macroeconomic balances have taken priority in development policy-making. Market economic principles and other liberal economic measures replaced subsidies to the poor and price controls on basic necessities. The proponents of these programs argued that economic adjustment would re-establish equilibrium in the external accounts, reduce government deficit, and control inflation while creating the conditions for resumed growth (World Bank, 1986b, 1990). The unique aspect of structural adjustment programs is that the World Bank as well as the IMF began to have more control over Third World economies by making the economic policy changes a condition for lending.
The program brought serious social and political implications for people in poor countries. Even in a few programs successfully implemented in a macro economic sense, the impact of various liberal economic policies on the living standard of the population has not been positive. The deflationary nature of most adjustment programs, such as cuts in government spending and devaluation of currencies, resulted in depressed employment, rise in prices of essential goods, and reductions in real incomes (Streeten, 1987). Some argue that structural adjustment does not help the poor but worsens their social and economic conditions (UNECA, 1989; van der Hoeven, 1988; Cornia, 1987). The World Bank/IMF version of adjustment programs has already antagonized many people in developing countries. Its implementation, in some cases, generated wide-spread discontent and riots, as happened in Zambia in 1987 and Ivory Coast in 1991. In addition, the World Bank and the IMF's intervention in economic policymaking of Third World countries was accused of impinging on their sovereignty. Therefore, structural adjustment programs have been politically contentious, as well as economically controversial, issues.

It is often argued that most of these problems, especially the ignorance of poverty and social welfare issues, are related to characteristics of structural adjustment policy-making. The programs are built on a narrow coalition of economic bureaucrats in the governments of Third World countries and the World Bank and the IMF. There is a lack of understanding of social and economic conditions of aid recipient countries on the part of international development agencies. There has been little societal input into the policy design process. Political factors involving distribution of wealth and long-term development issues have not been fully considered.
This dissertation investigates how poor African states were forced to adopt orthodox liberal economic policies which have significant impact on their relationship to the international economy and the distribution of resources in society. The domination of external agencies in the African economy can, to a great extent, be explained by the structure of the political economy in Africa. The dissertation will examine the roles of the World Bank, the IMF, Third World governments, and various economic interest groups in adjustment policy making. Thus this research focuses on how external agencies influence the substantive nature of economic programs in Africa, what kind of opposition exists, and how the relationships of the state to society and external economic institutions have been changed. More specifically, it will look at policy leverages and positions of international financial institutions, the nature of coalition in support of liberal economic policies, the role of the state in economy, and government reactions to social oppositions to adjustment programs. The analysis of structural adjustment programs in Ghana is used to illustrate some key policy-making issues regarding economic structural adjustment in Africa.

STUDIES ON STRUCTURAL ADJUSTMENT POLICY MAKING

Many studies on structural adjustment policy-making deal with the reasons for the failure of most Third World countries in the implementation of structural adjustment programs. These studies mainly focus on such factors as the commitment of African leaders to liberal economic policies; the will of the government to implement those policies; the level of government resistance to social pressure; the role of external support in economic performance; and the capacity of the government to manage
economic programs. (Nelson, 1990; Gulhati, 1990; Haggard, 1986) In many of these studies political interests of governments are often seen as an obstacle to market economic reform. The major failure of adjustment programs is attributed to inefficient management of the economy by government elites, opposition of social groups with self interests to "rational" economic policies, and the unenthusiastic support of politicians for unpopular, but "economically sensible," policies.

In explaining the policy-making of structural adjustment, these studies seem to fail to elaborate the dynamics of relations between international financial institutions and Third World countries as well as their impact on domestic political arrangements between the regime and different social groups. The analysis of policy-making for structural adjustment programs needs to focus on the major features of the relationship between international financial institutions and poor Third World countries. Many governments in Third World countries are connected to the World Bank and the IMF through lending and economic advice. Since adjustment programs often generate unequitable redistribution of resources to the majority of the population in society, many governments confront their own people with unpopular adjustment policies.

GLOBAL GOVERNANCE AND STATE SOVEREIGNTY

In recent years there has been a growing argument that the sacrifice of state sovereignty is inevitable for multilateral solutions to such problems as economic well-being, debt, environmental pollution, military security, and so on. In public choice and functionalist theories, international organizations were mainly characterized as produc-
ing common goods or coordination for solving global problems. The interdependence of
issues, demands for higher material welfare, and the growth of technology justify the
necessity of "managerial leadership" at the multilateral level (Hass, 1964:126). Regard­
ing the international political economy, interdependence theorists argue that co­
operation and joint management are necessary given the fact that the pursuit of self­
interest by individual states in an international economy does not necessarily bring
about optimal results for the economy as a whole. Indeed, this managerialism in
international economy is embodied in the Bretton Woods Institutions.

On the issues of global economic management, the traditional literature in the
international organization field avoids discussion of the growing power asymmetries in
the international system, the erosion of economic sovereignty of poor countries, and
domestic and transnational social movements challenging a dominant system. Challeng­
es to unequitable distribution of resources in the global economy and a dominance
system were made by scholars who suggest a revisionist view of the international
system (Galtung, 1980; Cox, 1980, 1977; Hayter, 1974). Robert Cox and Teresa Hayter
criticize the adverse distributional effects of the institutionalization of First World
hegemony (Cox, 1980; Hayter, 1974). Johan Galtung argues that the medium of inter­
national organizations is used to maintain neocolonialism in which periphery countries
offer raw materials and cheap labour while center countries own the means of pro­
duction, capital, and technology (Galtung, 1980:128-131).

International organizations are not politically neutral since they are involved in
distribution of values, policy implementation and rule making. The efforts of the
World Bank and the IMF to promote a market economy are designed to restructure
economic priorities in the Third World for strengthening or at least stabilizing a glob­
al capitalist economic order. Political controversies surrounding structural adjustment are related not only to questions about the validity of orthodox economic theories but also the structure of the world economy. Proponents of the management of the global economy in terms of neo-classic economic theories believe that liberal economic policies are essential for improving economic efficiency in the Third World. However, their opponents argue that the promotion of a free market economy does not help better management of the world economy but strengthens a hegemonic economic order. To some, thus, the Bretton Woods Institutions are naturally seen as representing economic interests and ideologies of global capitalism at the sacrifice of the poor in developing countries (Abdalla, 1980; Payer, 1982).

The emphasis on global economic managerialism through the Bretton Woods Institutions and the predominance of a neo-classic economic paradigm have come to undermine the role of the state. The neo-classic economic theory rejects a role for the state in the production and accumulation of capital. Compared to advanced capitalist states, however, many Third World states do not have a developed class structure, and there is difficulty in forming a strong class alliance for promoting endogenous capitalist development. Economic liberalization in many Third World countries, which was adopted by the pressure of international financial institutions, has threatened state autonomy and legitimacy by attacking welfarism, which is a fundamental feature of a modern state. The absence of effective power and legitimacy reveal "a weakening and, perhaps, decaying state." The weakness of the state is well confirmed by Third World states' negotiation, acceptance, and implementation of structural adjustment strategies of the World Bank and the IMF (Lehman, 1992:5).
The incapacity of the state to challenge a hegemonic international economic order has led to an increasing role of non-governmental organizations (NGOs) and demand for local popular decisions. Notions of democratic development are no longer limited to occasional acts of formal voting. They stress continuous informal involvement in policy making at various levels, including communities, cooperatives, unions, and culture. The international rise of NGOs is a response to the decline in state power. At a recent international forum, NGOs emphasized international coordination of grassroots opposition against the devastating economic, social, and environmental impact of IMF/World Bank policies. There is also acknowledgement among NGOs that they should complement trade unions in their "front-line" role in confronting policies of international financial institutions (Bentsi-Enchill, 1992:26). Challenges from transnational movements of NGOs against a neo-classic economic paradigm and the Bretton Woods Institutions are viewed as a direct response to the failure of Third World states to effectively resist efforts to strengthen a capitalist world economic order.

POLITICAL ECONOMY OF STRUCTURAL ADJUSTMENT POLICY MAKING

Economic policy-making cannot avoid normative questions since it inevitably confronts such issues as who will get a better share of economic growth and what kinds of economic incentives should be introduced. Policy-making is made in certain political, cultural and social environments, and normative values cannot be separated from technocratic decision-making. For instance, poor and vulnerable groups in society can benefit from a basic needs approach with an emphasis on investment in human resources while market oriented neoclassic economic policies help promote a business
capitalist class. Particular social and economic interests are better represented in certain economic theories. In the discourse on structural adjustment, neoclassic economic theories are used to justify the significance of market forces in resource allocation and promotion of private sectors.

In terms of poverty alleviation, it is an important question how governments, the World Bank, and the IMF balance their market oriented economic programs with the interests of various social groups, especially the poor. In the design of structural adjustment programs decisions such as what kinds of policy measures should be introduced in what sequences have an impact on the economic welfare of different social groups. The success or failure of any economic programs depends on how those programs mobilize support groups and antagonize other groups whose interests can be damaged by the programs. Differences between the Bank and the IMF on the one hand and governments on the other always arise from how much sacrifice any adjustment programs are allowed to inflict on the population. Policy dialogue and coalition building for adjustment programs often reveal different leverages that the international financial institutions and Third World governments have over the policy outcome.

Overall, there are several unique characteristics in adjustment policy making to which we must draw attention. First of all, multilateral financial agencies play a decisive role in economic policy making in countries which receive their financial assistance. Structural adjustment programs are formulated by officials at the World Bank and are normally accepted, with few modifications, by program countries. Second, adjustment programs often antagonize important social groups. Political tensions arise between the government and the urban poor when adjustment measures such as
the elimination of food price subsidies are taken. Third, in some cases, the government itself is divided on issues about whether and how adjustment policies should be implemented. Economic bureaucrats at financial ministries tend to be a natural ally of the World Bank and the IMF. On the other hand, ministries of health and education are more likely to oppose Bank/Fund austerity programs. Fourth, the intervention of international financial institutions is perceived as the cause of deteriorating living conditions by the majority of people in Africa.

**A POLICY-MAKING PROCESS FOR STRUCTURAL ADJUSTMENT**

Structural adjustment policy-making is concerned not only with the interaction between state officials and foreign donors, creditors, and investors and but also with the distribution of the costs and benefits of the programs in a country. The quality of the policy package and implementation will be affected by who participates and how consensus is built. Both because external finance plays a big role in many African countries and because a great deal of this finance is conditional on policy changes, the formulation and implementation of structural adjustment programs resulted in a heavy involvement of the World Bank and the IMF in a series of policy issues at the technical and political levels.

In principle, a policy design process for economic adjustment programs requires consultation with and approval of recipient countries. For the initiation of the programs, the leaders of Third World countries give broad mandates to civil servants at main ministries concerned with economic policies and develop policy options for struc-
tural adjustment. This is followed by the contact of these officials with other affected government ministries and social sectors in the course of defining policy issues. Then the cabinet, or other relevant decision-making bodies, decide which of the options can be taken based on the assessment both of the possibility of acceptance by key external actors and of political economic structure. After this, key economic officials negotiate with external actors for a deal and to assure sufficient aid and debt relief. (Gulhati, 1987: 14)

In many cases, however, as it is commonly recognized, this stylized picture does not reflect the reality in most Sub-Saharan African countries. Most significantly, it is not leaders or economic bureaucrats but rather international organizations, in particular, the World Bank and the IMF, that take a lead and bring pressure on the governments for economic policy changes. The economic ministries in Africa mostly react to policy proposals made by the external financial institutions. (Gulhati, 1987) Since structural adjustment programs are typically negotiated between those institutions and government officials from the country's Finance Ministry and Central Bank, the programs heavily depend on macro-policy instruments, resulting in their neglect of social and political dimensions.

In the description of the Director of African Department of the IMF, the policy proposals are normally developed through four stages, including (1) a diagnosis of the problems and the needed adjustment; (2) a definition of the program's objectives; (3) an identification of the policies and time required to achieve these objectives; and (4) a specification of the performance criteria to monitor the program (Quattara, 1986: 76). In this process, an agreement on policy objectives and measures requires common understanding of the causes of economic problems. The Bank and the IMF tend to
relate economic decline in Africa to domestic policy failure. In some cases, the refusal of African governments to recognize their policy failure often leads to delayed negotiation even after the governments, in principle, agreed to introduce adjustment measures.

Due to the pervasive nature of their policy approach, the IMF and the Bank are not only concerned with the objectives of policy, but take a firm view about what policy instruments are preferable. In disputes over these issues, there is little evidence of compromise between Sub-Saharan African countries and the international financial institutions. The IMF, in particular, tends to have their way eventually, even if resolution takes many years, as happened in their negotiation with Tanzania in the early 1980s. (Loxley, 1987: 52) Depending on the extent of disagreement over required policy directions and political confidence, on the other hand, there is a great variation in negotiation positions of countries not sharing IMF/World Bank views.

The negotiations over the details of policy measures are not between parties of equal strength. Time, pressure, resources and experiences work in favor of multilateral institutions. First of all, the Bank and the IMF have technological advantage over many economic policy making issue areas. In general, their staffs are better trained than are economic officials of poor developing countries. In addition, there is often unevenness of confidence and conviction. The multilaterals have "an unwavering faith in the correctness of their general approach to adjustment, backed up ostensibly by a myriad of self-financed academic studies, while skeptical and hard-pressed would-be borrowers have difficulty formulating coherent alternatives." (Loxley, 1987: 51)

Equally important, most negotiations are made under circumstances where governments of Third World countries need urgent financial assistance to solve their debt
and imbalance of payments. Since there are not many policy choices under desperate economic conditions, top leaders are persuaded by their own economic advisors to adopt structural adjustment programs. This makes it easy for Fund and Bank staff members, inadequately informed or insensitive with regard to local conditions, to dominate policy-making. To avoid any opposition, this tendency is even strengthened by the fact that the negotiation process is highly secret and bilateral. In general, most programs are not based on social consensus since few government officials and Bretton Woods Institution staff members reach agreements on the substantive nature of programs without public discussion.

In the African context, since many governments are at a significant disadvantage against international financial institutions and their negotiation skills are limited due to lack of technical expertise, a political negotiation model can be applied. In a political negotiation model, parties have different power positions and interact on the basis of their different interests. Expert knowledge is a source of power, and policy dialogue does not include diverse views. Coalition in support of a dominant policy position is based on a narrow social base. Learning is limited due to a rigid policy norm. This model is contrasted with an interactive model which emphasizes collective reasoning and learning, appreciation of different perspectives and values (White, 1990a: 26). Characteristics of policy outputs of structural adjustment such as the quasi-unilateral and doctrinaire nature of the design, the lack of adaptation to country aspirations and objectives, and the timid approach to important problems like indebtedness and poverty can be explained by a political negotiation model.
POLICY DIALOGUE AND CONDITIONALITY

Policy dialogue is viewed as an important means to generate a recipient's commitment to a particular course of policy changes. World Bank and Fund staff use policy framework papers and seminars to obtain the support of officials in program countries. The Bank, in particular, emphasizes that its advice should assist Third World governments in their own thinking and consensus building on adjustment needs. (Nicholas, 1988) However, in practice, policy dialogue between the governments and multilateral institutions often serves to induce policy changes on the part of recipient countries rather than enhance the development of an appropriate policy framework. Policy intervention is justified because the ineffectiveness of some project assistance in the past is attributed to the unsound domestic economic policies in most Third World countries. Concessional lending is employed to put and maintain pressure on recipient governments to accept and implement Bank/IMF suggested adjustment programs. Therefore, policy dialogue is not a basis for reaching agreement on assessment of resource costs and availability, specification of goals and objectives, and better coordination.

In negotiation on adjustment programs, there is little room for recipient governments to challenge the views of the IMF and the World Bank. At a conference on adjustment policy-making there was common criticism from African government officials that the Bank/Fund style does little to promote a genuine dialogue. One of the main complaints is the inordinate pressure for quick signing and/or review of documents. For instance, in negotiation with the Bank, the government of Mozambique was given only one night to analyze and comment on the document having been pre-
pared by the Bank and the Fund for more than three months. Another key complaint is the inflexibility of Bank/Fund officials. Their unwarranted confidence in policy prescriptions results in setting up rigid performance criteria. (Mills, 1989)

This style of policy dialogue often generates problems. Imposed programs may attract compliance to gain an initial transfer of resources, but the lack of enthusiasm or commitment on the part of governments can contribute to ultimate program failure. The lack of genuine trust between the government and international financial institutions causes widespread doubts about the relevance of standard IMF/Bank adjustment programs for African circumstances. African governments often charge that the confidence of Bretton Woods Institutions in their policy prescriptions is not translated into a willingness to share the responsibility if the program fails. In addition, a confrontational and inflexible stance of the staff of multilateral financial institutions can provoke tough reactions from governments as happened in the Tanzanian case. (Ravenhill, 1986: 201)

Conditionality generally means that countries have to meet certain macro-economic policy conditions to qualify for international loans. The emergence of a structural adjustment approach has made conditionality more significant in economic policymaking of Third World countries, and often the most dominant factor in many Sub-Saharan African countries. The details of conditionality attached to IMF and World Bank loans vary from one loan to another in accordance with the precise nature of the problems facing specific borrowers and the perceived need for adjustment. Nevertheless, they share a common programmatic thrust, the main features of which are the promotion of greater use of market forces, the reduction of state intervention in the economy, the encouragement of more open trade regimes and the creation of an
environment that is more receptive to foreign private capital flows. (Loxley, 1987: 51) This policy emphasis can alter the distribution of income and the balance of class power in a fundamental way.

Bank conditionality is much more intrusive than that of the IMF and is sustained over a longer period of time but the two approaches are mutually reinforcing. Recently the Bank began to rely more on sector-adjustment programs designed to deal with specific problems in the economy. On the other hand, it is with the IMF that more disagreement arises mainly because macro-policy adjustments within the sphere of responsibility of the IMF have, by nature, a more immediate and often a more visible political impact than sectoral and institutional policies handled by the Bank. (Loxley, 1987: 48) The three critical IMF policy issue areas in dispute tend to be the degree of short-run demand restraints, the efficacy of price and especially exchange rate flexibility, and the impact of programs on income distribution. (Helleiner, 1986c)

Conditionality can too easily become a major source of confrontation between a government and international financial institutions since structural adjustment packages do not take serious account of African economic conditions. (ILO, 1989: 30) IMF conditionality, in particular, is often viewed as simply trying to protect the short-term interest of creditors because of their standing in the international financial community. The relations between donor agencies and a recipient of conditional loans can be explained in terms of a one-sided prisoner's dilemma game. Disbursement of the loan and fulfillment of the conditions are preferred to the collapse of negotiations for both parties. On the other hand, "disbursement of the loan without fulfillment of the conditions may appear more tempting to the recipient if it can be managed, because it
permits the recipient to avoid political conflict with the domestic interest groups that would lose protection against market forces if the conditions were fulfilled." (Mosley, 1987: 12) The outcome of negotiations on conditionality is largely determined by each party's bargaining strength. Tougher conditions such as elimination of subsidies, privatization of agricultural marketing, and removal of import quotas "were generally negotiated with the poorest countries" or "those with the worst payments of balance problems." (Mosley, 1987: 20) A defensive strategy for these countries is to minimize the Fund interference in the domestic economy. (Bacha, 1987: 1466)

COALITION FOR STRUCTURAL ADJUSTMENT

The coalition for economic adjustment includes the World Bank, the IMF, economic officials of developing countries, and officials of Western states. The financial and planning ministries of Third World countries are main clients of the World Bank and the IMF. The influence of international financial institutions has become greater as their collaboration on adjustment related matters became more structured in recent years. Whereas the Bank's Structural Adjustment Loan (SAL) designed to quickly disburse foreign exchange for financing imports requires a short-term financial stabilization program approved by the IMF, additional balance of payments assistance provided by Structural Adjustment Facility (SAF) of the IMF is available to those countries pursuing Bank structural adjustment programs. As they develop a medium-term strategy framework for adjustment, in the view of Vice President of the African region at the Bank, "the line between the areas of interest of the Bank and the Fund is not as distinct as it used to be." (Jaycox, 1988: 29)
A donor coalition for structural adjustment is often used to mobilize financial and political support for countries which accepted Bank/IMF programs and to put pressure on countries which do not take more rigorous adjustment measures. In the Bank's view, aid resources must be switched towards priorities expressed in Bank approved programs. Donors are urged to take an integral view of their overall relationships with recipient countries regardless of their political and ideological positions. (Cliff, 1981: 118) On behalf of program countries the Bank frequently organizes "consultative group meetings" to ensure availability of financing from Western donor countries.

With growing debt problems, the role of the Fund has increased in most developing countries. The volume of the financial flows from the Fund to its African members are typically too small by themselves to be effective, and the borrowing terms are strict. But acceptance of a more stringent financial Fund program has become increasingly necessary to obtain other, potentially more substantial, forms of foreign assistance available to African countries. In particular, the rescheduling of annual debt servicing commitments coming from the London or Paris Clubs will proceed only if an IMF agreement is in place. A similar requirement is also imposed as a general rule by the World Bank for access to more concessionary SALs. Thus the Fund plays a role as "gatekeeper" for larger and more appropriately termed financial flows from the World Bank, bilateral donors, and other sources (Ouattara, 1986: 82)

The relationship between Fund and Bank staffs and economic officials of African countries has attributes of both conflict and cooperation. Similar educational backgrounds in Western academic institutions and training in neoclassic economic theories lead them to share common professional norms. In addition, more importantly, they
need each other politically. Bank and Fund staffs depend on financial and economic planning ministries for support in domestic policy debates. Adjustment programs are mainly introduced to top politicians by them. Especially when the economy slows down, finance ministries can easily persuade top leaders to adopt liberal economic measures (Lamb, 1987). On the other hand, the success of macroeconomic policies of financial ministries depends on external financial aid. Staff members of international financial institutions can sometimes press harder on the behalf of their favorite clients for more resources, and both of Bretton Woods institutions have some room for maneuver, in this respect, especially at an individual country level.

On the other hand, conflicts are generated by Bank and IMF staff efforts to dominate their relationship with African professionals and their insensitivity to local economic conditions and objectives. Despite shared economic theories, African government officials are more concerned about the structural rigidities of adjustment programs, have aspirations for food security and integration of their economy, put a priority on the need for institutional development, and take longer term perspectives in such issues as import liberalization. They are also more open to the merits of alternative economic programs. In addition, they may disagree over key questions of timing, phasing, and packaging of policy measures since the issues in policy design are typically matters of judgement rather than of technical sophistication (Helleiner, 1986c).
In general, a norm can be defined as a comprehensive theoretical structure of ideas that helps define problems, explain a pattern of relationships between different phenomena, and find solutions to the situations or events defined as problems. One of the main tenets of a structural adjustment policy norm is the notion of a market as the central institution underpinning economic activity. The economic disasters of Third World countries are largely attributed to the excessive intervention of their governments in the economy and protection of uncompetitive industries. States in the Third World stand accused of distorting prices and disenabling markets to function according to 'hidden hand' rules. (Lawrence, 1990: 6) The proponents of structural adjustment have a strong conviction that market economy and economic liberalization solve economic problems of developing countries.

However, to some, it is conceived that traditional advocates of market-oriented approaches are using the current opportunity of a usually severe global economic environment to impose their economic theories on countries now in need of external assistance. (Helleiner, 1987: 1506) Indeed, a neoclassic economic theory aspect of an adjustment norm has hidden ideologies such as the promotion of capitalism in poor countries and the reestablishment of order in relations between debt and indebted countries. The emphasis on an orthodox development approach in the 1980s has been, in part, generated by reactions to growing debts in developing countries, and, in part, by the emergence of conservative economic policies since the 1980s in the U.S, Great Britain, and Germany, which have great voting power at international financial institutions.
The other aspect of an adjustment norm is an emphasis on technocratic solutions to economic problems. The achievement of economic efficiency is considered the most important in the economic analysis of issues relating to such matters as the role of the public sector and the degree of open market. As a result of that, there is insufficient understanding of the impact of adjustment policies on distribution and social welfare. An adjustment norm fails to identify the interests of social groups which are hurt by the programs.

This is related to a naive theoretical understanding of politics for adjustment. Adjustment measures are supposed to mobilize support among their major beneficiaries. In the African context, a middle income peasant class producing export crops can benefit most with currency devaluations and rises in government purchasing prices of their products. But they are not well-organized politically compared with urban workers and the middle class who suffer most from increasing food prices and removal of subsidies to basic consumer goods. The confrontations between African governments and their urban constituencies sometimes generate instability of the regimes.

External policy makers tend to ignore conflicts and the bargaining process between domestic social groups in adjustment policy-making. Their understanding is based on a model of rational economic policy makers frustrated by political constraints. Virtually all of the sources cited throughout Bank/IMF studies provide examples of short-sighted political pressures on political leaders to oppose liberal economic reform. Lack of actions to take dramatic steps toward a market economy is often attributed to a failure of political will or weak political commitment (World Bank, 1988). On the other hand, there is a general ignorance of the role of the state even though orthodox economic reforms should be implemented through the state bureaucracy.
Another theoretical limitation in the policy norm is a short time horizon for achieving stabilization through the reduction of aggregate demand. This ignores the long-term economic needs of African countries. In the design of structural adjustment the norm offers incomplete diagnoses, and there are continuing controversies regarding the proper mix of administrative controls and market mechanisms, and an appropriate role for the public sector. No existing economic theories are able to offer firm guidance for desirable economic policies. Structural adjustment has not yet been successful in many countries. Yet certainty about macroeconomic forces led to ignoring other viewpoints or disconfirming information (White, 1990a:31).

THEORIES OF POVERTY ALLEVIATION IN STRUCTURAL ADJUSTMENT

In explaining strategies for poverty alleviation, adjustment theories depend on a traditional trickle-down approach. First, it is assumed that more efficient resource allocation with reduced government control over the economy will bring economic stability and growth, and this will help improve economic conditions of the poor. Second, the proponents of Bank/IMF programs argue that the poor may suffer from economic adjustment for a short-term but they will get benefit in the long run. They believe that in current economic difficulties the poor would suffer more without adjustment programs. Third, an anti-poverty strategy heavily relies on measures to promote the productivity of the poor. The lack of incentives for the poor is viewed as the cause of poverty.
There are some deficiencies in this conceptualization. Most importantly, adjustment theories do not specify the actual mechanism through which a package of liberal economic policies would result in higher growth and poverty alleviation. At the same time, insufficient attention is paid to the factors which generate poverty. Overvalued exchange rates, excessively capital intensive industrialization, and artificially low relative prices of agricultural outputs are generally blamed for hampering efforts to reduce poverty. (van de Walle, 1990: 6) There is a lack of adequate explanation of income distribution, social inequalities, and basic human needs of the vulnerable. Price increases in agricultural commodities, in particular, export crops and devaluations of currency are frequently advocated as a means for transferring income to the rural poor. But whereas these policies do not increase the income levels of the poorest sections of the rural population, they lower living standards of the urban poor through increased prices of food and consumer goods. Price measures by themselves are either ineffective or counterproductive for helping the poor. (Streeten, 1987: 1473)

Adjustment programs were originally viewed as a temporary recovery measure for solving financial and trade deficit of Third World countries. The continuation of these problems in Third World economy, however, led to prolonged adjustment processes. Because of this, the satisfaction of immediate welfare needs has begun to be recognized as essential to reduce opposition to adjustment programs. Recent theoretical debates on structural adjustment reflect new understanding of problems related to poverty issues. First, since adjustment measures were usually designed to balance aggregate demand and supply, they can depress demand without any increase in output and supply. Second, changes in the structure of an incentive system may reallocate resources between sectors, and lead to substantial income losses for employees who used to benefit from subsidies. Third, changes in relative prices may lead to transitional costs for some people. (Nicholas, 1988: xii)
One Bank official candidly admits that "even within well-designed policies, some of the poor suffer in the short-run, making the case for targeted transfers. The most promising policy instrument for this purpose is special employment schemes." (Walton, 1990: 5) In the World Bank's view, social employment schemes can offer income relief for both the urban poor and for the rural poor. On the other hand, since major components of adjustment programs are cuts in subsidies to basic goods for the poor and increases in food prices, investment programs for the employment for the poor alone would not be expected to bring a dramatic change in economic conditions for the poor. Three shortfalls in learning exist: (1) problems for the poor are still considered in a short-term micro policy framework, and the possibility of deteriorating living conditions for the poor even during economic growth is not included in the analysis; (2) there is still a strong belief that market forces would eventually provide an optimal solution to poverty; (3) despite a great emphasis on privatization, there is little account of the capacity of the private sector to undertake public welfare functions in a manner that is politically and socially acceptable, or indeed preferable in economic terms.

The pursuit of sustainability requires a different set of priorities and objectives from those implied by economic liberalization. (Rodrik, 1990: 940) Some important poverty issues are ignored in structural adjustment. One is that while the Bank admits short-term economic difficulties following adjustment programs, there is no mention about how adjustment programs can be revised to help the poor in the long run. Another issue is that there is not much discussion about how to modify major policy components of adjustment programs, including cuts in government subsidies and devaluation of currency, to cope with poverty. A key problem in designing adjustment programs is that policies to solve a problem in one area may create problems in other
areas. For example, as discussed in a Bank staff members’ article, budgetary subsidies can mitigate the adverse effects of a devaluation for the poor, but a higher budget deficit can worsen the balance of payments, accelerate inflation, and raise interest rates. (Thomas & Chibber, 1989: 28)

The Bank’s growing recognition of the significance of poverty issues does not mean changes in the Bank’s development strategies but rather an understanding that it needs to co-opt some of basic needs concerns into the Bank’s overall program. It can help mobilize support for and reduce resistance to the Bank’s dominant approach. There is a minority opinion within the Bank that more spending is needed for poverty programs even when that means changes in adjustment priorities. But it is a politically very sensitive issue to argue for poverty programs at a sacrifice of key components of adjustment such as the elimination of government subsidies to food and fuels[1]

RESEARCH DESIGN AND METHODOLOGY

In general, the development of a research design involves specification of research questions, the employment of appropriate methods to deal with major conceptual and empirical issues, and the identification of the theoretical scope and empirical context of the study. There is no generally accepted theory or policy making model for understanding structural adjustment in the Third World. Because of the status of the field, efforts to build a conceptual framework appear to be a better strategy for understanding the unique nature of external intervention in economic policy making of Third World countries.
Research Questions

Research questions in this dissertation were designed to develop conceptual understanding of structural adjustment policy making in the Third World. More specifically, this research has been guided by four fundamental questions. The first question is related to the theoretical validity of neo-classic economic theories. What are the theoretical justifications of structural adjustment theories in promoting capitalism in the Third World? Should the immediate goal of economic development be human welfare or management of macro-economic variables? How has the discourse of economic development been developed in the international policy making community since the emergence of a structural adjustment approach in the 1980s? What is an alternative economic strategy to structural adjustment?

The second question deals with Ghana's experience with structural adjustment and its implications for economic development strategies in Africa. What is the economic impact of adjustment on various interest groups in society? Does structural adjustment in Ghana promote economic interests of the population or strengthen a dependent relationship to the world economic system? Would the incorporation of Ghana in the global division of labor help the poor?

The third question is concerned with politics for structural adjustment. What is the role of international financial institutions in the formulation of structural adjustment programs in Africa? Why and how could the Bank and the Fund influence economic policy making in Ghana without major challenges from the government? Was the subordination of the Ghanaian government's economic decision making power
to the Bank and the IMF inevitable? On another dimension, what was the reaction of urban dwellers, workers, business, farmers, and other social groups to adjustment policies? How did domestic opponents of structural adjustment policies challenge the government and international financial institutions? What kind of strategies did the regime use to deal with challenges to neo-classic economic policies? Why has the structural adjustment program in Ghana endured?

The fourth question focuses on the role of the state in the economy and the relationships of the state to international and domestic actors. Why do adjustment policies require a reduced role of the state in the management of the economy but active intervention in promoting private capitalism? Can the notion of interest group politics explain the relationship between the state and social groups? Does the implementation of structural adjustment policies in the Third World need a more authoritarian type of government? Does the weakness of the state increase the participation of NGOs in economic policy making?

The Use of a Case Study for Building a Conceptual Framework

It is widely recognized, "case studies are particularly useful for developing policy-relevant theory—that is, middle-range and particularistic theories of narrower scope that are applicable in policy making in specific issue-areas." A theory and conceptual framework can be developed via "analytic induction" of distinctive causal patterns from individual case studies of designated phenomena (George, 1979). Thus a case study method can contribute significantly to inductive theory building by linking empirical facts to theoretically guided inquires. Whereas causal patterns derived from a single case analysis provide only plausible explanations, it helps to develop a con-
ceptual model comprised of the essential characteristics of social phenomena. On the other hand, the research can be informed and guided by particular theoretical perspectives. The validity of case studies is provided from a theoretical context.

The advantage of case studies is that they can help efforts for empirical generalization by cumulated inquiries and observations of complex historical, social problems and, consequently, contribute to theory building. On the other hand, case studies should be conducted by rigorous theoretical inquiries and the identification of a proper domain of analysis. Case studies need to use well organized sets of questions for systematic observation. Data and information obtained through observation ought to be carefully interpreted. Utilization of theoretical concepts is essential for the meaningful understanding of individual events and situations. In this research, a case study is needed because the study of policy making requires qualitative understanding of policy positions of international development agencies and interactions between various actors who influence policy outcome. In considering the limitations of case studies in terms of testing or yielding hypotheses (Rosenau, 1968:201), this study does not attempt to apply its conclusions to a larger context beyond the scope of this study.

Sources of Information

The analysis of Bank/Fund policy perspectives is based on information obtained by means of interviews, more informal discussion, and the examination of policy documents. More than two dozens of interviews were conducted at the World Bank, the IMF, UNDP, and UNICEF. Interviews of officials at the Western Africa Department of the World Bank were helpful in understanding general economic situations in Ghana. Sector economists at the Bank's West African Division were very informative on
specific policy issues. Economists in various Sector Departments, including Industry and
Energy Department, and Infrastructure and Urban Development Department, offered
theoretical views on a Bank approach to investment in human resources. Given its
rigid structure and closeness to outside researchers, it was not easy to meet officers at
the IMF who were directly involved in economic policy making in Ghana. However,
one of the high ranking officials gave his views on current Fund efforts to under­
stand the negative impact of adjustment programs. Several officials at UNICEF,
WHO and UNDP, some at a high level of policy making, presented official and unof­
ficial views on structural adjustment. Officials at African desks and research econo­
mists of these UN agencies provided both private and institutional criticisms of struc­
tural adjustment.

The other source of information in the analysis of structural adjustment policy
was various types of documents produced by international development agencies. Many
Bank materials were confidential and unofficial. These internal documents include
detailed discussion of various policy issues and reveal some of problems the Bank
faces in implementing structural adjustment programs. More official publications,
though less candid, sometimes contain interesting data and analysis. The reports of
Consultative Group Meetings for Ghana, organized by the World Bank for external
aid coordination, included more diverse views than other documents in assessing per­
formance of adjustment programs in Ghana. Internal policy memoranda and working
papers help understand specific policy details and their implications for broad econom­
ic development issues. Many of them need to be read in a comparative context. One
interesting research technique, related to the analysis of policy documents, is to dis­
cover different institutional perspectives and internal divisions on some controversial
issues such as the social and economic impact of adjustment. For instance, an annual
The report of the World Bank on the status of the world economy can be read in comparison with a UNDP annual report on human development in the world.

The Case of Ghana in a Comparative Perspective

Despite some current economic difficulties, Ghana is still considered an ideological showcase for structural adjustment in Africa. Since 1983 the Ghanaian government has adopted various economic stabilization measures, including cuts in a government budget, deregulation of price mechanisms, and devaluation of currency, as a result of its agreement with the IMF and the World Bank. Ghana is viewed as one of few countries which have a successful record in engineering intensive economic adjustment programs on a sustained basis. There has been discussion of whether structural adjustment programs in Ghana supported by major international donors can be replicated in other countries. In the same manner, the case of Ghana reflects some typical issues involved in the design of structural adjustment programs.

First of all, structural adjustment in Ghana represents typical prescriptions of the IMF and the World Bank to African countries, including price rises of agricultural products, especially export crops, and reductions in government subsidies to the poor. Second, it is characterized by a heavy dependence on external funding and expertise. The coalition is made up of foreign donors and economic bureaucrats. The designs of the programs were prepared by a small group of policy makers who share neo-classic economic theories. Third, the program faced unpopular reactions from the public.
Like what happened in many other countries, the survival of the program is more dependent on the Ghanaian government's capacity to restrict political participation than on its economic performance. The government used coercive measures to crack down on any opposition to structural adjustment. Fourth, the losers of the programs are mostly the urban poor and rural farmers engaged in non-export crop production.

On the other hand, Ghana's program has some distinctive differences, too, compared with other African countries. First, especially during the first several years of its adjustment programs, Ghana has had some success in reducing trade and government deficits, unlike many other African countries. In addition, GNP growth rates have risen, and inflation rates have slowed down. Second, Ghana programs were more heavily funded by the Bank, the IMF, and Western bilateral donors than any other programs in Africa. Ghana has been a favorite country of international donors since its initiation of adjustment programs. Third, even though not very successful, an attempt was made to mitigate the social impacts of adjustment programs on the poor.

In considering the shaky and uncertain economic conditions for the last two years after some economic growth, it is unpredictable how the Ghanaian economy will be shaped. One thing certain is that the future success of economic programs in Ghana will, to a great extent, depend on policies of the World Bank and other international donors. Equally important, adjustment programs have a significant impact on the restructuring of the society. Despite some differences, the Ghanaian case demonstrates the nature of external intervention in domestic economic policy-making and its implication for people in the context of the political economy of Africa where sovereign states have weak power and bargaining positions toward external financial institutions. The policy choices faced by most African governments are limited by the way they are integrated into the international economic system.
STRUCTURE OF DISSERTATION

Politics for structural adjustment in Ghana illustrates the role of multilateral institutions oriented toward a neoclassic economic norm in economic policy-making of poor African countries. The policy design process is characterized by the domination of external agencies. This can be better understood in the context of political economy in Sub-Saharan Africa. Chapter Two will explain discourse on structural adjustment in the international development policy community and its impact on economic development policy choices in African countries.

In understanding development issues in Ghana and any other developing countries, it is very important to know how devaluation, and other liberal macro-economic policy measures have influenced the life of the poor. In Chapter Three the main focus is on how the Ghanaian economy performed under structural adjustment programs and their effects on economic conditions of the vast majority of Ghanaian population. In addition, the chapter will explain the implications of the programs for future economic development strategies in Ghana.

The World Bank and the IMF have been deeply involved in the policy design of Ghana adjustment programs. Chapter Four will analyze how international financial institutions played a dominant role in policy making of structural adjustment. It will examine bargaining positions of the Ghanaian government and their constraints in negotiations with external development agencies. The output of adjustment policy will be understood in the policy-making context.
Chapter Five will deal with the role of the state in economic policy making and its implications for the implementation of liberal economic policies. Compared with previous governments, the current Rawlings regime has been more dependent on external economic institutions for the management of the economy.

The nature of domestic coalition for structural adjustment in Ghana reveals politics for adjustment, as explained in Chapter Six. Various policy measures based on demand constraints provoked opposition from various social groups, especially students and labour. The difficulty in mobilizing support for Bank/Fund programs led to the use of coercion to maintain unpopular economic policies.

In Chapter Seven an attempt will be made to understand under what conditions alternative programs with an emphasis on human investment could be adopted in Ghana. Finally, several research issues for understanding economic development in Africa will be laid out. There are some suggestions for an alternative policy making model to structural adjustment. A better design for adjustment should be based on an interactive dialogue process between social sectors and international development agencies.
CHAPTER II
THE DISCOURSE OF STRUCTURAL ADJUSTMENT IN AFRICA

Structural adjustment programs have recently been introduced to a number of African countries which experienced severe economic imbalance. The program quickly generated some controversies surrounding its appropriateness for Africa in the international development policy community. The discourse on structural adjustment programs is complicated by different interpretations of the causes of economic problems in Africa and priorities in economic development. The nature of debates about economic development strategies can be put in the context of the political economy of the relationship between international financial institutions and African countries. The main focus in this chapter is, though, on what kind of development choices poor African countries such as Ghana could have in an unfavorable international economic environment.

DIFFERENT VIEWS ON AFRICAN DEVELOPMENT

Since the 1970s many African countries have experienced balance of payments problems, cumulation of foreign debts, and fiscal deficits. The external deficit grew along with deteriorating terms of trade. Fiscal deficit increased with declining tax
revenues, public subsidies, and heavy government investment in state enterprises. Inflation was triggered by rises in imported oil prices and the public deficit. Real per capita growth declined in many poor African countries. The dismal economic conditions have become a serious issue.

There are two conflicting approaches to understanding problems in African economy. One school argues that capitalist economic development strategies were not successful because of the dependence relationship between African economies and the capitalist world system. They hold that African countries have problems with capital cumulation needed for economic development due to the post-colonial extraction of surplus of capital from Africa. Since African countries concentrate on the production of raw materials and agriculture, they are more vulnerable to fluctuations in prices of their exports in the world market. Western industrialized countries shifted profit to the center by utilizing cheap raw materials and labor in the periphery.

According to Samir Amin, one of the major proponents of dependency theory, African countries would not be able to prevent their own rural exploitation as long as they are involved in capitalist relations. (Amin, 1977) Their development suffered from inequality in the global economic exchange. Therefore, a strategy to build the economy on a national basis and develop regional alliances for the exchange of goods and resources ought to be adopted to recuperate African economy. In this view, African countries should essentially de-link their economy from the world capitalist system and establish their own economic community. They should also gradually build up the technology which is appropriate to their own economic requirements.

Contrary to the claims of the dependency school, proponents of liberal economic theories insist that problems in African economy are mainly related to the weak per-
formance of their export sectors in the international economy. (Berg, 1981) Most importantly, the problems are rooted in the domestic economic structure of African countries. The success of African economy relies on the performance of agriculture. However, many local producers reduced the production of both export and food crops in the 1960s and 1970s for the reason that there were not sufficient producer price incentives. The problem was exacerbated by the government policy to overtax farmers for extracting revenue for industrial development. It is suggested that difficulties in African economy are primarily caused by the misuse of human and material resources.

The liberal economic school argues that in considering that the government's efforts to control resources led to economic decline, it is more desirable to take a free-market approach which guarantees efficiency through competition. Since Africa has comparative advantages in agriculture, African countries should pay more attention to increases in agricultural production for economic recovery. The prices of agricultural commodities should be raised to give incentives to farmers, and more investment is needed for export crop development. Thus this approach emphasizes a shift of economic strategy from investment in industrial production to more input in agricultural production.

Structural adjustment programs of the World Bank and the IMF in the 1980s are based on liberal economic theories which stress the promotion of trade and free market mechanisms. Several World Bank reports on Africa represent these views (World Bank, 1986a; 1984a). These reports emphasize a shift of resources from investment in industries to agriculture and put much priority on price incentives for farmers and support for a private sector. It criticizes the statist economic development model and
attributes the economic decline to badly neglected agricultural base, overvalued exchange rate, inefficient local industries, and price controls. The stress on the increase in agricultural production is justified in terms of its comparative advantages in an international market.

CHARACTERISTICS OF STRUCTURAL ADJUSTMENT PROGRAMS

Structural adjustment was originally planned to establish a framework for resumed growth for a short time period by adopting free market principles. However, it appears to remain a dominant economic strategy for the foreseeable future as many African countries are still implementing economic stabilization and adjustment measures under the pressure of the World Bank and the IMF. What initially started as a series of short-term or medium-term measures turns out to have significant long term implications for the choice of economic development strategies in Africa.

The overall objectives of structural adjustment usually include 1) the reduction or elimination of a balance of payments deficit, 2) the resumption of higher rates of economic growth, and 3) the achievement of structural changes that would prevent future payments and stabilization problems (Streeten, 1987:1470).

Most IMF/Bank supported programs center around the diagnosis of the problems of output, balance of payments, and price mechanisms. Normally short term demand pressures stem from inappropriate monetary, fiscal and exchange rate policies. As a result, a typical adjustment program usually calls for monetary contraction through reducing private and public expenditures, increased taxes, and the devaluation of domestic currency (David, 1985:115).
One of the important elements in most of Bank/Fund structural adjustment programs is the adoption of a market determined exchange rate and currency devaluations. These measures are encouraged to improve situations on balance of payments problems. In general, devaluation of currency makes imports more costly and exports cheaper in foreign markets. On the other hand, some form of demand control through economic contraction is needed to suppress inflationary pressures that are produced by devaluation. Thus devaluation measures are normally combined with a package of anti-inflationary, demand constraint measures (Killick et al., 1984:77). Wage control has often been used as one of the most popular methods of demand constraint. In addition, adjustment measures generally employ reduction in government spending to reduce demand as well as to ease the impact of government budget deficit on inflation.

The restoration of a market mechanism is another key element in monetary aspects of adjustment programs. It normally entails the reduction of price controls and removal of price subsidies, especially on food and energy (Please, 1984:29; Friedman, 1983: 119). The liberalization of trade is also required to achieve a proper function of a free market mechanism. Trade liberalization can be implemented through lowering or eliminating tariffs as well as removing import licences. The proponents of adjustment programs believe that a free market system and trade liberation can benefit domestic industries since efficiency would be achieved through a competitive market mechanism.[1]

In its adjustment lending, the World Bank puts a main emphasis on the promotion of a private sector and privatization of state owned enterprises. The assumption behind divestment of public sector industries is that a private sector is more efficient
than the public sector. The efficiency in the public sector can be improved only through reductions in total employment which can help cut labour cost through elimination of redundant workers. On the other hand, most Bank programs allow some modest increase in wages and especially encourage greater salary differentials between senior managers and ordinary workers. Bank officials believe that these measures will give incentives to public sector employees, especially professionals.

Overall, adjustment measures discussed above are primarily intended 1) to restrain demand through reduced government expenditure, limits on credit creation, and elimination of subsidies; 2) to raise long term or medium term efficiency of the economy through privatization, retrenchment of public sector employees, and restraints on wages; and 3) to allocate resources in favor of tradable goods through exchange rate devaluation, trade liberalization, and a free market mechanism.

There are several key ingredients in the prescriptions of international financial institutions for development in Sub-Saharan Africa. First, they advocate an outward oriented strategy based on the export of tradable goods. The adoption of a market determined exchange rate system and liberalization of trade are essential for export growth. Second, government intervention in the economy is mistrusted. The development of private sectors and the utilization of a free market mechanism are essential for the efficient allocation of resources. Third, no conflict between economic reforms for efficiency and conditions for poverty alleviation is conceived. The view is held that an efficient economy has a long-term positive impact on the welfare of the majority of population since it will generate economic growth which, in turn, results in rise in incomes and an increase in employment opportunities. The necessity of investment in basic needs and other social sectors is considered in the context of efficiency.
CRITICISMS OF STRUCTURAL ADJUSTMENT PROGRAMS

Since the World Bank and the IMF initiated structural adjustment programs in the early 1980s, there have been some serious criticisms. It is generally pointed out that, when taken as a whole, the package of Bank/Fund adjustment policies has some significant contradictions. Many argue that the programs have problems with policy coherence and adequacy. (Helleiner, 1986b; Killick et al., 1984) There is a considerable amount of doubt as to whether a liberal economic policy reform can bring African economy back to the growth path. Some people raise concerns about the social welfare impact of adjustment programs as well as questions about the validity of the strict application of neo-classical economic theories to poor, underdeveloped economies.

Neither the Bank nor the Fund seems to have enjoyed more than modest success in implementing structural adjustment in Africa. Even the Fund's own assessment shows that the majority of countries failed to achieve targeted economic growth and improve external debt conditions. The major reasons for poor performance may be attributed to unexpected commodity price changes, delays and shortfalls in expected flows of external financial assistance, lack of domestic political support for structural adjustment, poor administrative capacities, and too ambitious implementation targets. (Ravenhill, 1988:204)

More elaborate criticisms of fiscal aspects of adjustment policies come from various UN agencies. First of all, devaluation results in contracts of import volumes and, as a consequence, a decline in import tax revenues. It also raises the domestic currency cost of debt services and puts inflationary pressure on prices of imported commodities. In the absence of increased supply of resources, devaluation favoured by the IMF
is most likely to set off an inflationary spiral as is the case with Kenya, Sierra Leone, the Sudan, and Zaire. Devaluation has little value without increases in domestic resources as a means to solve Africa's balance of payments crisis. Secondly, deflationary measures associated with adjustment programs have reduced economic activity, consequently causing shortfalls in state tax revenues. In general, adjustment programs depend on demand restraint measures for resolving balance of payments difficulties. If they are applied for a short term, they may be reasonably successful. But they have been less effective in solving prolonged economic difficulties caused largely by external factors (Helleiner, 1986a:47). In the African context, "many observers asserted that the Fund and Bank paid insufficient attention to the supply side" (Ravenhill, 1988:202). In one observation, fiscal aspects of adjustment in many countries failed to achieve a desirable level of balance of budget while causing deteriorating social and economic conditions for ordinary people (UNCTAD, 1989:8-13).

It is often charged that the World Bank approach, "at a conceptual level, does not flow directly from an examination of African public-sector performance. Economic efficiency is defined virtually in terms of lack of interference with market forces, not of production outcomes." Then, the general principles of liberal economic theories are employed to interpret failures of African economic development and, in particular, public interventions and enterprises (Ndegwa, 1987:179-180).

Criticisms of structural adjustment programs reflect experiences of African countries. Kenya's policies to induce increased output of individual crops were misguided by excessive faith in price incentives. In addition, optimistic estimates of export commodity prices and external capital inflows led to misunderstanding of balance of payments situations. Overoptimistic assessment of the overall price elasticity of agricultur-
al products resulted in the failure of agricultural policy in Malawi. The necessity for privatization of state industries was overemphasized by a dogmatic approach to the promotion of private sectors. The neglect of impoverished groups and the cuts in basic social services led to increasing opposition. In the case of Malawi, it is also generally pointed out that the timetable for policy implementation was not based on the correct estimate of the implementation capacity of the government.

One of the major concerns with structural adjustment in Africa is whether adjustment programs supported by the World Bank and the IMF would be able to offer viable economic strategies for the majority of the population. The United Nations Economic Commission for Africa (ECA), UNICEF, ILO, and others have critical reviews of the Bank's efforts at justifying its programmes.

In opposition to the argument of the World Bank's joint report with UNDP that the evidence of African economic performance leaves some room for optimism (World Bank/UNDP, 1989), the ECA claims that, by all indications, structural adjustment programmes are not achieving their objectives in Africa (UNECA, 1989). It argues that whereas the programs failed to satisfy their macro economic objectives, the domestic social cost of these programmes has been appalling (UNECA, 1989:24). The ECA blames the World Bank for ignoring issues related to the impact of structural adjustment programs on social welfare of ordinary people.

In considering the deteriorating social and economic conditions for the poor in Africa, much debate has centered on the social and economic impact of adjustment. In one analysis, after implementing adjustment programs, many countries experienced reduced real incomes, increased poverty, and deteriorating social conditions without any significant improvement in their external account (Stewart, 1987:33). Urban poverty
rose with increase in unemployment rates. Government expenditures on social services and food subsidies were reduced in 55 percents of African countries. The level of real investment stagnated in 60 percents of African countries with Fund programmes (Stewart, 1987:33).

UNICEF is concerned about the long-term implications of government budget cuts in health, education, and other social welfare sectors for the poor. Recent UNICEF studies suggest that the deflationary nature of adjustment programs has adversely affected the living standards of poor families, especially women and children (Cornia et al., 1987). This is contrasted with the World Bank argument that the share of public spending in social welfare sectors apparently did not decline in the 1980s (World Bank/UNDP, 1989).

The response of the Bank to the criticisms about the lack of social welfare components in adjustment is that liberal economic reforms help the poor, especially in rural areas, through increases in the prices of agricultural products. It also asserts that structural adjustment programs bring about economic growth, and it will provide more resources necessary to deal with social problems, including poverty. However, the debate on adjustment programs has made both the IMF and, to a greater extent, the World Bank, at least, recognize some of negative social impacts of a free market economic approach. The Bank recently developed compensatory programs in some countries. These programs are designed to promote low-cost, primary health, basic education, and other basic mass-coverage services by restructuring social expenditures. In addition, public works employment and nutrition support programs have been developed to support those affected by structural adjustment.
On the other hand, these programs are not seen by many as anything more than marginal alterations to the major package of orthodox liberal economic policies to ease opposition to adjustment (Parfitt, 1990). Most of Bank analysis still neglects the role of declining terms of trade in sub-Saharan Africa's deteriorating economic conditions. International financial institutions did not change their policy analysis of African economic problems which is based on the argument that African crisis is mainly attributed to policy distortions of over-interventionist states such as the overvaluation of an exchange rate.

**ALTERNATIVE APPROACHES TO ORTHODOX STRUCTURAL ADJUSTMENT**

UN agencies such as UNICEF and ECA generally accept the necessity of structural reforms in the midst of government deficit and falling state revenues, but they are quick to point out that adjustment programs based on demand constraints are insufficient in dealing with gross economic problems in Africa. The fiscal aspect of adjustment should be modified by the investment in basic education, training, credit, and technology. The ECA has developed the Joint Program of Action comprised of alternative policy measures to orthodox structural adjustment of the World Bank and the IMF.

In the ECA program, state expenditures on the military and on the non-productive public sector should be reduced. The reduction in spending on the military and the non-productive sector should be diverted to the social sectors so that such services as health and education would receive an annual average of 30 percent of pub-
lic spending. In addition, state revenues should be raised through levying high tax rates on luxury items, and they could be used for subsidizing essential commodities such as staple foods. The removal of subsidies other than those for the social welfare sector and basic industries, however, is necessary for reducing deficit. The production of food crops should be secured. Land reforms are essential to the development of an agricultural sector and promotion of food production. At least 20-25 percent of public investment should be allocated to agriculture. More foreign exchange should be allocated for agricultural inputs and for essential imports to industry (UNECA, 1989). The ECA also emphasizes the involvement of local people in the building of infrastructure and community development. The empowerment of people at grassroots level is crucial for enhancing government accountability.

The Joint Programme of Action of the ECA is characterized by eclectic pragmatism. Whereas it does not ignore budget deficit and balance of payments problems, it pays more attention to investment in health and education not only based on the recognition of a significant role of human capital in economic development but also on the consideration of equity in society. It includes measures to deal with economic difficulties in African countries which dominate the life of a vast majority of the population compared with orthodox adjustment programs in which austerity measures alienate many significant social groups, especially both the middle class and the poor in urban areas, who suffer from the already fragile state of African economy.

UNICEF's Adjustment with a Human Face approach also provides a major challenge to orthodox adjustment programs. While it pays attention to the need of achieving macroeconomic balances, it gives a different priority to demand management policies. The major policy goal is the protection of the poor in the worsening economy
rather than achieving immediate fiscal balance and balance of payments conditions. It focuses on assistance to vulnerable groups such as women households and children who need to develop their own capacity. In fact, Adjustment with a Human Face approach adopts more expansionary fiscal and monetary policies compared with austerity measures of a neo-classical economic approach. The adjustment approach with a focus on basic human needs sheds light on supply expansion in its wage, interest rate, and exchange rate reform policies with a target on the poor contrary to a Bank/Fund orthodox adjustment approach which puts stress on balance in macroeconomic variables.

The Adjustment with a Human Face approach also differs from the orthodox adjustment approach in several ways in terms of policy making modality. First, in contrast with Fund/Bank orthodox adjustment policies made in a narrow policy making circle, which is mainly comprised of neoclassic economists at international financial institutions and financial ministry bureaucrats, UNICEF suggests that decision making on adjustment should be broadened to include those with expertise on social and welfare sectors. Second, a longer term horizon is needed for the planning and implementation of macroeconomic policies so that the negative aspects of macroeconomic changes would be diffuse. Third, it is important to monitor living standards, health, and nutrition of low-income groups during the implementation of macroeconomic policies (Cornia et al., 1987).

The depth of economic crisis prompted African leaders to consider their own economic strategies. The Lagos Plan of Action for the Economic Development of Africa, 1980-2000 was adopted at an OAU summit meeting of heads of African states convened in 1980. The meeting developed its own diagnosis of the problems, and pre-
pared an action plan. The major goal of the Lagos Plan of Action is to help African countries achieve self-sustaining development by the end of this century in many areas of the economy, including food, agriculture, technology and industry. To cultivate the virtue of self-reliance, Africa's huge resources must be applied principally to meet the needs and purposes of its people, and Africa's almost total reliance on the export of raw materials must be changed (Sawyer, 1988:8).

The lack of progress for the implementation of the Lagos Plan of Action for five years after its adoption was recognized in Addis Ababa summit which produced a document, Africa's Priority Programme for Economic Recovery, 1986-1990 (APPER). African leaders pointed out the failure to restructure the inherited colonial economies as a major obstacle to the achievement of their economic development objectives. The misallocation of domestic resources and the over-reliance on external human and financial resources were caused by a deepening dependency relationship. Dependency continues due to the very slow development of co-operation and integration within the region (Sawyer, 1988:10).

In the views of African leaders, liberal economic measures strengthen the tendency towards the reproduction of the existing conditions, especially the dependence on external financial flows, the overemphasis on trade, and the lack of economic autonomy. The failure to mobilize domestic resources, material and human, is a major cause of underdevelopment in Africa. In opposition to structural adjustment that is likely to increase the dependence of Africa on the global capitalist economy, the Lagos plan attempted self-reliance within the regional economy.
THE DISCOURSE OF STRUCTURAL ADJUSTMENT

The nature of discourse represents the structure of an issue area and influences the control of policy agendas. At the same time discourse reflects the relationship of various policy making agents who have their own organizational interests and ideologies. Diverse organizational values of agencies involved in African development often result in different perceptions as to what caused poverty in Africa and how to solve economic problems. In an African context, especially, there is disparity in power and influence in the determination of discourse on economic policies. The unequal relationship between international financial institutions and African countries has grown since the 1980s. African countries have less influence on such policies as how various economic measures, including balance of payments, the elimination of government deficit, and other policy reforms should be implemented.

Parties involved in the discourse of structural adjustment include African governments, international development agencies, and social groups influenced by economic policies. The IMF, the World Bank, Ministry of Finance and Central Bank of an African country's government have different theoretical values on development from those of UNICEF, ILO, ECA, Ministries of Planning, Health, or Education. While international financial institutions and economic technocrats at a financial ministry put a major priority on reduction in inflation and balance of payments, UNICEF and others stress growth of production and income among low-income groups (Jolly, 1988).

There is clear evidence that the approach of international financial institutions to the management of current economic problems in developing countries is qualitatively different from traditional development approaches in the 1960s and 1970s. Most
importantly, loans are strictly attached to the change in macro-economic policy. The Bank's assistance has been given only to the countries which concluded stabilization agreements with the IMF. Western industrialized countries, too, began to require the commitment to orthodox liberal adjustment programs as an aid condition. Donors discourage their client country's attempt to develop its own adjustment programs independently. When an individual country breaks away from the World Bank and the IMF, it is very difficult to get external financial aid because of the influence the powerful financial institutions exert on the donor community. For instance, after Zambia broke its relationship with the Bank and the Fund in 1987 following economic difficulties caused by adjustment, it tried to re-build the economy through economic assistance of Western industrialized countries. But due to the lack of any support, later it had to return to negotiations with the Fund and the Bank and accept tougher conditions for assistance. Thus the increased control of multilaterals has shaped a new political economy of the relationship between African states and Western donors since the 1980s.

Both the World Bank and the Fund currently have rigid doctrinaire views. This does not leave much room for the kind of flexibility and innovativeness they used to demonstrate in the 1970s. There is now much more emphasis than previously on the adjustment of a borrowing country to the conditions of a capitalist economy. Many explain that the most plausible reason for this is the emergence of conservative governments in the early 1980s in key Western industrialized countries such as the US, the Great Britain, and Germany. Those governments, including the Reagan administration, held a strong belief in non-expansionist, monetarist solution to economic problems in the Third World, and their arguments were reflected in the general direction of Bank/Fund policies. In return for offering quite restrictive amounts of financial
assistance, the Bank and the Fund now assert more power leverage over economic policy (Loxley, 1986:100-2). This often draws complaints from client countries that the size of international financial loans is often not commensurate with the costs and risks economic adjustment involves (Feinberg, 1986:3-46).

Changes in development policy approaches of international financial institutions are controversial because neither the IMF nor any other donors previously did directly intervene, with a single exception of an exchange rate policy area, in such issues as the removal of concessional petrol prices or fertilizer subsidies to farmers. Even finance ministry officials in Africa, many of whom have been trained in the West and support a liberal economic development approach, are now wary of the Bank's new enthusiasm for structural adjustment (Feinberg, 1986:11). There is also a concern that the World Bank is "close to be in danger of becoming like the IMF" by pushing simplistic, standardized formulas which do not reflect particular history, culture and politics of individual countries, and by relying more on preconceived liberal economic ideology than on objective analysis (Feinberg, 1986:12).

Implicit political considerations are also involved in the Bretton Woods Institutions' relationship with African countries. Extensive conditions play a much greater role in loans to many smaller and less advanced countries, especially in Africa. On the other hand, international institutions are less likely to insist on very stringent conditions in large countries with considerable importance in international affairs than in small African countries that are less important to their largest shareholders. For instance, the practice of Bank/Fund adjustment loans since the 1980s shows that the larger Latin American countries have not been willing to accept tough loan conditions, but they still manage to get loans. Adjustment loans in these countries rely
on semi-tacit pre-conditions. The paradox here is that the smaller, less advanced African states, most of which are neither confident of implementing nor able to implement austerity measures, should face more rapid adjustment than countries with better infrastructure (Nelson, 1986:80).

Compared with UNICEF and ECA approaches, orthodox adjustment approaches of the Bank and the Fund are not likely to help sustained analysis, dialogue, and understanding of development issues. The Fund standing in Africa is not helped by lack of open public discussion and publicly visible research effort (Helleiner, 1986a:9). The absence or negligence of African participation in the formulation and elaboration of the policy does not seem to help the implementation of any economic policy. Aspects of a particular country's political and social nature are not represented in their policy design. For instance, in Zambia, the strategy of increasing incentives for export agricultural production and removing subsidies for key consumer goods to the urban population was politically explosive and limited in its benefit since 50 percent of Zambians live in and around its major cities and towns (Young, 1988).

International lending agencies imposing conditions for loans, which are claimed to be in the interest of the borrowing country, create an irony. The most commonly asked question is why Bank/Fund adjustment programs are not welcomed by people in the Third World if they are truly in the interest of the receiving country (Streenten, 1987:1480). If they can be attracted by the correctness and merits of orthodox adjustment programs, where is the need to give them money instead of charging fees on the wise advice?
CONCLUSION

Most of Sub-Saharan African countries are now under the adjustment program. Current structural adjustment programs can be distinctively characterized by their direct dependence on external financial flows from the IMF, the World Bank, international private banks and transnational corporations. Largely because of this dependence, countries undertaking a structural adjustment program are obliged to surrender control over critical elements of national economic policy to external determination. As reviewed earlier, this affects such policy matters as credit, public expenditure, wage levels, the value of national currency, external payments, the nature and extent of state intervention in the economy.

Bank/IMF orthodox liberal economic policies mobilized anti-adjustment forces, including, most noticeably, the Economic Commission for Africa of the United Nations, Organization of African Unity, African intellectuals, and local social groups. There is strong support for the argument that liberalization of markets and elimination of budget deficits, however important they may be, do not constitute a development strategy by themselves (Feinberg, 1986:16). Because of the lack of financial resources and support from major industrialized countries, alternative adjustment programs did not have any chance to prove their theoretical validity. For many African countries, like Ghana, the choice seems to be very limited given the lack of their own resources and their dependent relationship to the international economy. Unless there is a dramatic change in the intellectual environment of Western donors, orthodox structural adjustment will continue to be a dominant economic strategy for Africa in the foreseeable future. On the other hand, issues of development strategies relating to
such matters as the role of a public sector, the degree of open market, and an appropriate level of income distribution remain matters of political and professional disagreement, in which ideology and politics are at least as important as economic analysis (Helleiner, 1987:1506).
However, overdependence on market mechanisms and trade liberalization can generate inflation, unemployment, concentration of production, displacement of local producers, and capital flight.
CHAPTER III
STRUCTURAL ADJUSTMENT PROGRAM IN GHANA

Ghana has experienced prolonged economic decline and political instability since its independence in 1957. Civilian governments elected by popular votes were frequently replaced by military coups in the midst of economic chaos. The Rawling's regime emerged after a military coup in 1981 which destroyed the government led by Hilla Limann, who had been elected in 1979. The initial economic strategy of the new regime was to pursue radical egalitarian policies along with efforts to build close economic ties with Socialist bloc countries. After experimenting with populist economic policies for a year, however, the Ghanaian government adopted a structural adjustment program in 1983. Since then, Ghana remains one of a few low income African countries that have sustained internationally supported structural adjustment efforts.

Deteriorating economic conditions forced the revolutionary Rawling's regime to give up a socialist economy and look for external financial assistance from the West. The adoption of a structural adjustment program and dependence on external financial resources brought about many changes in the economy which have direct impact on society. Ghana's structural adjustment program, known as the Economic Recovery Program (ERP), has re-directed Ghana toward a market oriented economy. Despite recent economic difficulties, Ghana's commitment to liberal economic policies is still strong. This chapter examines policy goals, the nature of the ERP, and its implications for the structure of the Ghanaian economy.
ECONOMIC CRISIS IN GHANA

The ERP became necessary not only because of the steadily deteriorating economic situation in the 1970s and early 1980s but also because of the ineffective and ad hoc economic measures that previous governments employed to improve the economy. The trends in key economic indicators between 1970 and 1982 show cumulative effect of the downward economic spiral. Domestic savings and investment declined from 12 percent and 145 percent of GDP, respectively, in 1970 to almost insignificant levels, while per capita real income declined by 30 percent. Real export earnings fell by 52 percent, and import volumes dropped by a third.

The period between 1970 and 1982 observed a significant decline in the agricultural, mining, and industrial sectors of the economy, which generate almost all of the country's foreign exchange earnings. Cocoa production declined from about 425,000 tons in 1981-2 to 158,000 tons in 1982-3. The share of the cocoa sector in total GDP dropped from about 14 percent in 1970 to 2.6 percent in 1983. The manufacturing sector suffered decline of its share of GDP from an average of 11.4 percent in 1970-2 to an average of about 6.2 percent in 1980-2. A similar decline took place in the mining and timber sectors. Whereas timber production in 1982 was one-tenth of the level in 1970, gold production of about 230,000 fine ounces in 1982 was about a third of the production in 1970 (Addo, 1990:85). The main cause of this decline was heavy dependence of the sectors on imported inputs in the middle of an acute shortage of foreign exchange and unfavorable international economic environment for export.
The poor performance of the export sector caused balance of payment problems, and the adverse terms of trade hampered the country's capacity to import raw materials, consumer goods, and spare parts. Since external trade provided the bulk of government revenue, the declining export sector also eroded the tax base of the government. To finance budget deficits caused by the poor revenue source, the government had to resort to excessive borrowing, largely from the banking system. As a result of this, rapid monetary expansion was inevitable as a situation of acute supply shortages aggravated inflationary pressures in the economy.

The economy got worse in the early 1980s when a prolonged and severe drought created the worst food shortages since independence in 1957. The increase in petroleum prices combined with softening prices of major exports such as cocoa and gold further deteriorated the external terms of trade. In addition, the food and employment situations were strained by sudden return of over a million Ghanaians from Nigeria in 1982-3.

In the World Bank's analysis, the decline of the Ghanaian economy was the direct outcome of misguided macroeconomic policies pursued by the government. Inappropriate industrialization led by the state, strong biases against agriculture and other labor-intensive sectors, and too much emphasis on capital investment was attributed to inflation, the failure of growth, huge debt, inflation, and other economic problems. Most importantly, the failure to achieve balance of payments and to eliminate government budget deficit has become a serious concern.

The World Bank's analysis correlates a poor policy environment created by the government to negative economic growth in Ghana (World Bank, 1984b:10). More specifically, first, a highly overvalued currency discouraged the production of tradable
commodities which can generate export revenue. For instance, the exchange rate of the cedi was officially adjusted only twice over the ten year period from January 1973 to March 1983. The real cedi value in 1981 was overvalued by 816 percent from 1983, and this reduced the export value of cocoa internationally. Second, an inefficient tax system discouraged the production of export goods, which led to an increasing tax deficit. Third, in order to overcome budget deficit the government overtaxed export crops, especially cocoa, and this reduced the incentive for production. Fourth, the country's infrastructure deteriorated to a dismal state, and this had a devastating effect on both agricultural and industrial production. Bad road conditions, for instance, made the movement of agricultural products from major production centers to consuming centers difficult. Lack of investment for maintaining existing infrastructure was caused by the fact that many projects in the past were undertaken without much consideration of potential resources in the future. Fifth, rural development was neglected in the government's programs, and this accelerated rural-urban migration. As a result, labor became scarce and a major constraining factor for agricultural production. Sixth, an overstaffed civil service sector had redundant workers who were on government payroll. This severely strained the budget and caused fiscal imbalance. Seventh, the general deterioration in the economy generated the exodus of a large number of the country's educated people to other countries. This exodus worsened the administrative capability of government ministries (Okyere, 1990:74-5).
Ghana's structural adjustment program started with a short-term stabilization program supported by the IMF in April 1983. The goal of the program was to reestablish economic growth and development by reversing the poor policies of the previous 10-15 years. It stressed the creation of "a growth-oriented, competitive, efficient and integrated economy" (Government of Ghana, 1987:i).

The three-year Economic Recovery Programme I (1984-86) was backed by the World Bank and other donors as well as the IMF. The ERP I focused on the achievement of macroeconomic balances, including the elimination of price distortions. The ERP II (1987-90) emphasized improved growth capacity utilization of the existing capital assets as well as liberalization and relaxation of controls on prices. The third phase (1991-93) of the ERP has given a high priority to improvement in an incentive structure for stimulating growth with continuing stress on the elimination of government intervention in a market mechanism. These phases are, however, overlapping, and "the policy norms impinged on the objectives of stabilization, rehabilitation, liberalization and growth simultaneously" (Tabatabai, 1986:401).

The ERP was designed for improving the competitiveness of and incentives for export by devaluing the exchange rate, and removing tariffs and other impediments to free trade. Reducing fiscal deficit and controlling inflation are needed to restore fiscal and monetary discipline. Improving efficiency in the use of domestic resources requires removal of subsidies on food and fuel and elimination of administered pricing systems. Also important in the ERP are rehabilitating the country's productive base and economic and social infrastructure, and encouraging private investment.
The main economic objectives of ERP I are to 1) arrest and reverse the decline in production, especially in agriculture, control inflation, stimulate exports, 2) rehabilitate the productive and social infrastructure, and 3) mobilize both domestic and foreign resources for improving the living standards of Ghanaians (Government of Ghana, 1987:3).

In 18 months after the adoption of the ERP, the cedi was devalued to be worth 5.5 percent of its prior normal value, and the government allowed the real costs of imports to rise more than 18 times. The most dramatic was a steady increase in the producer price of cocoa and cash crops. The producer price of cocoa went up from 4,000 cedis per ton in 1981 to 12,000 cedis in 1983, 56,000 cedis 1985/86 and to 85,000 cedis in 1987. The price increases of cocoa and devaluation were designed for increasing cocoa production. Price controls remained on only seventeen widely used essential commodities (Kraus, 1985:186, 1987:207). In addition, subsidies on fertilizer and petroleum have been removed, and utility rates and fees were raised by several hundred percent (Tabatabai, 1986:401).

For the implementation of the ERP, the Bank and the Fund provided sectoral adjustment loans such as two Reconstruction Import Credits in 1983 and 1985 and an Export Rehabilitation Credit in 1984 as well as a structural adjustment loan in 1986, which was designed to support more comprehensive macro-economic policies. In the beginning, the IMF lended SDR 179 million under a compensatory financing facility, and drawings on an IDA facility totaled US 662 million dollars with US 347.8 million dollars in project lending and US 314.2 million dollars for balance of payments support (Addo, 1990:91).
The first phase of the Ghana adjustment program has been successful in controlling inflation and achieving balance of payments in the government budget. Improved food supplies helped decelerate inflation from 122 percent in 1983, the first year of the ERP to 10 percent in 1985 in terms of the average consumer price index. The export sector also improved due to the sharp rise in dollar value of exports between 1984 and 1986. Cocoa production increased by 6-7 percent per year. Ghana's growth rates averaged 5.1 percent between 1985 and 1988. Major reductions in balance of payments and budgetary deficits generated an environment for the future growth (World Bank, 1987).

Based on the gains of the first phase of the ERP, the ERP II, which was implemented between 1987 and 1989, attempted to ensure substantial growth at around 5 percent per year, maintain the balance of payments, stimulate substantial increases in the levels of saving and investment, and improve public sector management. With its focus on medium and long term policies, the ERP II added a growth element to stabilization unlike other Bank/Fund adjustment programs.

In ERP II, a three-year Public Investment Program (PIP) formalized government investment plans with projects yielding a high return. Some projects were aimed at generating high employment, improving rural incomes or furthering community participation. Regional balance was also considered in the program. Beginning in 1986, a rolling three-year investment program was prepared for rehabilitating key sectors such as gold mining and transport infrastructure.

Prior to the introduction of the ERP, layoffs were not permitted except with the prior approval of the government, and it made lay-offs of workers more difficult. However, the retrenchment of workers in a public sector became a "necessary evil"
under the ERP due to their low productivity and government budget deficit. By the second phase of the ERP, more firm decisions were made for retrenchment of employees of civil service, local government, and state enterprises. The plan was based on the anticipation that the private sector would absorb the laid off workers in the public sector with progress in the privatization of government owned industries and an increase in self-employment in agricultural and other sectors (Jonah, 1989a:141).

Previously the government often approved across-the-board wage increases, but to maintain fiscal balance under the ERP, it began to be more concerned with the need to balance wage increases against the control of inflation and public expenditures. A more major shift in government wage policies was made in the second phase of the ERP. To provide incentives for expertise, the World Bank pushed the government to raise the wage gap in favor of higher officials along with reducing the work force. The government abandoned its previous emphasis on narrowing the income gap between the rich and the poor which gained popular support for its first two years in office. The wage and salary gap increased from 1.8 to 5 percent and more during the period of the ERP II (Jonah, 1989:145).

Since 1987, the ERP has been implemented through structural adjustment loans with two IDA credits and co-financing from bilateral and multilateral sources. The financial assistance was used for 1) stimulating growth, savings and investment, 2) improving resource mobilization and utilization, and 3) strengthening the balance of payments position (World Bank, 1991d:33). An Extended Fund Facility and a Structural Adjustment Facility credit from the IMF, in particular, focused on relieving import constraints and immediate debt-servicing problems. Unlike other Fund loans such as the Standby Arrangement, the Extended Fund Facility offers more generous
terms by allowing repayment of loans between 4.5 and 10 years after being first
drawn. The Structural Adjustment Facility is drawn over three years but has highly
concessional terms (Loxley, 1988:44).

THE CURRENT FOCUS OF THE ECONOMIC RECOVERY PROGRAM

The ERP II was succeeded by the third structural adjustment program that aims
to maintain an incentive framework for stimulating growth, encourage savings and
investment, as well as strengthen the balance of payments. Other program objectives
include maintenance of fiscal and monetary stability, improvement in the resource use
of the public sector, and, more importantly, achievement of an environment for pri-
ivate sector development (World Bank, 1991e, 224).

Trade and exchange rate reforms continued to be a dominant issue in Ghana’s
structural adjustment program. After official and auction exchange rates were unified
at cedi 150 to a US dollar in February 1987, the government also permitted banks
and authorized dealers to establish foreign exchange bureaus and buy and sell foreign
exchange at freely determined prices. The unification of foreign exchange markets in
April 1990 led to free determination of the exchange rate through weekly wholesale
foreign exchange auctions.

The import duty tax, covering nearly all imports, was reduced to ranges from
zero to 25 percent. The government also lowered the ”super sales” tax on imports of
a wide range of mainly luxury consumer goods from rates between 75-500 percent in
February 1990 to 10-100 percent in 1991. Since the import licensing system was
abolished in January 1989, importers are now required to submit only an import declara-
tion form.

The cocoa sector is still central to Ghana's economy both because of its contribu-
tion to tax revenues, export performance, and because of its generation of rural
employment and incomes. Considerable efforts were made for improving cocoa pro-
ducer incentives and lowering the costs of the Ghana Cocoa Board. The farmers' share
of cocoa sales profit has increased from 25 percent in 1984-85 to an estimated 47
percent in 1990-91. The operational costs of Cocoa Board were trimmed through
retrenching about 17,000 workers between 1987 and 1989 and eliminating subsidies
on inputs to cocoa farmers by 1990. In addition, divestiture of 90 plantations was
planned, and 52 plantations of them already ceased to operate (World Bank, 1991e,
224).

Despite initial difficulties in the divestiture program, the government has made
some progress in achieving reforms in the parastatal sector. In recent years 23 parasta-
tals have been liquidated, and another 15 enterprises were scheduled to be sold to a
private sector. The Divestiture Implementation Committee approved divestment of
about forty additional enterprises in late 1990. The government is expected to reserve
only 18 high priority industries such as the electrical utilities and Ghana airways out
of approximately 235 state owned enterprises.

The third phase of the ERP continues to depend on the retrenchment of employ-
ees at a low level and increases in salaries of senior government officials for improv-
ing civil service efficiency. The government laid off over 12,000 staff in 1990 fol-
lowing retrenchment of about 14,000 in 1989. General pay increases were combined
with further stretching of pay differentials in the 1991 pay package. Salary differ-
entials were widened from the 1990 level of 9.4:1 to 10.1:1 for 1991 (World Bank, 1991d:43).

Public expenditures have been restructured to allow increased investment in sectors of health, education and agriculture. Public investments rose from negligible levels at the beginning of the economic recovery plan to 7.4 percent of GDP in 1990. To improve investment planning for rehabilitation of the economic and social infrastructure, the government strengthened the planning units of sector ministries, and a project selection committee has been established within the Ministry of Finance and Economic Planning to ensure that investments meet established criteria and support sector strategies (World Bank, 1991e:224).


Ghana is now well into its tenth year after being introduced into the economic recovery program. Since 1989, the macro-economic environment has become worse, and the economy faced some serious setbacks in the 1990s. Economic growth slowed, and fiscal policy deteriorated with the acceleration of inflation. Overall growth in the manufacturing sector considerably declined because of a credit crunch in 1989 and lagging investment outside of mining (World Bank, 1991e:225). The tax revenues fell to 11.2 percent of GDP, because of a slowdown in economic activity, lower tax rates,
and a drop in receipts from cocoa taxes. The government's revenue was short of the targets in 1990 due to unanticipated expenditures. The aggressive fiscal and monetary policies did not stop a rising inflation level, reaching an annual average rate of about 37.2 percent in 1990. Despite general increases in investment levels since the ERP in 1983, the flow of private investment into the economy has been disappointing outside of the mining sector (World Bank, 1991d:3).

EVALUATION OF THE ECONOMIC RECOVERY PROGRAM

Compared with other adjustment programs, Ghana's adjustment efforts include a growth element and have been more generously funded by the World Bank and the IMF. The emphasis of the program shifted from short-term stabilization and recovery to a sustained, long-term growth approach. It also tried to achieve economic stability through a concerted attack on some of the key longer-term constraints to sustained development (World Bank, 1987c:25). Structural adjustment policies have become more comprehensive as external and internal constraints were viewed as severe. In addition, the implementation of the ERP is based on rapid and simultaneous policy changes on a number of reform fronts. The Bank and the Fund believe that this strategy of rapid implementation of the structural adjustment program would be more likely to succeed. Most importantly, the program established a political and financial context for the restructuring of the Ghanaian economy.

Strong donor support was represented in the generous balance of payments assistance and concessional financing. External support helps reduce deficit and pursue
rehabilitation projects which are essential for expanding the export sector. Ghana currently faces large deficits on the services account, mainly because of interest payments as well as the trade deficit. With the absence of foreign exchange reserves and commercial payment arrears, the external financial support was critical to the success of the ERP. Financial assistance from international financial institutions have facilitated the import of essential machine parts and raw materials which are needed for increased capacity utilization of Ghanaian industries. In addition, external finance supported the expansion of foreign trade, and it would be able to generate increases in government tax revenues.

Achievement

The ERP has been successful in satisfying many of its immediate objectives such as achievement of macro-economic balances (Hutchful, 1989:114). A more realistic exchange rate was established, and government budget deficit improved through the removal of subsidies in many areas. The increased spending on rehabilitation of transport infrastructure facilitated more production in the cocoa, timber and mining sectors. Rigorous management of monetary, fiscal, and external debt during the first several years of the program brought about stabilization of the economy. More positively, the program stressed increasing rather than reducing real imports, and stabilization took place without a reduction in GDP, in total or per capita (Loxley, 1988:26).
Problems

On the other hand, the structural adjustment program in Ghana did not solve some serious problems inherent in the economy, including deteriorating external terms of trade, inadequate private investment levels, and insufficient implementation capacity. The export emphasis at the centre of the ERP has emerged as "the Achilles' heel" of the programme (Hutchful, 1989:115). It appears that the overemphasis on exports, especially with the heavy concentration on cocoa, would not be so reliable in a long run.[1] Because of large market surpluses and a major slump in world prices, the expansion of cocoa exports with big price incentives to producers turns out to be a very vulnerable economic strategy. In August 1988, world cocoa prices reached the lowest point in twelve years, and it is related to serious conceptual problems in the design of structural adjustment programs. The World Bank stressed too much increases in cocoa production, and advised other cocoa producing countries like Brazil, Ivory Coast, and Indonesia to adopt similar export-based adjustment policies (Hutchful, 1989:116). Therefore, overproduction of cocoa and price declines in the world market are not accidental. Ghana's increase in its cocoa production in the midst of fall in its world prices is explained in terms of the lack of visible alternatives to cocoa. Some also argue that the increase in the production of cocoa would still be in Ghana's interest since Ghana has a comparative advantage in cocoa production with its low cost of production compared with other major producers (Okyere, 1990:82). Recently timber and gold production was increased to compensate for the loss of cocoa export, but their export earnings are far below those of cocoa export which account for over 60 percent of the country's entire export revenue.
Another area of concern lies in the external debt implications of the ERP. Compared with a debt service ratio at only 10.7 percent of exports in 1982, Ghana's debt servicing burden had risen to over 50 percent of annual export earnings by the end of 1985, and the country's growing debt burden consumed 60 percent of export earnings throughout the second phase of the program between 1986 and 1988. The World Bank and the IMF assumed an increasingly large proportion of Ghana's debt, and it now constitutes non-renegotiable debt. Service on World Bank credits makes up 25 percent of total debt service. More serious debt problem comes from expensive, short-term IMF Standby Credits accumulated during the first three years of the ERP. Over half of the debt-servicing burden in 1987 and 1988 fell on account of IMF charges and repurchases. Since 1988, Ghana has received support from the IMF through the Enhanced Structural Adjustment Facility (ESAF). However, concessional new financing has been offset by outflows for debt servicing and repayment of arrears. Net transfers from the IMF are expected to be negative after the early 1990s. It is estimated that the negative transfer would average US $80 million per annum for the 1992-95 period. Such a high level of debt servicing with weak cocoa prices in the world market can constrain the economy by limiting the import capacity. The Minister of Finance and Economic Planning Botchwey recently revealed that the high debt-service ratio led to net transfer of US 375 million dollars from Ghana to the industrial countries in the first three years of the economic recovery program. Now he is worried about the size of the net outflow of resources to the IMF as Ghana should meet its debt repayment obligations (World Bank, 1987c:5).

The inadequate level of private investment is another serious concern. Since a significant level of rehabilitation and higher capacity utilization have been realized, private investment needs to be raised for economic growth. The government is making a
major effort to promote higher levels of private investment through privatization of
government enterprises, but the response of foreign and domestic investors has been
very slow. Direct foreign investment in 1986 remained only one quarter of its 1981
level, and much of that was not utilized for investments in new industrial produc­tion but spent on rehabilitating old gold mines which promise higher levels of profit
earnings. With respect to investment in former state industries, on the other hand,
there is a concern that the liquidity squeeze and exchange rate depreciation may lead
mainly to the purchase of state enterprises by foreign companies rather than by
Ghanaians. The slow response to investment need was, in part, caused by excessive
credit restrictions which precipitated recessions in the industrial sector. The limitation
on credits led to even underutilization of quick disbursing credit of the Bank for
reviving various productive sectors. The mobilization of local funds for investment
in industrial production has been more difficult along with the increases in the costs
of imports in the depreciated currency.

Compared with the emphasis on export promotion and trade liberalization, little
attention has been paid to domestic industrialization. For instance, the public invest­
ment program 1986-87 allocated less than 4 percent of total investment to the indus­
trial sector (Loxley, 1988:50). In addition, the government's efforts to cut budget defi­
cits involved drastic cuts in already low capital investment. In Ghana's circumstances,
unmodified import liberalization could undermine potentially viable local industries
that were already crippled by tight credit and competition from foreign "brand name"
goods (Weissman, 1990:1626).

One of the most ignored areas in the ERP is the protection of environment. The
expansion of cocoa production and logging destroyed the country's forest cover and is
likely to exacerbate the high ecological costs. The promotion of cocoa and timber exports weakened the capacity of the environment to sustain food self-sufficiency and production. Serious concern with further destruction of Ghana's tropical rain forests is supported by the estimate that the high forest zone (HFZ), which suffer from extraction of hardwood timber and the support of cocoa farming, is destroyed at the rate of 4.5% annually. The method of logging is often wasteful. Large unprocessed trunks are often abandoned after marginal operators saw off contract sizes (Hutchful, 1989:119-120).

There is also a concern for too excessive outside intervention. The lack of administrative capacities for economic planning has resulted in the intervention of international development agencies. The economic policy making of structural adjustment in Ghana is based on highly conditional terms. Ghanaian officials argue that excessive outside intervention jeopardizes administrative viability. On the other hand, Bank and IMF officials, who push for liberal economic reforms in multiple sectors, argue that little would get done without their pressure.

There is a widespread criticism that the adjustment program in Ghana may have put unrealistic demands on a state structure which does not have enough technological competence. Some think that the Bank's programs demand too quick a result and expect too many broad changes with limited resources. Especially, the comprehensiveness of systematic institutional reforms could easily overload a public sector capacity.
THE IMPACT OF STRUCTURAL ADJUSTMENT ON LIVING CONDITIONS

The distributional impact of the ERP on population generated lots of concerns. It is generally agreed that distributional effects did not get a fair attention in policy design. In fact, structural adjustment programs do not have much emphasis on poverty alleviation since macro-economic issues are major concerns. Economic losses from layoffs and limited access to schools, health facilities, and food subsidies fell heavily on the poor, who are estimated to be one-third to one-half of urban Ghanaians (UNICEF, 1984). Wages and salaries were not raised sufficiently to cover the vastly increased prices. Real wages of manual workers in 1982 were only 16 percent of their 1975 level. Though the minimum wage, under strong union pressure, was increased from 12.50 cedi per day to 70 cedi per day in December 1984, the increase did not offset inflation, leaving wage and salary earners worse off than they were in April 1983 (Kraus, 1985:186). In response to these issues, the World Bank seems to believe that the improvement in living conditions of the poor will be eventually produced by economic growth (Lachenmann, 1988:74).[3] The ERP tries to deal with social welfare issues through increased growth, improved rural-urban terms of trade, and more efficient allocation of public expenditure. The negative impact of the ERP on living standards is considered only transitory and inevitable (World Bank, 1991d:33).

However, the ERP put urban Ghanaians in a dramatically disadvantaged position. While the salaries of higher-income groups have risen faster than other groups, quite a large number of work forces in the public sector were laid off, and others saw reductions in the overall wage bill. The situation was worsened since import liberal-
izations costed jobs in private sectors, especially, textile and other areas which are vulnerable to foreign competition. In addition, the control of monetary expansion severely depressed the consumption for low income groups.[4] Very stiff increases in charges for public utilities and basic services have led to the decline in the living standards of the poor and marginal groups who are not able to defend their income levels. For instance, the introduction of health fees in 1985 reduced the use of health services by the poor while the utilization of health care increased for the more advantaged populations.[5]

Certain structural adjustment policies have negative impacts on the rural poor in food producing areas. The increase in the prices of consumer goods and agricultural inputs followed dramatic devaluations. Stringent credit restrictions were caused by a sharp rise in interest rates. In contrast with export crop sectors, food self-sufficiency and security did not attract much attention either in terms of inputs or credible price supports. The growth in food production was slow and not even. For instance, the production of cassava, the main staple, has actually declined since 1984 (Weissman, 1990:1625). The real per capita income of about 82 percent of farming households, which do not cultivate cocoa, appears to have stagnated since 1984.[6] The stagnating food crop economy seems to hurt especially poor women and children since they rely on food trading and production.[7]

Problems with food production include inefficient overall credit, lack of access to credit, inadequate supply of productive technologies, absence of regional and local market development, and lack of storage infrastructure for effective price stabilization. There have been no effective policies to confront such problems beyond privatization or restructuring of the inefficient government fertilizer and seed companies. Overem-
phasis on market principles led to the underdevelopment of policy agendas in a food agricultural sector. It has been assumed that the relative shortage of food will be overcome by increases in production which result from high food prices. Food producers were adversely affected by policy changes since 1983. But the Bank sees the negative impact on food production as short-term and believes that market liberalization and price incentives will trigger appropriate supply responses.

THE PROGRAM OF ACTIONS TO MITIGATE SOCIAL COSTS OF ADJUSTMENT

Concern for the poor was generated by some international donors. Especially, UNICEF has been pressing for building social welfare components into the ERP with the support of Ministries of Education and Health and other UN agencies such as UNDP, WHO, and ILO. The UNICEF concern is reflected in its own studies dating back to 1984 (UNICEF, 1984). Some government officials and major donors initially considered that raising the welfare issues would generate the opposition to the ERP. Because of difficulties in completely ignoring depressing economic and social conditions for the urban poor, however, the government began to work with UNICEF from 1983. It took four years to formulate the Program of Action to Mitigate the Social Cost of Adjustment (PAMSCAD). Finally, US 85 million dollars were pledged for PAMSCAD at a special donor meeting in February 1988.

PAMSCAD has become the first program in Africa to deal with the negative impact of structural adjustment programs on the poor. Its objectives are to redeploy
laid-off workers, initiate public works programs, and improve nutrition, literacy, educational facilities, water supplies, and health care. The largest single component is employment generation. It accounts for three quarters of expenditures. A relatively large amount of money was allocated for the project on redeploying laid-off civil servants and former employees of state owned enterprises. The job creation project was given a high priority because of lack of job opportunities in the private sector. The component is also viewed as a political concern for those losing their jobs (Loxley, 1988:40). The urban un-employed and under-employed were helped by a "priority public works program" which was specifically targeted at the urban poor. The program focused on completing infrastructure and housing projects and improving communication networks in the Eastern and Northern Regions with the use of labor-intensive construction techniques. PAMSCAD also contains some basic needs components that include essential drug programs linked to primary health care, treating parasitic diseases of school children, and supplementary nutrition enhancement.

Even despite the positive aspects of PAMSCAD, it is not clear, however, that these measures will result in significant poverty alleviation. The negative ramifications of original structural adjustment policies such as fiscal restraints on social welfare were not sufficiently addressed. Social concerns of PAMSCAD were not directly built into adjustment program but were considered complementary to it. PAMSCAD has been treated as being attached to the end of the body of the liberal reform package in response to pressure from some multilateral agencies concerned with poverty issues. Some main donors such as the IMF, however, did not even send a representative to the meetings in which PAMSCAD was developed. Overall, it appears that the study of UNICEF and Ministries of Health and Education on social and economic conditions of the vulnerable facilitated PAMSCAD but was not able to change priori-
ties of the ERP towards more investment in welfare and equal share of economic growth.

Some argue that PAMSCAD did not pay enough attention to the food production sector. While food-for-work programs are viewed as a significant step toward improving the rural poor, the government failed to formulate detailed action plans for a food sector. There is also some concern with informal bias towards concentration of projects in or near urban centres. PAMSCAD does not appear to be reaching poorer, rural and marginal communities (World Bank:4). This means that PAMSCAD did not benefit the rural poor and the Northern peasantry as the primary target group even though they suffer from a higher proportion of rural poverty than other regions.

**CONCLUSION**

Since the economic conditions in Ghana were so bad, it may, in fact, have been easier for Ghana to adopt a more strict orthodox structural adjustment program (Herbst, 1989-90:11). The program led to broad economic policy changes which include devaluation, increases in domestic currency prices for exports, reduced budget deficits, price liberalization and increased incentives to the private sector. The successful implementation of liberal macro-economic policies in early program years is contrasted with current difficulties in achieving more sustainable macro-economic balances. Renewed inflation and reduced revenue from cocoa export over the last several years generated a question of whether or not the program would be able to survive. The input of foreign financial resources is thus critical for the very sustainability of the
program although it may not be an ultimate solution to such problems as deteriorating balance of payments and foreign debts. In considering that Ghana has so far enjoyed being considered the economic "model" of most poor African countries, "the country will perhaps not be failed by those outside who have a large stake in the outcome" (Tabatabai, 1986:411).

There is a very valid scepticism from Ghanaian intellectuals about the basic wisdom of structural adjustment programs (Sawyer, 1988). Structural adjustment programs are viewed as reinforcing traditional dependence on external financial flows along with the external orientation of production and trade. The program justifies a tendency to "surrender control" of critical areas of national economic policy to foreign lenders (Sawyer, 1988) One crucial concern is "Ghana's ability to break its dependence on cocoa and become something more than economically healthier producer of raw materials" (Herbst, 1989-90:11). From this perspective, it is not clear if World Bank/IMF structural adjustment programs offer a long term view of what the economy of Ghana and other African countries should look like.
Cocoa is the most important agricultural product in Ghana. Cocoa occupies about 25 percent of the cultivated land area and employs about 20 percent of the country's labour force (Okyere, 1990:74).

The situation has been worse recently as Ghana has suffered 35 percent deterioration in its terms of trade since 1988. In addition, trade deficit from higher than expected petroleum prices aggravated debt situations.

However, this trickle-down approach has proved wrong in the past. Economic growth does not necessarily guarantee appropriate sharing for the poor. For more explanation, see Cornia, et al. 1987.

There are two problems related to this. First, decline in popular consumption is not justified by too heavy dependence on monetary contraction. Second, this approach ignores that supply constraints are also responsible to domestic inflation and balance of payments difficulties as well as the money supply. It does not consider that sustainable equilibrium requires changes in the underlying structural causes of balance of payments equilibrium. Changes in domestic structures of production and demand are needed for a sound solution for balance of payments. The design for tackling a balance of payments problems should include measures to stimulate output and productivity and eliminate constraints within the productive system. Demand management measures should be more cautiously applied (Hutchful, 1989:114-5).

One study reports that less poor people are now able to visit two public health clinics in lower income areas of Accra after health fees were introduced (Weissman, 1990:1626).

However, there is also income gap among cocoa farmers. "According to the recent World Bank-Ghana Government Ghana Living Standards Survey, 18 percent of farming households grow cocoa." A 1987 survey conducted by an Overseas Devel-
Development Institute–University of Ghana team in four representative villages of the Ashanti region discovered that 32 percent of the cocoa farmers received 94 percent of gross cocoa income while the remaining 68 percent of farmers received only 6 percent of the income. (Weissman, 1990:1625)

[7] Representatives of several PVOs working in rural areas observed that low incomes reduced women's ability to purchase fruits and protein-rich foods and to retain enough staples for the preharvest "lean season". (Weissman, 1990:1625)
CHAPTER IV
BANK/FUND POLICY INTERVENTION

Since the formulation of the April 1983 government budget, the World Bank and the IMF have played a dominant role in shaping the Ghanaian economy. The agreement between the government and international financial institutions on the adoption of structural adjustment programs legitimized external intervention in economic policies in Ghana. The domination of the Fund and the Bank in policy making led to the formulation of an orthodox structural adjustment program in Ghana. Most of Bank/Fund adjustment measures were, with some minor changes, accepted by the government. The case of Ghana proves that policy conditionality was an effective tool for putting pressure on the government for the implementation of adjustment programs. This chapter examines main issues in the negotiation of adjustment programs in Ghana and discusses how international agencies influenced policy outcomes.

THE NEGOTIATION OF STRUCTURAL ADJUSTMENT PROGRAM

The negotiation for adjustment programs in Ghana started after the Rawling's government failed to build a self-reliant socialist economy. The socialist revolutionary government, which took power through a military coup in 1982, initially attempted
to implement radical populist strategies to deal with deteriorating economic conditions. They include mobilization of student task forces in the production of food, collection of cocoa crops, suppression of black market operations, and rebuilding of infrastructure such as roads and other transportation systems. (Callaghy, 1990:274)

When radical mobilizational economic measures did not turn around worsening economic conditions, the government tried to get help from Soviet bloc countries. But, except for emergency oil supply from Lybia, the Rawling's regime was not able to obtain any economic assistance from socialist countries. The regime soon recognized that the IMF and the World Bank would be the only source of external financial assistance in solving external balance crisis and severe shortages of goods. Limited economic capacity and resources left no choice for the Ghanaian government but to accept liberal economic policies required for international financial aid. It had to give up its previous ideological dispositions toward economic equity and policy priorities for economic and social welfare of the poor. It appeared to top leaders in Ghana that socialism cannot be built in a deprived economy and that the early anti-capitalist campaign did not help formulate pragmatic economic strategies.

The negotiation for the economic recovery program involved a small group of Ghanaian economic officials and World Bank/IMF staff members. Ghanaian officials were led by Kwesi Botchwey, the Secretary of Finance and Economic Planning of PNDC (Provisional National Defense Council), which ruled the country since the military quo in 1982, Joe Abbey, and P.V. Obeng, and other key members of PNDC. IMF and government officials agreed on one-year, short-term stabilization programs which include the devaluation of currency, reduced budget deficits, price liberalization and increased incentives to private investment. This was followed by the first phase of
a three-year Economic Recovery Programme (ERP) from 1984 to 1986 geared towards reducing macro-economic imbalances and price distortions. The ERP was formally adopted in December 1983 with the backing of the World Bank and other donors. Since 1986, various liberalization and growth measures, including relaxation of controls on trade, tax reduction, banking reform, and state divestiture, were negotiated. (Tabatabai, 1986:400)

The Ghanaian financial bureaucracy advocated an agreement with the IMF as the only realistic way of dealing with the critical constraints imposed by the external imbalances and the severe shortage of foreign exchange. (Hutchful, 1989:102) The program negotiated with the IMF in 1983 was different from the PNDC’s own economic recovery program presented in December of 1982. The government’s own economic recovery program included nationalization of the banks, restrictions on trade, and state control of a market mechanism whereas it also put a considerable emphasis on reforms in monetary and fiscal policies. Even though the Ghanaian government stressed that liberal economic policies have been chosen because of their own merits, it is evident that the recovery program is designed for free market enterprise and capitalist development. (Agyeman-Duah, 1987:636)

The World Bank urged the PNDC to commit more openly to economic liberalization and condemn the role of the People’s Shops organized by the poor as inefficient. The World Bank also insisted that PNDC abolish workers defense committees, which were often involved in management decisions, and introduce work disciplines at factories. The Bank criticized ‘unnecessary harassment of enterprises’ by organized workers and other grassroots organizations. In addition, the Bank pushed the regime to publicly renounce the government’s past policy of nationalization of foreign banks and urged
the return of properties seized under anti-corruption campaigns in 1979 to their owners.(Hutchful, 1989:106)

The negotiation, especially during the first phase of ERP, shows limited government influence. The Ghanaian officials, constrained by the need to win donor approval and by the lack of domestic support for an unpopular agreement, were unable to resist the erosion of their political position. The ERP thus takes a more conventional form of liberal economic policies which emphasize market oriented economic development and promotion of private enterprises. While efforts were made to improve macroeconomic conditions, poverty alleviation had been neglected especially at the initial stage of ERP.

Because of domestic opposition and political sensitivity to new economic programs, the negotiation process was highly secret and bilateral. There was little public discussion on the content, progress, and problems of the ERP despite its impact on almost every aspect of life in Ghana.(Loxley, 1988:47) Intellectuals and public in Ghana were isolated from policy making. Only a small number of senior economic officials in the government were involved. Even other affected government ministries and social sectors were not consulted in the course of defining policy issues.

Despite the official announcement of both Ghanaian government and IMF officials that an economic program was formulated by PNDC, it is crystal clear that the Fund and the Bank were mostly engaged in the policy formulation.(Ray, 1986:36-7) Evidently Ghanaian officials mostly reacted to policy proposals made by international financial institutions under pressure. It is commonly acknowledged that the government signed major agreements typed in the Bank without any major changes.(Loxley, 1988:49) World Bank staff agree that their proposals were rarely rejected by the
Ghanaian government except few areas in which they had vital political interests (such as privatization of the cocoa marketing board). Overall, the Ghanaian government was receptive and compliant due to its weak bargaining positions. The Bank and the Fund were concerned not only with the objectives of policy but also took a firm position on preferable policy instruments.

The representatives of the Bank and the IMF see the partial loss of Ghana's national sovereignty as inevitable. The Bank's domination is a structural feature of the policy making because of its imbalance in power positions in negotiations. First of all, the negotiations were made under the circumstances that the Ghanaian government needed urgent financial aid given the chaotic and disintegrating state of the economy and, therefore, had very few options. (Green, 1987:34) In addition, the Bank and the Fund had more experience over policy issues related to structural adjustment while very few Ghanaian officials had technical expertise for designing liberal economic programs. The heavy brain drain during the 1970s and early 1980s aggravated shortage of trained technocrats in Ghana. Finally, the Ghanaian government had very limited credibility in bargaining due to its past record. During 1966-83 it broke loan agreements with international financial institutions several times, and the Bank and the Fund tried to put rigorous conditions on the terms for financial assistance.

POLICY DESIGN OF THE ECONOMIC RECOVERY PROGRAM

Program designs in structural adjustment are concerned with the implementation of specific policy measures laid out in a loan agreement as well as the achievement
of overall program objectives. Due to their standard operating procedures, there is not much difference from one country to another in the IMF and the World Bank's analysis of problems and policy prescriptions. The existence of certain features in adjustment programs in Ghana is explained by this general policy making style in international financial institutions.

Depending on whether a country plays a more active role in the policy design, it takes from seven months to two years to develop sectoral adjustment programs from their initiation to the negotiation of the final document. In the case of Ghana, seven months to a year were needed for the agreement of sectoral adjustment programs since the government did not resist most of Bank/Fund policy initiatives at a negotiation stage. Most of the preparatory work has been done by a "country task force" comprised of the staff of Western African department at the Bank. The task force, usually headed by a senior economist, gathers information and prepares documentation by sending a series of short-term missions to the country. The Ghanaian task force normally includes a country team officer, who may have a management educational background and specialties, one or two country economists, and several sector economists. The country officer is involved in coordination of donor meetings, decisions on the size of loans, the assessment of program implementation, and contact with the Ghanaian government. While the country economist assesses general economic conditions in Ghana and evaluates the overall effectiveness of various programs funded by the World Bank and the IMF, sector economists in the task force develop proposals on issues in their specific fields such as agricultural pricing, privatization of industries. The sector economists are supervised by the heads of their own divisions within the Western African Department, including Agriculture Operations, Industry & Energy Operations, Infrastructure Operations, and Population & Human Resources Operations.
The task force is to survey the overall conditions of the Ghanaian economy, identify components of specific policies and plan strategies for their implementation. If their final appraisal is accepted by the Director of the West African Department, it is submitted to the Operations Committee consisting of several Vice Presidents of the Bank for formal consideration and approval. The final official approval is made by the Board of Directors. If programs are complicated and stretched over many sectoral issues, a working group is formed to bring in staff members from research units supervised by Vice President of Sector Policy & Research. The research units include technicians in the areas of agriculture and rural development, infrastructure and urban development, industry and energy, and sector economists without regional specialization. IMF staff are occasionally consulted, especially for decisions which may influence monetary issues. IMF officials from West African Division III of African Department need to agree on such issues as the government budget and wage increases for government employees. The approval at a higher level is followed by negotiations between Bank/Fund staff members and Ghanaian government officials from Ministry of Finance and Economic Planning and Bank of Ghana for implementation. Once program agreements are signed, the Bank generally oversees their implementation by means of periodic written reports from their resident representative stationed in the capital of Ghana, supplemented by missions sent from the Bank's central office. Funds are gradually disbursed as the government demonstrates that previously agreed-upon policy measures are being implemented.

The Bank's appraisal report usually contains detailed descriptions of policy measures, along with precise timetables for their implementation and quantitative estimates of their policy output. In addition, it also includes a large number of specific conditions which should be met. For example, a report of a program to promote private
investment submitted to the President of the Bank in April 1991 has detailed plans of how to administer tax policies, achieve a regulatory framework, and reform state-owned industries, and when specific components of those policies should be implemented. It also specifies projected economic returns and lists names of firms in various industries which will receive loans. (World Bank, 1991c) Not only because knowledge of what needs to be done for successful implementation of adjustment programs is still limited and but also because it is not easy to monitor too wide and unstructured a range of problems, detailed implementation plans often result in a false sense of security.

In many areas of lending, the Bank has traditionally tried to keep a firm control over borrowers so that final use of a loan would fit in with Bank policy objectives. This practice has become more visible in the implementation of adjustment programs. Bank control is guaranteed by a leading role of its staff in designing programs and the requirement of approval for any program revisions by a national government. The failure to fully incorporate the country's needs is the consequence of the Bank's tight control over policy-making. In addition, the Bank's supervision puts heavy pressure on local bureaucracy. Frequent missions are often accused of drawing national administrators away from their program responsibilities.

Bank procedures may cause less innovative solutions to economic problems in a recipient country. First of all, a group policy-making process makes policy outputs not radically different from one another. A more progressive approach is normally compromised with other concerns. Staff members should justify their positions when they propose non-orthodox approaches. Secondly, there is a review process at various administrative levels. Before their submission to upper levels, outlines of programs are usu-
ally examined by a "principal economist" who works closely with the head of a "country task force." Later these are reviewed by a "lead economist" who is a major advisor to a regional department director (in the case of Ghana, the West Africa Department) and a "chief economist" who advises Operations Committee. This standardized procedure produces not dissimilar policies for different countries and eliminates an unconventional approach. Ghana's structural adjustment programs, in this sense, are not much different from other countries' programs which emphasize orthodox liberal economic policies.

In many instances, procedural requirements could hamper achieving substantive goals. The lack of a more flexible agreement between the Bank and a borrowing government about the implementation strategy does not help local administrators adapt external resources to the full range of economic needs of their countries. Close involvement and supervision by the Bank's staff in Washington reflect mistrust of local administrators' own commitment to and capacity for implementing adjustment programs.

**CONDITIONALITIES ON MAJOR POLICY ISSUES**

Devaluation of currency, elimination of price controls, removal of subsidies to prices of basic goods, trade liberalization, and divestiture of state industries have been major reform policies adopted after negotiations between the government and international financial institutions. Overall, Ghana has achieved macroeconomic policy goals required by the Fund and the Bank. The government unified foreign exchange mar-
kets, lifted almost all restrictions on current international transactions, and eliminated all outstanding external payment arrears by 1991. On the other hand, efforts to stimulate the private sector, including actions to boost investment promotion, streamline the framework of controls, reduce public sector's presence in the economy, and strengthen the financial sector, have not yet been fully successful. (World Bank, 1991a:4)

Policy conditionalities were effective in the elimination of price subsidies, price decontrol, and exchange rate reform. The removal of subsidies on fertilizers was one of the important conditions for structural adjustment loans negotiated in June 1983. That had been implemented within a year except for subsidies to distribution and handling costs. These residual subsidies were finally removed by the conditionalities of the Agricultural Services Rehabilitation Credit of April, 1987. (World Bank, 1987a:71)

Price liberalization was more dramatic in the light of the PNDC's previous actions to curb high prices in the first several months of its power, including the order of burning down the chief market place in central Accra, the capital of Ghana. (Toye, 1991a:176) The second Reconstruction Import Credit agreed on March 1985 required the reduction in the number of items subject to price control from seventeen to eight. In line with exchange rate depreciation, the prices of petrol products were also raised several times from the beginning of Spring of 1985. The implementation of the removal of price controls led to keep only few imported goods subject to price control. (World Bank, 1985: 99).

The achievement of a unified exchange rate system was also successfully implemented by several adjustment loans. Initially, the government preferred the system of
multiple exchange rates to reduce the impact of devaluation on urban consumers. While the government's position was not accepted, the IMF agreed on slow implementation of exchange rate reform. This was reflected in the negotiation between the IMF and the government in October 1983 which produced an across-the-board devaluation and unification of exchange rate over an extended period. A weekly foreign exchange auction was introduced along with the existence of a flexible rate for certain key transactions in September 1986, and the two rates were unified in February 1987. It took about three and half years to unify government and commercial exchange rates after currency exchange reform started.

These changes led the Ghanaian currency cedi rate to drop to 90 to the US dollar in 1986 and further to 227 to the dollar in late 1988 with the opening of licensed foreign exchange bureaus. During 1989, increased convergence was achieved between the foreign exchange bureau and auction rates primarily through an increased supply of foreign exchange. Retail foreign exchange auction was finally completely unified with the foreign exchange bureau markets on April 27, 1990. Now under the unified exchange market, the exchange rate of the cedi is determined freely in an extended interbank system, supported by weekly wholesale foreign exchange auctions conducted by the Bank of Ghana. This final measure was achieved ahead of the envisaged schedule (World Bank, 1991b:4).

Divestiture of state industries, private investment promotion, and public sector management have been more vigorously pursued by policy conditionality attached to World Bank loans since 1987. In an agricultural sector, measures to improve incentives for the production of export crops were introduced. The export levy for coffee
was eliminated, and producers were allowed to export directly beginning in early 1991. There was an increase in the farm-gate prices for rubber, cotton, and tobacco as well as cocoa. (World Bank, 1991b:21) To move export crop producer prices upwards has been one of few areas where the Ghanaian government did not have any disagreement with the Bank and the Fund.

In an industrial sector, public investments were emphasized for improving infrastructure and support facilities. For civil service reform the Bank stressed an increase in the wage differential between the lowest and highest paid employees and an acceleration of the redeployment of state employees. In those areas, in the Bank's view, there has been some achievement. For instance, 14,000 staff were redeployed in 1989 and 12,000 in 1990. The retrenched public sector employees were provided with financial compensation and offered technical training, as well as incentives to settle in rural areas. (World Bank, 1991b:6)

In the areas of divestiture of state industries and other areas of institutional reforms, there have been some delays for implementation due to opposition within the government and the poor economic environment. Privatization of state industries was very slow since the government announced a list of companies for divestiture. Some 38 state enterprises were sold between 1987 and 1990. However, the Bank believes that the state enterprise sector in Ghana, comprising 197 enterprises at the end of 1990, still have too much share in output and employment in the economy. According to a Bank's policy paper, for a number of reasons (which they did not identify), the implementation of the divestiture program has fallen short of the program objectives. The Bank and the government finally agreed to reduce the number of divestiture companies down to 13 major enterprises for the period 1990-92 (World Bank, 1991b:7)
Since the first Reconstruction Import Credit (RIC) of June 1983, the Bank intended to produce comprehensive measures aimed at reducing the current marketing costs of the Ghana Cocoa Marketing Board (GCMB). The Export Rehabilitation Credit (ERC) of December 1983 contained the first conditions on the GCMB, that it should be converted to a commercial body with financial autonomy and a corporate plan and that it should produce plans to privatize cocoa plantations, cocoa products factories and insecticide formulation plants. The condition for release of the second tranche of the loan included staff reductions and staff retrenchment. By late 1987, the Bank had achieved its 1983 objective of a financially autonomous Cocoa Board equipped with an initial three-year corporate plan. But it satisfies only half of the Bank demand. The board divested only fifty two of its ninety two plantations. The Board's cocoa processing factories (producing cocoa butter, liquor and cake) have not been privatized though they were more subject to tighter financial discipline. By the end of 1985, the first phase of retrenchment was carried out, but the number affected was 16,000 rather than the anticipated 19,000. In the Bank's view, the loan conditionalities were not very successful in producing rapid progress toward divestiture and retrenchment of employees in the reform of the cocoa marketing board.

The Cocoa Produce Buying Corporation operates quite efficiently at a field level and has the support of farmers who feared the consequences of privatization. The World Bank seems to have recognized that "the capacity of private sector to fill the gap created by liberalization and dismantling of some state distribution mechanisms cannot be presumed, particularly in the short run." (World Bank, 1987b:72) This is one of very few areas where the Ghana government was a little successful in resisting the pressure to break the Board's purchasing monopoly and privatize cocoa marketing board completely. (Toye, 1991a:186)
The Bank also faced difficulty in the implementation of banking system reform. The Financial Sector Adjustment Credit of May 1988 initiated new banking regulations, particularly in the areas of accounting, audit, and their enforcement. The conditionalities include progress in the restructuring of the bank's assets and liabilities and opening of stock exchange. During 1990 a new banking law introducing a prudential and regulatory framework for Ghana's banking system was enacted. The implementation of the bank restructuring program, however, was delayed, partly because the exercise proved more complex, and partly because the extent of the problems was more serious than had been anticipated.

Compared with price liberalization, the elimination of subsidies to consumer goods, and exchange rate reform, the implementation of institutional reforms such as privatization of state enterprises and public sector management program is more complicated and can only be monitored over the long term. Common demand side conditions such as the setting of new credit ceilings and devaluation can be carried out in a day by a handful of people in a single office of the central bank. The implementation of measures on the supply side designed to stimulate private sectors cannot be monitored for a short time, and the government has more leverage over the policy outcome by evading policy conditions whose fulfillment is believed to be politically damaging. (Mosley and Toye, 1988:397-8)
Since the adjustment program started in 1983, overall, the government maintained a good relationship with the Bank and the Fund despite the domination of the two international agencies in Ghana's economic policy making. After international institutions stopped their lending programs to Uganda, Liberia, the Gambia and Sierra Leone in 1985 because of loan defaults and/or failure to fulfill loan conditions, Ghana has become more important and received more generous and concessional loans for its efforts to broaden and sustain adjustment programs. In return for their financial support, the government did not blame Bretton Woods institutions for economic hardships following structural adjustment programs in Ghana nor used them as a scapegoat even though sometimes they expressed lack of confidence about ERP. When Zimbabwe's president Mugabe visited Ghana in 1991, Ghana joined in casting doubt on the bleak economic picture under structural adjustment programs in Africa. But this was far short of denouncing the role of international financial institutions in the region. (African Business, 1991:20)

The relationship between the government and international financial institutions has the nature of a prisoner's dilemma game. Both sides prefer cooperation to defection. For the Ghanaian government, obtaining loans from international financial institutions is more desirable than facing immediate problems in debt servicing and import constraints. With the commitment of the Bank and the Fund, indeed, Ghana has been able to maintain the confidence of foreign investors despite the collapse of the cocoa price on which the country heavily depends for the bulk of its foreign exchange. (African Analysis, 1988:11)
To international financial institutions, on the other hand, the success of the adjustment program in Ghana is politically crucial in justifying and mobilizing support for their policies in Africa. A Bank document argues that an orthodox structural adjustment program can turn around even the worst case situation like Ghana, if sufficient external resources are forthcoming and if the program is maintained long enough to show some positive effects. (Younger, 1989) Despite concerns of some IMF officials about Ghana's ability to service its massive debt commitments, Ghana has been held up as an important test case of the IMF's development strategy in the Third World. (African Business, 1986:48)

International financial institutions seem to have been more generous toward Ghana in evaluating implementation of loan agreements. In most instances when the government failed to implement agreed policies, the Bank preferred renegotiation to financial punishment. The Bank appears to have been convinced that the lack of the government's implementation capacity led to slippage rather than the lack of political will or commitment to adjustment programs. In addition, the conditionalities attached to loans by international financial institutions have not been harsh or coercive toward the Ghanaian government.

For example, unlike other country programs, the exchange rate reform in Ghana was introduced gradually, in part, due to PNDC's insistence, and, in part, due to the consideration of Ghana's weak economic capacity to absorb the impact of too rapid devaluation. (Herbst, 1989-90:6) In the case of Ghana, the IMF unusually accepted gradual changes from a single administrated rate to an administered rate with an auction, and to an auction with foreign exchange bureaus. This policy position does not reflect the IMF's normal arguments that the sooner the economy adjusts to the new rates,
the easier the adjustment will be, and that a quicker integration of the market would result in a faster reduction of the black market and more efficient reallocation of resources. (Loxley, 1988:36)

On the other hand, the relations between international financial institutions and the government have not always been without tension. Sometimes the government was caught between popular protest and the demand of international financial institutions. Conditions on public expenditure created much disagreement between international financial institutions and the government. Government efforts to increase workers' wages and benefits in April 1986 in response to the harsh economic impact of devaluation collided with IMF targets of limited government spending. The government budget exceeded its IMF limits due to these unplanned increases in wages, salaries, and allowances. The violation of the strict IMF ceiling on credit creation led the Bank and the Fund to impose delays in the release of credit funds for 90 days. The intense external pressure finally resulted in the cancellation of the plan, and the Ghanaian government had to deal with domestic opposition following the failure to satisfy the demand of workers.

Disagreements with the IMF over minimum wage increases highlight problems the government faces as it tries to weigh direct economic benefits of satisfying the Fund against the potential social and political costs of the measures it is being compelled to introduce. Labour groups' demand of wage increases to match inflation rates caused dilemmas for the government. If the government had gone for a more politically acceptable option, it would have risked receiving more favorable IMF loans such as the Extended Fund Facility.
Another area of disagreement is the government's plan to create a new National Development Planning Commission (NDPC). While the government sees it as a fulfillment to its commitment to popular participation, the Bank considers it as separating budgeting and finance from planning function. But more importantly, PNDC may be able to mobilize rural support for the government to increase its leverage in relations to the Bank and Fund. After some amendments were made, the Bank dropped its opposition. (Toye, 1991a:185-86)

Since the government cannot completely ignore the economic interests of various social groups which suffer from adjustment programs, it may be natural for them to disagree with international financial institutions on how to pursue liberal economic policies. Especially, the demand side of adjustment programs which stresses austerity measures is a contentious issue area. On the other hand, it is generally observed that by the end of the 1980s, there had been some improvement in the relationship between the government and the Bretton Woods institutions as the stake in the success of Ghana's adjustment programs became higher after heavy investment of the institutions. The Bank and the Fund are now more willing to recognize the role of the government (Killick, 1991: 26). Though the Ghanaian government is still not able to determine the priorities of adjustment programs, they are more involved in the discussion of policy implementation strategies.
POLICY COORDINATION BETWEEN THE BANK AND THE FUND

Staff members of Bretton Woods institutions often jointly prepare policy proposals and normally produce policy framework papers which set out intentions for the future development of ERP and its financing. The coordination between the Bank and the Fund is needed not only because the two institutions are engaged in different but complementary policy areas but also because the Bank requires any countries interested in their financial assistance to agree first with the IMF on economic stabilization measures.

IMF staff deal with macro-economic policies, including foreign exchange rates, the aggregates of government expenditure and revenue, the overall ceiling on domestic credit creation, aggregate limits on public sector wages and salaries, the management of external debt, and control of inflation. The Bank has been more responsible for sectoral economic policies such as cocoa price management, elimination of restrictions on import, reform of parastatals, public expenditure targets, and public sector management.

The Bank and the Fund agreed that, for the ERP 1, policy objectives of adjustment programs should include narrowing the gap between the official and the parallel exchange rate, curbing inflation, and providing the foreign exchange to ease import stagnation. The Fund played a major role in policy making given both the fact that they were more interested in macro-economic stabilization and the fact that macro-economic balance was considered more important than growth at the early stage of adjustment. In addition, the IMF offered the biggest share of foreign assistance. For the four years 1983-6, the Fund delivered about 60 percent of a total of one billion
US dollars channelled to Ghana as well as 360 million dollars in two stand-by credits. During this time the World Bank supplied only 14 percent of external funding. (Loxley, 1988: 24) The Bank's role was limited to providing additional foreign exchange to ease credit limits for the rehabilitation of the export sectors and beginning to look at some of the microeconomic problems of the leading export sector such as cocoa.

Since the period of ERP II (1986-89), the Bank began to have more influence than the IMF with the shift of relative stress to longer-term adjustment policies and, the initiation of the range of new policy issues, including trade liberalization, cocoa sector export budget management, reforms in the financial sector, the education sector, private sector development, civil service, poverty alleviation programs, and tax policy changes. (African Business, 1991:20) The Bank has also taken more responsibilities in some of the areas traditionally dominated by the IMF, such as cocoa producer prices and foreign exchange arrangements.

The influence of the Bank in policy formulation has become greater since 1987 with the increase in Sectoral Adjustment Loans (The SECAL) which were designed to fund policy changes within specific sectors of the economy. For ERP II, the Fund was more engaged to find mechanisms to effectively reschedule Ghana's debts to it. Since 1986, Ghana became a net contributor to the IMF. This is part of the country's commercial debt commitments which equal to 60 percent of Ghana's export earnings. (African Business, 1986:47) The Fund developed a policy to allow Ghana access to its Extended Fund Facility and Structural Adjustment Facility (EFF and SAF) from November 1987. Loan term of these is ten years, not seven, with a grace period of five years and more and substantially lower interest rate. (West Africa, September 1988:1737)
The Bank and the Fund sometimes disagree on policy priorities and judgement. This appears to happen since structural adjustment programs include multiple objectives such as the stimulation of supply and stabilization of demand. The IMF's stabilization policy involving reduction of aggregate expenditure can easily generate a disincentive to the expansion of supply which is a main concern of the Bank. Various Bank policy measures are designed for improving resource allocation through raising agricultural prices, reducing tariffs, and offering subsidies for non-traditional exports. These measures may lead to a reduction in public revenue and creating budget deficit. Thus, Bank policies can create a counter-stabilization force which the Fund wants to avoid. (Mosley and Toye, 1988:401)

One of the most contentious policy issues is a balance between the government budget and public consumption. The Fund is interested in a balanced budget while the Bank is more concerned with a public investment program which stimulates economic growth. Therefore, this creates a tendency that the Bank prefers a larger public investment program than the Fund. There is difference over how the size of public investment should be compromised with the need to preserve macro economic balance. (Toye, 1991a:164)

The government wage bill is another controversial issue. The Bank and the Fund have different objectives which impinge on the wage bill. The Bank believes that improving public sector management needs raising real salary levels in the public service and expanding wage differentials. But the Fund is more concerned with creating budget surpluses. They finally agreed on six percent wage increases in the public sector in 1991.
The debate between the Bank and the Fund about the tightness of credit ceilings also generated some degree of dispute. They seem to have somewhat different positions on excessive credit restrictions. The IMF has mainly emphasized deflationary demand management and balance of payments whereas the Bank has put a great stress on supply and growth objectives. (Hutchful, 1989:114) The IMF's policy of excessive credit restrictions limited efforts for structural and supply changes and precipitated recessions in the industrial sector. The Bank pressed the Fund to ease the existing ceiling on credit creation to secure the extra credit for a number of sound productive enterprises which have new, higher working capital needs. While acknowledging the problems, the Fund suggests that the problem was caused by the failure of the banking system to provide adequate financial intermediation. Banking reform, not a looser credit ceilings, was a suggested remedy. It was taken up by the Bank, and efforts were made to reform the financial system through a Financial Sector Adjustment Credit after mid-1988. (Toye, 1991a:164)

Despite the differences in some policy areas, there is no serious division between the Fund and the Bank on their policy toward Ghana. (Toye, 1991a:165) The Fund's fiscally conservative positions are often favored over the Bank's growth-oriented supply policies. This means that macro-economic balances are still considered important and reflects the view of both institutions that rapid growth cannot be simply bought at the expense of macro imbalances.
CONCLUSION

The domination of the World Bank and the IMF over economic policy making in Ghana represents the imbalance in power and resources between poor Third World countries and multilateral institutions under the control of Western industrialized countries. Given the lack of financial resources and technical expertise, the Ghanaian government had no choice but to adopt Bank/Fund adjustment programs. Even despite the Bank's arguments that "government officials should be fully involved" and that Bank officials should support the process of consensus building (Nicholas, 1988:4), there is not much evidence that the government has successfully challenged the views of the Bank and the Fund and was able to change their policy proposals for the interests of the majority of the Ghanaian population.

In the midst of deteriorating economic conditions, the government did not have enough confidence and resources to manage the economy without external aid. The unequal relationship between the government and multilateral agencies led to serious lack of social and economic welfare concerns in structural adjustment programs. Raising concerns about basic human needs has been difficult because of the highly secret nature of negotiations between the finance ministry and Bank/Fund officials. Lack of open discussion even within the government did not allow any expression of deviant views on Bank/Fund adjustment programs.
On the issue of international policy making, there is a general lack of literature in the field of international organizations (Kratochwil and Ruggie, 1986). It is frequently argued that the study of international organizations have not adequately dealt with the relationship between organizations in a specific issue area (Ness and Brechin, 1988). Indeed, most past research focused on the conditions under which individual organizations function efficiently. These studies employ such independent variables as organizational technology, structure, and the characteristics of issue areas to explain how organizations perform their functions (Ascher, 1983; Caldwell, 1985; Cox and Jacobson, 1974; Crane and Finkle, 1981; Kay and Jacobson, 1983; Ness, 1979).

Recently there has been a growing emphasis on the study of an emerging cooperative arrangement between various agencies in functional issue areas (Jacobson, 1984). The introduction of network theories to the analysis of inter-organizational relationship helps us explain the relationship consisting of formally autonomous organizations with diffuse accountability and division of responsibility. In network theories, the structure and setting of an issue area, an organization's leadership, mobility, communication capabilities explain variance in network structure and performance of a linking-pin organization (Jonsson, 1986; Judge, 1978). By mobilizing coalitions around specific issues or controlling the bargaining process, a linking-pin organization is able to manipulate network characteristics.

Network theories, however, do not fully account for a competitive, cooperative, or complementary relationship between different organizations in a given issue area. By focusing on a patterned set of relations among actors in social space, network theories limit their focus to a formal relationship between organizations and thus do not explain how a network structure influences the substan-
tive nature of policy outcome. They do not really deal with the impact of interorganizational relationship on agenda building and policy formulation. For example, the emergence of consensus in policy making is explained simply in terms of the existence of a network rather than the process of compromise between agencies. In the analysis of structural adjustment policy making, it is more appropriate to understand power imbalance between the government and international financial institutions since Bank and Fund positions were not seriously challenged by the government.

[2] Interview with a Bank official, December 17, 1990

[3] When a country approaches the Bank with their own programs, it takes longer time. In the case of Burkina Faso, for instance, it had taken two years for the government to conclude negotiations with the Bank on structural adjustment loan programs. But countries rarely decide to initiate their own programs. First of all, there is not much big difference even with their more participatory role. Since they need to meet Bank criteria for funding, they are not willing to go beyond Bank policy guidelines and tend to get advice from Bank staff about whether their version of adjustment programs is acceptable. Therefore, their designs are not dramatically different from a Bank version, but may better reflect their own economic objectives. In most cases, countries choose Bank suggested programs for the purpose of quick financial aid delivery.

[4] Only other two African countries, Malawi and Senegal, could enjoy the favorable debt rescheduling conditions of ESAF loans.
CHAPTER V
THE STATE AND STRUCTURAL ADJUSTMENT

Economic policy choices for the PNDC (Provisional National Defense Council) government of Ghana in the early 1980s were limited by the structural weakness of the economy. The failure of economic policies of previous regimes caused balance of payments and deficit problems, and it made the adoption of IMF and World Bank sponsored structural adjustment policies inevitable. The adoption of the ERP resulted in the change in the role of the Ghanaian state in the economy and more dependence of the Ghanaian economy on external economic forces. The leadership commitment to the program has been one of main key factors which help sustain liberal economic policies. This chapter examines the nature of the Ghanaian state, its response to economic problems, and issues confronting the PNDC in its pursuit of the ERP.

THE ROLE OF THE STATE IN STRUCTURAL ADJUSTMENT

Since early 1980s nearly every developing country in the world today has been pressed to either consider, attempt, or adopt structural adjustment programs. Structural adjustment programs of the Bank and the Fund require a reduced role for the state in activities in production and distribution through the deregulation of price controls
and elimination of subsidies. They also emphasize reliance on market mechanisms for exchange rate adjustment and trade liberalization. International financial institutions generally believe that great efficiency will be produced by a reduced state role in the economy.[1] These tendencies are very different from the extensive state interventionism, economic nationalism, and state socialist experimentation found in much of the developing world in the 1960s and 1970s (Biersteker, 1990:477).

The reduced state role is legitimized in terms of liberal economic theories which stress the efficiency of a market mechanism over state intervention. State intervention in the economy, however, is not unidimensional, and the economic reforms recommended by the Bank and the Fund are not consistent over the nature and forms of state intervention (Biersteker, 1990:490) Many of the policy reforms pursued by international financial institutions could produce significant challenges to the legitimacy of the existing state. Reducing or redirecting the state's distributive intervention in the economy may undercut its ability to mediate effectively between conflicting factions within civil society, especially between capital and labor. On the matters of conflict between capital and labour, Bank and Fund policy recommendations tend to redirect mediation against the immediate material interests of urban-based, formal sector labor. Managing demand by imposing wage restraints or eliminating subsidies to basic goods and services entails a redirection of state mediation, not its reduction (Biersteker, 1990:487).

In Ghana, the policy recommendations of Bank and Fund programs are not entirely coherent, either. Simultaneously reducing the state's productive and regulatory roles may undercut its ability both to influence the activities of significant economic actors in the country and to provide essential services. Efforts to reduce the state's
intervention in production may undercut its ability to redirect its regulatory intervention on behalf of the private sector. The reduced state role for the expansion of a market mechanism has so far failed to mobilize the private sector adequately and weakened state fiscal basis since, in Ghana, like many other parts of the developing world, there is a high degree of interdependence between the public and private sectors.

THE RESPONSE OF THE STATE TO ECONOMIC CRISIS

Since its independence, the role of the state in Ghana has varied in accordance with economic ideologies and political support bases of different governments. During the Nkruma regime (1957-1966), the state was involved in various industrial projects. Until the early 1960s, the efforts to build major infrastructure and industrial bases were helped by revenue from export of cocoa. However, the decline in cocoa prices in the world market and expenses for government projects produced a government deficit. Political discontent following economic instability facilitated the collapse of the nationalist Nkruma government.

The National Liberation Council, organized by military leaders who overthrew the Nkruma regime, and the succeeding civilian Busia regime (1966-1972) put stress on achieving macro-economic stability. Cocoa producer prices were increased to stimulate cocoa export. The state played a reduced role in production and resource allocation. There was an attempt to liberalize imports and reduce quantitative controls of import. On the other hand, not much priority was given to income distribution and social
investment. Popular opposition to devaluation in the midst of economic decline finally triggered another military quo.

The National Redemption Council and Supreme Military Council (1972-1978), representing socialist elements in society, initiated a self-reliant development strategy which reversed the trends towards a liberal economy. This was supported by the Trade Union Congress and the National Union of Ghanaian Students. Public investments and input subsidies for various projects were made to increase agricultural production. The other economic objective was to reduce Ghana's dependence on foreign exchange. To achieve this goal, self-sufficiency and regulations on import were emphasized. Not much attention was paid to increase export. The distribution of income and regional economic equity were major concerns.

People's National Party Government of President Limann (1979-1981) was pressed to adopt IMF Stabilization measures which introduced increase in cocoa producer prices and devaluation. These measures, however, did not stop decline in cocoa export and growing budget deficit. The regime has a narrow support base with the middle class. The economic chaos following the failure of economic liberalization paved the way to the Rawling's military coup in 1981.

State Capitalism during the Nkruma Years

The Ghanaian economy at independence in 1957 was highly dependent upon mono-crop production for generating resources needed for national development. During the Nkrumah years, state intervention increased with its socialist ideology and its popular political base. The initial economic strategy of the Ghanaian government was
based on industrialization and investment in urban sectors. This development strategy combined inward looking statism with populist social reform.

The state tried to build state capitalism to compete with foreign economic interests operating in various sectors of the economy. To penetrate various sectors of the economy, the state developed state enterprises (Ninsen, 1989a:5). In the absence of a powerful private sector, the state had to intervene in several economic activities. The necessary revenue to finance the industrialization and social investment programs of the government was generated through the Cocoa Marketing Board. Thus surpluses were extracted from peasant cash crop production by the state. The state pushed the capitalist traders out of the market and in turn started to create a buying monopoly (Vercruijsse, 1988:29).

These initiatives caused problems as the world cocoa prices fell sharply within the international market. In addition, the high investment and recurrent statal and parastatal spendings were beginning to exert external balance and (less clearly) inflationary pressures. Some regional imbalances in economic development also emerged. The northern and upper regions and adjacent districts remained stagnant and peripheral to the economy and polity (Green, 1988:8). This economic crisis in Ghana started in the mid-1960s and became deeper in later years.

**Stabilization versus Interventionist Economic Policies**

Various Ghanaian governments since Nkruma fluctuated uncertainly between liberal and interventionist economic policies. Different types of political and economic
interaction led to diverse development strategies. On the other hand, any single government did not consistently pursue any one policy. The state's inability to cope with challenges from volatile international economic environment and a weak state power base made it difficult to pursue coherent economic policies.

Interventionist economic policies relied on domestic price control, government regulations on the distributive system, and administrative management of the balance of payments through fixed exchange rates, quantitative import restrictions, and administrative rationing of foreign currency. Several Ghanaian governments, including the National Redemption Council (1972-1975) and the early years of the PNDC (1982-1983), preferred these policy measures for political and ideological reasons. It was politically appealing due to its emphasis on artificially low official prices and equitable distribution of wealth.

On the other hand, lack of economic predictability and calculation resulting from distortions in the pricing and state monopolization of investment decisions impaired the private sector's ability. In addition, such institutional arrangements as the Cocoa Marketing Board and systems of import licenses and foreign exchange developed abundant opportunities for rent seeking. Patron-client relations were used as a chief means of gaining access to scarce resources (Stryker, 1990:249-50).

Due to these limits of the administrative measures, state intervention has been frequently followed by economic liberalization. Liberal economic measures advocate the abolition of direct controls of private sectors and return to market mechanisms. This approach, associated with IMF stabilisation, was applied by the National Liberation Council (1966-68), the Limann government (1978-79), and also attempted briefly (but unsuccessfully) at the end of 1971 by the Progress Party.
It emphasized macro-economic stability and tried to liberalize foreign trade, deregulate market prices, realign internal prices to those prevailing in the international economy through devaluation of the currency, and other monetary measures. While cocoa prices were raised, little attention was paid to income distribution. The package of IMF economic policies adopted by the Limann government in 1979, for example, included a three hundred per cent increase in the producer price of cocoa, a sharp reduction in government expenditure, and a substantial devaluation of the cedi.

Stabilization measures had advantages of balance of payments support, debt relief, and government deficit reduction. Those policies, however, failed to control inflation and brought no improvement in export performance despite massive devaluations. These stabilization programs neither addressed the problem of the external environment nor dependency structures. Besides, inadequate attention was paid to supply bottlenecks while the devaluation itself had a minor effect on import and export levels (Jonah, 1989b:104). Its negative effects also include higher prices, controlled wages and retrenchment. These led to considerable popular resistance and made it a politically risky strategy. Since the January 1972 military coup, "no weak or elected government could contemplate [the implementation of stabilization measures] with equanimity."


One can see a great deal of similarities between previous stabilization measures and the ERP. Both of them were based on the same economic philosophy that state control in various sectors of the economy should be removed, and that redistributing incomes in favour of export sectors such as cocoa production will lead to improvement of the economy. Both of them worked out the details of their policies in close collaboration with the IMF and the World Bank.
What essentially happened since the end of the Nkruma regime was the intensification of the structural, fiscal and political developments of the 1950s and 1960s. Gross economic mismanagement and unfavorable external factors combined to plunge the economy in a deeper crisis. The most important of these external developments was the rise in the price of petroleum and declining cocoa export earnings. These exerted a severe pressure on the country's balance of payments position and fueled domestic price inflation (Jonah, 1989b:104).

Constraints on State Economic Policy Making in Ghana

The story of Ghana from the late 1960s to 1982 is one in which political instability and the rapid turnover of policy makers contributed to misguided economic policies, which governments adhered to despite their realization that these policies were crippling the national economy. The inability to change policies that were driving the economy farther and farther down is perhaps the most striking element of Ghana's history during that period (World Bank, 1989:5). State incapacity to provide material security for the masses weakened its political capacity to build consensus on economic reforms.

Therefore, the crisis of the Ghanaian state stems, to a great degree, from its inability to offer a sound material basis for economic growth and the satisfaction of the country's economic needs and to justify its demand for political obligation from members of the political community. Withdrawal of active support for political regimes and institutions became more prevalent when the state pursued liberal economic policies under pressure from foreign donors. Austerity measures in the past
often introduced by the demand of the IMF were seen as betraying popular economic interests.

The role of the state in the economy was constrained by several factors. First of all, a fiscal crisis of the state caused by the budgetary deficit led to external and domestic debt which, in turn, eroded national sovereignty and state economic policy making power. The problem was caused by the failure of the Ghanaian state to reproduce its traditional sources of export such as cocoa and/or to diversify or develop new sources of surplus. The economic crisis was at its roots a structural one, although fiscal policies and bureaucratic allocation over time exacerbated this by grossly restructuring incentives away from production and toward exchange and rent-generating activities (Hutchful, 1989:97).

Second, deepening agricultural stagnation and underexploitation of industrial capacity led to the failure to satisfy essential consumption needs. Domestic productive sectors were organized for satisfying the need of foreign trade but not responding to growth in domestic demand. This led to the persistence of foreign domination in the economy despite the growth of the state and private Ghanaian capitalism (Ninsen, 1989b:15, 16).

Third, frequent policy changes were made in response to opposition from key economic interest groups and/or pressure from the international economy, and lack of a coherent set of economic policies is related to a protracted political crisis, following the overthrow of Nkrumah in 1966. Increasing loss of policy control and effectiveness resulted from state instability and absence of popular confidence and support. Continuing efforts to mobilize resources for investment programs in the face of depleted reserves and the collapse of the cocoa prices in the international market led to the
bankruptcy of the state. On the other hand, efforts for economic stabilization based on austerity measures alienated broad segments of the population.

WORLD BANK AND IMF INFLUENCE ON ECONOMIC POLICY

The World Bank argues that only a handful of African countries have a political system that encourages sustained economic growth and the systematic implementation of rational economic and financial management (Steedman, 1990:6). It holds that despite the severe external macro-economic shocks of the last 15 years, African governments have not accorded political priority to adjusting their economic policies along rational lines. Nor have they shown much interest in exploiting their own capacity to formulate or implement economic policies or in improving their local analytical capacity. Thus the lack of economic policy making capacity leads to the justification of external intervention in African economy.

Structural adjustment has important political implications for the choice of development models. The intervention of international financial institutions results in the adoption of liberal economic policies. Policy recommendations of the Bank and the Fund are not neutral in effect and are designed to reorient state intervention away from a socialist strategy of development.
Bank and Fund Presence in Ghana before 1983

Ghana’s relations with the IMF and the World Bank have passed through many stages. The relationship between various Ghanaian governments and international financial institutions ranges from full submission of its economic making power to defiance. In contrast with an initial position of stubborn resistance to the Fund in the 1960s, Ghana has now fully embraced IMF policies and collaborates with the Fund on almost every aspect of economic policy. The change in the attitude of Ghana towards the IMF and the World Bank is related to political and economic changes within Ghana (Jonah, 1989b:113).

Problems with the deficit and balance of payments produced the dependence of the Ghanaian government on financial assistance from the Fund and the Bank. "The depth and duration of the economic crisis have determined the extent of external involvement in the domestic economy. The deeper the crisis, the easier it becomes for foreign capital to assume almost total control of the economy through the mediation of the state."(Ninsen, 1989b:38)

Regardless of different economic circumstances, Fund recommendations for response to macro-economic crisis of Ghana were similar. They normally included financial discipline, a balance between government revenue and expenditure, elimination of subsidies to state industries, reductions in the domestic demand, an increase in the cocoa producer price, and elimination of import licensing (Bentsi-Enchill, 1988:1564). Debt relief was conditional on the implementation of those Fund programs. To implement those policies, the compromise of sovereignty was inevitable.
The Nkrumana government had a tense relationship with international financial institutions when the government was not willing to implement Fund and Bank recommended measures which require reduction, or even total stoppage, of certain social and development programmes and relaxation of its control over the economy. As a result, Western sources of credit were closed, and the country's economic difficulties assumed critical dimensions.

The tense relationship between the Nkrumah regime and the Fund was the consequence of the regime's refusal to compromise on what it considered to be its socialist principles and strategy of development. In the government's view, the strategy of development, its socialism, its politics and sovereignty were at stake with the external intervention. From the viewpoint of the Fund, however, the government had become a big political obstacle to sound economic policies.

The Fund and Bank recommendations were fully accepted by National Liberation Council (1967-1970) and Busia's Progressive Party (1969-1972). The Progressive Party government also succumbed to the de facto control of economic decision making power by the Fund-Bank staff. The Fund and Bank sponsored experts and advisors were placed in major economic ministries and in the cabinet secretariat of the government. They took over the bureaucracy of Ghana and "reorganize it as well as create within it what they consider to be an appropriate structural network for implementing their policies."(Jonah, 1989b:102)

After the overthrow of the Busia regime, the government-Fund relationship entered a new phase which was characterized by temporary defiance and non cooperation. Economic policies of the National Redemption Council (NRC) government, which replaced Busia's Progressive Party government, ran against anything the Fund
and the Bank had advocated since the overthrow of the Nkrumah regime in 1966. The uneasy relationship between the NRC government and international financial institutions was aggravated by the former's economic nationalism which resulted in taking over foreign owned enterprises. On the other hand, the government was able to get concessions on a long term debt rescheduling after its unilateral repudiation of debt in February 1972. The NRC government's attitude to international financial institutions is well represented in its refusal even to mention the IMF or its policy guidelines in the debt rescheduling agreement (Hutchful, 1984).

Relations of the Bank and the Fund with the PNDC

Ghana's recent association with the Fund entails significant changes in political and ideological direction as well as in a development strategy. The PNDC's pursuit of capitalist development is based on alliances with the World Bank and the IMF. The PNDC could forge close collaboration with the Fund and the Bank only because the economic crisis had reached a point at which the need for tough measures to reverse the decline had become paramount (Jonah, 1989b:114).

During the first phase of the program (1984-86) political changes in Ghana enabled the PNDC to collaborate more closely with the IMF, to implement such policies as a major devaluation of the Ghana cedi, reduction of government expenditure, and removal of subsidies on utility services. Substantial financial assistance from external donors was offered to support those policies. Ghana-IMF collaboration was further strengthened and carried to a higher stage when the government launched the second stage of the Economic Recovery Program.
The relationship between the government and the Fund/Bank is not merely an economic one. It is anchored to a very large extent in a solid political framework. Despite the official claim of multilaterals that they are not interested in the politics of the countries which it assists, Bank officials privately acknowledge the significance of the right political environment. In practice, successful collaboration between international financial institutions and Third World Countries needs less nationalist leadership which is willing to take Fund/Bank advice. The close relationship of the PNDC to the Bank and the Fund was made possible only by the fact that the PNDC gave up radical populist approach.

The political costs of adjustment include the erosion of national sovereignty and the autonomy of the regime. As far as economic policies are concerned, what has emerged in Accra, the capital of Ghana, is a parallel government controlled, if not created, by international lender agencies. The level of influence exercised by the World Bank on policy process in Ghana is, indeed, by all accounts very high. This is the result, in part, of decay of the state machinery and the serious shortages of Ghanaian technical personnel.

There seem to be somewhat contrasting perceptions of the future of the ERP between the PNDC and international financial institutions. While the IMF and the World Bank extol the return to market rationality, some in the PNDC still continue to insist that the ERP is a tactical step on the way to the "socialist revolution". The agreement with the IMF was the inevitable "political price" to be paid for securing "as much space as possible " for the revolutionary manoeuvre (Hutchful, 1989:122).
THE PURSUIT OF ECONOMIC LIBERALIZATION AND STATE POLICY

Since adjustment is considered unavoidable by most national and international actors, the adjustment process has evolved into a complex bargaining strategy between the state and its international creditors, on one level, and between the state and domestic political groups, on another level. The state then is the critical intermediary caught in the cross-cutting pressures exerted by domestic and foreign interests. When the state has balance of payments and debt problems and needs international financial assistance, the options for the state are limited. Since international financial institutions do not agree with partial economic stabilization measures, most poor countries either accept and implement orthodox liberal economic policy imposed on it by external financial actors in return for financial assistance, or refuse to implement any kind of economic adjustment (Lehman, 1990:39). In determining the distribution of adjustment costs to society, the state must engage in simultaneous negotiations with international creditors and domestic political groups.

In the African context, including Ghana, the government's ability to manage relations with external and domestic groups for the management of economic policies is constrained in several ways. First, internal and external political forces have effects on the state in particular ways but are incapable of long term domination. The Ghanaian state became "the object of endless and inconclusive contestation among rival political and class forces" in the past (Hutchful, 1989:127). Second, because of the absence of effective ideological and structural domination, any of the contending forces could not impose a particular social project over an extended period. Societal groups compete for scarce power resources in a society divided across economic and ethnic
 lines. However, the relative weakness of those groups implies that few restriction can be imposed on the state's capacity to implement its policies.

The IMF and World Bank intervention has dramatically changed the balance between political forces and the direction of the debates between state intervention in the economy and economic liberalization. The alliance of domestic economic technocrats and foreign capital produced liberal economic policies which stress subordination of productive labour and rationalization of resources.

The theory of political economy stresses the relationship between economic policies, their impact on various groups in society, and the influence that these groups have, in turn, on policy decisions. In Ghana this feedback mechanism failed to operate as successive regimes increasingly 1) made decisions within a political vacuum because of their isolation from the Ghanaian populace and 2) found themselves confronted with such binding macroeconomic constraints that there was virtually no scope for independent decisions (Stryker, 1990:248-249).

State Incapacity to Implement Stabilization Policy

Structural adjustment programs may be more easily implemented when political leaders are strongly committed to liberal economic policies and willing to deal with popular opposition to those policies. Some argue that if a country refuses to properly implement and enforce many, if not all, of economic adjustment measures, then that country lacks political will and bureaucratic capability for economic reform (Haggard, 1986; Nelson, 1984). Leaders who fail to impose these policies demonstrate their political weakness in forcing the costs of adjustment onto society (Lehman, 1990:38).
However, a notion of rational economic policy makers frustrated by political constraint could be not only misleading, but also potentially damaging. Successful economic policy makers would be able not only to understand economic issues and systematic characteristics of the policy and but also to adapt economic objectives to the requirements of national politics, as well as the reverse (Berry, 1990:1124).

Politicians may be concerned with regime survival and have different ideological orientations toward liberal economic policies. The behavior of Ghanaian politicians shows a mixture of different mind-sets and strategic notions. Some leaders such as Busia were more oriented toward liberal economic ideas than others. Other Ghanaian leaders, especially Nkruma, were motivated by internalized policymaking and a strong feeling of independence and asserted strong national control over economic policies and management. As politicians in the Progressive Party government did in the early 1970s, some leaders tried to build new coalitions to carry out liberal economic reforms. Others prefer socialist projects which stress distribution.

Due to weak domestic support, most Ghanaian governments before the PNDC were reluctant to take drastic economic measures which could hurt popular economic interest. Whereas the Busia government agreed, in principle, on stabilization measures, it refused to undertake any more than one nominal devaluation even though the real value of the exchange rate dropped sharply. The short-lived regime of the Progress Party, led by Kofi Busia, illustrated difficulties that democratically elected regimes encounter in implementing Fund stabilization programs. Both as labor retrenchment was not helpful in reducing government spending and as the cocoa prices did not respond to devaluation, the regime lost faith in stabilization. Its attempt to implement austerity measures created much conflict that led to its overthrow in January 1972.
The government of the People's National Party (1979-1981), led by President Limann, was surprisingly resistant to external pressures for the implementation of stabilization measures. Even though the Limann administration increased the producer price of cocoa and the price of petroleum products, it was on the whole very hesitant and sceptical about the soundness of the entire IMF package of reforms. The president's public views on the question of IMF policies were reflected in the frequent dismissals of pro-IMF ministers from the government. Regarding devaluations, President Limann was reported to have said, "Ghana has had four devaluations and each was followed by social explosions including executions." (Jonah, 1989b:109) The president believed that devaluation had failed to pass the test each time it had been tried in the country. Since not all forms of Ghana's productive activities were dependent on external resources, he was highly doubtful of the relevance of devaluation to the country's economic problems. He also argued, "Every action must be related to the social climate...The government is a major employer and we are dealing with human beings, we cannot simply carry out a massive dismissal of workers." (Jonah, 1989:110) Faced with the potentially negative social and political repercussion of an IMF package, this democratically elected government opted for caution and procrastination in its relation with the Fund. The refusal of the government to comply fully with Fund prescriptions was based on hard political and social facts. It was also based on the weakness of state institutions to administer an austerity programme which would be likely to provoke a severe social and political backlash.

Consensus on stabilization programs within the government is often weak or difficult to maintain. During the rule of the National Liberation Council (NLC) in the late 1960s which adopted IMF stabilization measures, there were differences on the scope and extent of stabilization measures. In its opposition to the Economic Commit-
te comprised of economic technocrats who gave more priority to achieving macroeconomic equilibrium than improvement in income distribution, the Political Committee opposed the elimination of subsidies to agricultural production, and argued that import restrictions and self-sufficiency were emphasized to ease Ghana's dependence on foreign exchange (Stryker, 1990:252). They also supported preservation of some state owned enterprises. In their discussion of economic stabilization, the Political Committee and the Economic Committee differed in terms of political interest and ideological orientation. The Political Committee was oriented to economic nationalism and wanted to preserve some aspects of Nkruma regime's nationalistic economic policies. The Economic Committee, which lacked nationalism, supported rapid implementation of IMF measures and advocated the sales of state enterprises to foreign private groups. The NLC's policy making body thus did not allow unimpeded implementation of Fund programs.

THE PNDC COMMITMENT TO STRUCTURAL ADJUSTMENT

When it took over power in 1982 after overthrowing the Limann government, the PNDC's initial priority was to disorganize and reconstitute market economic institutions to incorporate the masses. Mass mobilization was used as a means to provide a credible basis for reorganization of the economic system (Ninsin, 1990:136). However, the mass mobilization was given up soon after the economy got worse. In the midst of economic chaos, Rawlings, who chaired the PNDC, had no choice but to attempt to re-orient its economic policies for international assistance and regime survival (Mikell, 1989:234-235). The fact that the PNDC abandoned its strategy of militant mass mobilization could be seen as a logical imperative stemming from inherent limitations
of its populist policy. The regime did not have any social base needed to initiate economic reforms in response to internal economic and political crisis (Anyang'Nyong'o, 1983:137).

The adoption of structural adjustment requires the creation of a political atmosphere "conducive" to a proper utilization of external resources. The creation of those conditions meant curbing the militant, anti-imperialist and democratic mass movement. Thus, in political and economic domains, there was a move away from the rampant populist rhetoric and policies espoused in 1982 to a realignment of institutional processes in 1984 (Pellow and Chazan, 1986:85).

In Ghana, since 1982, the trend seems to emphasize a congruence of the dominant ideological viewpoint in the government on the one hand and the dominant ideological tendencies in the Ghanaian social structure on the other. Rawlings himself has acknowledged that economics cannot be divorced from politics and that political stability is a major pillar on which every nation rests its economic prosperity.

The PNDC has often been hailed as demonstrating the high level of the government's political commitment to adjustment policies (World Bank, 1987:25). Rawlings insists that Ghana will continue to pursue the ERP whereas he acknowledges that Ghana's economic development should be in accordance with the conditions of the country (Ankomah, 1991:22).

Such policies agreed with the Bank as elimination of most price controls by 1984-5 and the easing of regulations on layoffs were enthusiastically implemented by a small group of Ghanaian technocrats. Rawlings gave professional managers and technocrats wide latitude to restore the effectiveness of state economy and profitabili-
ty of industries. Professionals and technocrats running ministries were protected from outside political intervention in implementing policies (Kraus, 1987:207).

Sound economic management requires the existence of local capacity. Political instability in the past developed Ghana’s erratic policymaking mechanism. Due to this state weakness, the ERP generated a real, quite visible, and near constant presence of IMF and World Bank personnel, visiting missions, hired consultants, and seconded bureaucrats and managers.[3] The whole recovery effort was a high conditionality process. The Fund, the Bank and donors argue that expatriate personnel and their skills were necessary to ensure that their funds were used wisely and that, without much of this expatriate work, the ERP would not have progressed very far. They seem to believe that Ghana does not have enough ability to absorb effectively its newly increased amounts of external resources (Callaghy, 1990:285).

The fragile public administration system of the state has been weakened by the external intervention in policy implementation. The handful of key officials with not much authority and competence spend all their time coping with short term targets and negotiating with external agencies, rather than strengthening their government’s institutional and procedural capabilities, and designing responsible medium-term policies (Nelson, 1984:1001). Government officials were overburdened by IMF and World Bank missions and consultants who make a number of demands for one policy analysis. The numerous policy review, pre-appraisal, appraisal and post-appraisal missions and consulting firms, which, around or at the same time, frequently visit the country before loans and credits, discover overlaps in their work.[4] The stress of the administrative system in Ghana was also caused by the exodus of skilled and experienced senior administrators under previous regimes.
CONCLUSION

The selection of particular development models and strategies is influenced by political and economic interests and ideologies which were represented by politicians. The past experience of Ghana shows that it is more difficult to pursue economic stabilization when the economy has become severely repressed and disorganized. Political risks are always involved in undertaking a formal stabilization program, based upon conditional agreements with the IMF, and the World Bank or other sources of external finance. The PNDC leadership has been so far more determined than previous regimes which attempted stabilization measures. The adoption of capitalist economic strategies in Ghana is not related to the emergence of dominant ideological or class bases for capitalism but rather reflects the influence of international economic forces.

The role of the state in the economy has political significance since it influences the distribution of resources in society. Structural adjustment generated change in the role of the state in economic development in Ghana. The state has been disengaged from a market mechanism and discontinued price subsidies to the goods which are essential for the welfare of the poor. On the other hand, the implementation of adjustment programs needs an active state role in repressing opponents of neo-classic economic theory in an unstable political environment. The change in the role of the state under structural adjustment reduced the legitimacy of the state and ultimately weakened its ability to develop a harmonious relationship with a civil society.
[1] For important scholarly studies of the historical consequences of state intervention in the economy, see Lipton, 1977; Bates, 1981.

[2] Interview with a Bank official on December 13, 1990

[3] The cost in 1986-88 of the 265 foreign consultants in Ghana was 34% of the total government wage bill in 1987. Local consultants were paid $80-20 per month, while foreign consultants received between $3,000 and $5,000 a month. For more details, refer to Economic Intelligence Unit (based in London), EIU Ghana Country Report. No. 1. 1990. p.16.

[4] In 1985, for example, when an education sector study mission was in Ghana, the World Bank had a Dutch consulting company in the country to study the Public Enterprise Sector. At the same time, several missions were present in the country—the Industrial Sector Review, the Public Expenditure Mission, Industrial Rehabilitation Project pre-appraisal missions and others. One credit or sector adjustment programme may take a number of missions. The educational sector adjustment, for example, has led to about more than half a dozen missions, including preliminary research mission (March 1985), education sector study mission (May-June 1985), policy review mission (September -June 1985), pre-appraisal mission (January -February 1986), appraisal mission (March 1986), and post-appraisal mission (May 1986). These do not include the Ghana government's own officials visiting Washington a couple of times or so. The multiplicity of missions costed much time and money and caused strains on the government (Jonah, 1989:151).
CHAPTER VI
POLITICS FOR STRUCTURAL ADJUSTMENT IN GHANA

The PNDC has implemented structural adjustment programs longer than any other African governments and with relative efficiency. One of the most distinctive characteristics in Ghanaian politics since 1983 is that the regime's commitment to the Economic Recovery Program has changed its relationships to different economic interest groups. The main question in this chapter is how the regime successfully managed to maintain liberal economic policies despite popular opposition to the program. This can be explained by such factors as the regime's willingness and capability to insulate itself from powerful social groups and to deal with social oppositions with coercion, thin institutional structure in society, and heavy financial assistance from international donors.

ECONOMIC LIBERALIZATION AND AUTHORITARIAN REGIME

In general, IMF stabilization policies tend to weaken support for the government. IMF stabilization sometimes means "political and social destabilization." There is the linkage between economic measures and social and political consequences. Therefore, structural adjustment needs careful political management in considering that it
involves economic costs for certain groups. Identifying social groups whose interests would be hurt or promoted by liberal economic policy changes is important in the calculation of political risks.

Business groups would benefit from price liberalization which generates higher profit margins. Economic liberalization would increase the influence of external interest groups, including donor agencies and multi-national corporations, on key economic sectors. They are often viewed as representing foreign interests, and their objective is to maintain their monopolistic positions in African economy. Bureaucrats, manual workers, and low income consumers are more likely to oppose structural adjustment. Urban consumers will suffer from their reduced purchasing power and elimination of government subsidies. The elimination of government regulations may jeopardize the careers of civil servants while giving more autonomy to producers.

Politically, major aspects of a stabilization program, particularly budget and wage restraints, are considered highly risky. They normally impose immediate and dramatic economic losses on urban consumers who are vocal. IMF stand-by lending is more likely to provoke street riots. On the other hand, many policy measures based on World Bank loans entail long term alignments of institutions, incentives, and relationships that include shifts of power and privilege. Medium and short term adjustment are more difficult to achieve without sustained commitment of governments which may be weakened by resistance from social groups and bureaucracies (Nelson, 1986:72).

Due to a low level of economic development and lack of indigenous capitalist groups, it is not easy to find viable domestic coalition partners. On the other hand, it is politically difficult to mobilize the support of resident foreign businessmen and multi-national corporations who are major beneficiaries of economic liberalization in
many African countries. Though farmers can benefit from liberal economic reform, they are disorganized and hard to mobilize. Given the negative impact of structural adjustment programs on urban population, the major difficulty for liberal economic reform is that the government should anticipate few viable support which is critical to the regime.

Since it is rare to find a strong coalition in support of structural adjustment programs in the majority of African countries, external financial support is important to maintain the government commitment which implement unpopular economic austerity programs. The role of international financial institutions is critical, especially when the government faces strong domestic oppositions following devaluation and price liberalization. Foreign assistance is needed to ease import credits, control inflation, and rebuild infrastructure essential for improving productivity. International financial institutions use their financial assistance as political leverage to support pro-structural adjustment reform groups within the government and/or to help the government go through initial difficult period of stabilization and structural adjustment (Toye, 1991b:4).

The implementation of liberal economic measures also requires the effective management of relationships with key social groups. It may be necessary to insulate powerful social groups from policy making. Domestic coalition building can be significantly influenced by the statecraft skill of rulers. Authoritarian regimes, whether their power is based on the military or a single party, can better handle opposition to unpopular liberal economic policies than can democratically elected governments. Elite consensus, considerable statecraft skills of repression, and significantly centralized power are more easily maintained in authoritarian regimes. Interest group influence is
weaker in countries which do not have a free legislature, a free press or normal liberal civil rights.

The authoritarian political system does not have representative political institutions where competitive demands are made, and various interests are bargained. For authoritarian regimes, which pursue structural adjustment, "the only politics may be sporadic acts of popular resistance." (Toye, 1991b:21) Political institutions do not allow meaningful roles of interest groups and are perceived to lack legitimacy. In this situation, "patterns of resource allocation and distribution of output, determined by existing power relationships, may not confirm to expectations [of population]." (World Bank, 1990b:37)

Proponents of structural adjustment consider that interest groups in developing countries, especially Africa, with a single exception of rural interest groups, are divisive and parasitic and destructive for economic growth. They argue that the competitive process within the political arena may lead to irresponsible economic demands and ultimately undermining compromises and social consensus in support of liberal economic policies.

The support of authoritarian regimes, which implement structural adjustment programs, is also legitimized in terms of distributive justice by advocates of adjustment policy. Price incentives for agricultural products are assumed to change income redistribution between the rural poor and the urban rich. Higher prices of food and commercial crops could benefit the poor in rural areas against the rich in urban areas, and this promotes the economic interests of many people. The authoritarian regime is more effective in confronting urban interest groups, even if they may not be desirable in the long run.
In support of this view, one influential figure in the Research Department of the World Bank argued that a "courageous, ruthless and perhaps undemocratic government" is required to override special interest groups (Lal, 1983:33). International financial institutions' support of authoritarian regimes with concessional loans is often justified on the presumption that authoritarian regimes are better managers of internationally sponsored adjustment programs.

**BENEFICIARIES AND LOSERS OF STRUCTURAL ADJUSTMENT**

Macro-economic policies in Ghana prescribed by the World Bank and the IMF led to retrenched state sectors, and shifted resources towards rural areas. Key urban groups have taken much of the cost of the reform program whereas a substantial reversal of trade terms between rural and urban areas favours rural producers. Devaluation helps export crop farmers but hurts urban wage earners. Wage increases are normally slow to offset the rise in prices of imported goods. On the other hand, the increases in producer prices for cocoa and other cash crop commodities, and major infrastructure rehabilitation efforts in rural areas produced higher incomes for farmers. The ratio of the price of a metric ton of cocoa to the urban minimum wage, for instance, rose dramatically. This indicates that the relative income of Ghana's rural producers became better than that of urban workers. It is a reversal of the decline of the late 1960s and 1970s (Callaghy, 1990:278).

Not all the people in rural areas, however, benefit from the program. Economic conditions of food crop farmers did not change much with higher export crop prices.
Economic liberalization favors especially large landowners and commercial farmers who employ sharecroppers or wage workers to maintain and harvest cocoa trees and other export crop trees. They get the benefit of higher producer prices and low-wage policy (Sawyer, 1988:22). Cocoa price policies and devaluation also benefit some small farmers who are engaged in cocoa production. But the adjustment program's emphasis on the production of export crop for market did not help many small farmers, often women, and landless wage farmers, operating at mere subsistence level. On the other hand, there may be some employment opportunities for wage workers who are employed to plant cocoa trees, harvest cocoa beans, weed, and undertake other agricultural tasks.

Price liberalization measures help small producers, shopkeepers, traders, and craftsmen by lifting state controls on producer prices. It provides an incentive to produce for the market, but underdeveloped marketing structures limit increased market production. In addition, the rising costs of imported primary products, shrinking domestic demand, and restrictions on domestic credit remain obstacles to the increased production which can benefit small producers (Korner, 1986:137).

Cuts in food subsidies, devaluation, and massive dismissals of factory workers threatened economic survival of the majority of urban populations. Urban consumers suffered from higher prices via devaluations, an end to key subsidies, and the introduction of user fees for medical services and education. The income of state sector wage earners is affected by other elements of the neo-liberal package such as reduction in civil service employment (Harvey, 1991:25). The staff reduction program mostly hurt economic conditions of the majority of the lower strata of civil servants, including laborers, charwomen, cooks, drivers, porters, stewards, sweepers, messengers as well as store officers, clerical officers, and secretariat personnel.
The adjustment program has been very favorable to "the comprador class," embracing a wide variety of occupations - from local agents of foreign businesses, partners and consultants to such businesses as hotel accommodation. The emphasis on a technocratic solution to economic problems increased the influence of people in the higher echelons of the public service. Trade liberalization generates more profit for import and export merchants and higher salaries for top executives in private business, especially businesses dealing with foreign capital. The privatization measures benefit those who are able to buy up or buy into State owned enterprises usually at concessional prices.

Major gainers of such structural adjustment program measures as devaluation are also big local and foreign capitalists who invested in such export-oriented sectors as gold mining, the timber industry, and other capital-intensive primary raw material producing industries (Killick, 1991:31). The PNDC's economic recovery program has also promoted interests of the country's external creditors and foreign companies which previously were not able to repatriate profits and dividends. Under IMF programs, the government has kept up with payments of dividends and other commitments even in the face of enormous difficulties (Jonah, 1989:149).

Overall, the ERP attracted support from cash crop farmers and entrepreneurial classes. The PNDC is more popular in rural areas where both devaluations and producer price increases have begun to stimulate higher production (EIU, Ghana Country Report, No. 2, 1987:12)[1] But adjustment policies brought about declining living standards of the majority of ordinary urban population. Workers, students, and civil servants, who are more vocal in articulating their interests than rural producers, are hit hard by IMF stabilization measures.
Austerity policy measures of structural adjustment hurt interests of workers and students the most severely, and, predictably, they vehemently opposed the PNDC, the World Bank, and the IMF. Trade unions and student groups turned out to be the worst enemies from an initial support base of the Rawling’s regime with structural adjustment. Given not only its previous hostile relationship with the Rawling’s regime but also the government’s unwillingness to protect indigenous business interest against foreign economic interests, the business class shows cautious response even despite the fact that such policies as privatization and wage controls can benefit them. Farmers are not well organized and do not seem to be important politically, but cocoa producing regions can be a new support base for the regime.

Labour Opposition

For the working class in Ghana, the government’s pursuit of economic adjustment marked the beginning of the transition from the period of alliance to the period of confrontation with the regime. At the initial phase of the Economic Recovery Program, which was implemented by the 1983 budget, workers even defended the regime against massive criticism and opposition despite their understanding of the serious impact the program might have on their incomes and consumer prices. Nevertheless, they believed that ultimately the government was committed to defending and enhancing their interest. By the middle of 1984, however, the government’s subsequent anti-labour wage, price and employment policies completely alienated labour groups. In its statement on October 24, 1984, the executive board of the Trade Union of Congress (TUC) lamented "the grave and critical economic and social situation in the
country" and warned against "the continued implementation of the IMF and World Bank inspired SAP (Structural Adjustment Programme) which was having deleterious effects on worker's incomes and living conditions." (Ninsin, 1989:37).

In the views of unions, structural adjustment policies caused workers to pay an unnecessarily high price for economic mismanagement of past governments and managers. TUC argued that real wages had dropped by about 50 percent in the 1980s. Labor unions insist that privatization of state enterprises and devaluation would not solve Ghana's economic structural problems (EIU, Ghana Country Report, No. 2, 1987:11). At the 1985 May Day Rally celebrating international labour solidarity, workers expressed their displeasure with government policies by carrying placards some of which read "PNDC we are hungry" (Ninsen, 1989:37). Recurrent conflicts between the TUC and the PNDC result from the government's need to contain its public expenditures which is required by an IMF loan condition. External pressure also forced the government to lay off work forces in inefficient state enterprises. All these policies made labor become the most formidable enemy of structural adjustment.

Labour leaders were also unhappy with the government's lack of consultation with unions in structural adjustment policy formulation. Labour is especially bitter about the PNDC's neglect of existing mechanisms of policy dialogue with labor. The secretary general of the TUC, A.K. Yankey, complained about the government's reluctance to consult either employers or workers about the assumptions underlying structural adjustment programs. In the May Day address in 1988, he criticized overdependence on cocoa, saying, "it is unrealistic to base the development of our economy on a product whose prices [are] outside our control." (EIU, Ghana Country Report, No 3, 1988) They are also suspicious of the government's relations with the IMF and the
World Bank. The Industrial and Commercial Workers Union, the biggest union in Ghana, accused the PNDC of not publishing its agreements with the IMF and the World Bank and concealing the cost of maintaining foreign advisors and demanded restricting debt service to 10 percent of foreign exchange earnings.

Privatization of public sector enterprises and civil service cuts remain major concerns to labour. However, the unions more vehemently oppose government attempts to intervene in the collective bargaining with employers. The government involvement in the bargaining on wage restraint, suspension of benefits and widespread retrenchment significantly weakened the power of trade unions. Indeed, labour believes that "under the cover of economic crisis" the government tries to eliminate the trade union movement and its class representation (EIU, Ghana Country Report, No. 2, 1987:11). In a few areas, however, workers were able to defend their interests. In 1986, the government decided to eliminate leave allowances which employers used to pay. But the widespread protests and strike threats resulted in the government's withdrawal of this proposal (Kraus, 1987:227).

In general, workers expressed anxiety about "the present direction of national policy," especially threats of mass retrenchment of workers, cutbacks in subsidies resulting in increasing cost of social services and basic commodities." In addition, they were frustrated with "the non-recognition of the crucial role of the masses in revolutionary social transformation and therefore the absence of any proper and consistent channels of participation in decision making by the mass of the people through their organizations."(Graham, 1989:62) They were bitter about human rights abuses such as harassment and detentions, and demanded national elections. Workers also criticize the loss of revolutionary ideals which brought the PNDC to power.[2]
Business Concerns

Structural adjustment has been enthusiastically embraced by the private sector which suffered from state intervention and anti-business sentiment during the early PNDC period. On the other hand, the Ghanaian business community is concerned about the government's inability to manage industrial-labour relations. At the 28th annual and general meeting of the Ghana Employer's Association (GEA), the Ghanaian business class complained that "steep price increases and other social costs had driven the trade unions to exert pressure on our members to pay much higher wages and salaries which are bound to fuel the inflationary spiral and undermine the national wages and incomes policy... We would like an assurance [that] we shall not be left alone to face the brunt of the worker's wrath." (EIU, Ghana Country Report, No 3, 1988:15)

Trade liberalization measures were not favorably accepted by the business circle (Callaghy, 1990:282). The owners of existing enterprises continued to call for protection from import competition which is opposed by the World Bank. According to a survey report, nearly all garments factories in the country have ceased to exist due to fierce competition with famous foreign firms, including Utams, Intra, Ghanari, Universal, Novelty and Loyalty (EIU, Ghana Country Report, No 4, 1988:15). The president of the Association of Ghana Industries emphasized that Ghanaian business groups want to secure some form of protection to redress "the near collapse of local industries". The Ghana Employer's Association (GEA) also called upon the government to impose import quotas on foreign goods to save local industries from extinction (EIU, Ghana Country Report, No 3, 1988:15). The businesses facing more severe foreign competition seem to be unhappy with the PNDC's response that the adjustment gener-

Another major complaint lies in the lack of input of key social groups in economic policy making. The GEA pointed out the absence of a forum for employers, trade unions, universities and other groups to exchange views on the economy (EIU, Ghana Country Report, No 3, 1988:15). Other complaints of the business circle include severe liquidity problems, rising interest rates, and high import costs caused by continued depreciation of the cedi and tight monetary and fiscal policy. Companies which depend on imported machineries and raw materials suffer from devaluation which makes the domestic price of imported goods high. In addition, industry groups are generally hurt by high interest rates and government austerity programs.

**Student Protest**

Students protest education user fees and low food allowances. In particular, they oppose decisions to remove boarding and food subsidies. Students argued that education reform programs sponsored by the World Bank would make education available only for children of the rich. The government withdrawal of food and lodging subsidies would bring extreme hardship to most students whose parents were unable to pay the extra money for their children's college education (EIU, Ghana Country Report, No.2, 1987:9).

Students at Ghana's three major universities protested against the national education reform programme in 1987. The protests started at the University of Ghana's Legon campus on March 6, but were later joined by the University of Cape Coast
and the University of Science and Technology (UST) at Kumasi. During the Legon demonstration students burned a coffin, which symbolized the mortal remains of the Provisional Nation Defence Council regime and its reform programme. This event finally led to the closure of colleges and arrest of student leaders.

During the 23rd annual congress of the National Union of Ghana Students (NUGS) held in April 1987, student delegates complained to the government that aspects of planned changes in the education system would force students in boarding schools to pay a fee as well as other charges. According to the arguments of the students, these additional charges in some cases make the boarding fee three times the minimum civil service wage (EIU, Ghana Country Report, No 3, 1988:9). In alliance with students, the TUC showed public support to the demand of students in its message to the NUGS Congress. The message said, "as parents, we are opposed to the proposed increase in school fees and the threat to remove feeding subsidies as contained in the universities."(EIU, Ghana Country Report, No 3, 1988:9-10)

The general discontent of students with the ERP is well reflected in a letter of students resistance committee at the University of Ghana which was published in the London weekly "West Africa" magazine. The letter referred to IMF "poison", and said, "a massive retrenchment of workers is being carried out in both state and private enterprises without a thought for the human beings affected. The removal of government subsidies and the dramatic devaluation of the cedi have resulted in unaffordable hospital fees and rates for utilities and transport". It vowed to "continue to struggle till all the remnants of the obnoxious anti-worker, anti-student policies imposed by the IMF and World Bank puppets have been dismantled"(EIU, Ghana Country Report, No.4, 1987:13).
Criticisms from Intellectuals

Ghanaian intellectuals, in general, are also critical of the PNDC's economic policies. The University Teachers Association of Ghana (UTAG) does not positively evaluate the government's economic strategy. At its third national congress in April of 1988, UTAG called upon the government to develop programs to protect mothers and children and to promote the indigenous manufacturing sector. They also stressed the government's role in actively promoting the rights of all classes of Ghanaians to fundamental freedom (EIU, Ghana Country Report, No 3, 1988:10).

To some people, the current decline in cocoa prices deprives Ghana of significant resources, and Ghana's dependence on the international economy will increase human sufferings of adjustment. Criticisms of adjustment programs are often linked to a negative assessment of the role of international financial institutions in Africa. The failure of structural adjustment policies to deal with the volatility of commodity prices makes "the role of the IMF and the World Bank more poignant for developing countries. That role cannot be satisfactorily fulfilled unless the operational paradigm of these institutions is specifically oriented to the human crisis that Africa confronts and the urgencies of achieving real transformations, not mere improvements in monetary aggregates and global macro-economic numbers." (Tsikata, 1988:22)

Some intellectuals doubt about the honesty of the government's report on the performance of the Economic Recovery Program and question the seriousness of government efforts to bring positive economic changes. Kwasi Anyemadu, a lecturer in economics at the University of Ghana, argues that despite some improvements in the economy, the economic situation is not really as healthy as the government generally describes. He even suggests the government's "disputable venture of falsifying data." In
an official report, for instance, an overall balance of payments surplus of $130 million was achieved in 1991, and there was "an addition to the reserves." According to Anyemadu, however, there was "no addition to reserves," but, on the contrary, "a draw-down of accumulated reserves." Government efforts to deceive the reality were also reflected in its 1992 budget report which "projected an addition of $140 million to the reserve."(Africa News, December 7-20, 1992:5) In general, there is a deep mistrust between the government and intellectuals, especially on the left, who believe that the PNDC does not represent interests of the population.

Interests of the Middle Class

Led by professional organizations, the middle class has traditionally backed conservative governments, distrusted populist governments and have sought to organize opposition to oppressive ones. Proponents of the ERP believe that, due to its resources and ability to understand positive changes to be brought by economic liberalization, the middle class could take advantage of the ERP and easily engage in investment activities. However, the Ghanaian urban middle class, which is considered the oldest and most sophisticated in Africa, is still ambivalent about the PNDC's economic policies. Because of lack of direct democratic rule and pre-PNDC policies which antagonized them, the middle class is not yet willing to show visible support to the regime (Cal- laghy, 1990:281-282). The vivid memory of the middle class about the Rawlings regime's attack on the wealthy before its adoption of the ERP led to hesitancy to invest scarce capital for the uncertain economic future, and many professionals in exile were still reluctant to return.
The ERP was supposed to strengthen those sections of society which would benefit most from the development of capitalist relations (Bentsi-Enchill, 1988:17). The indigenous private sector, which used to be once relatively vibrant, was now moribund. Both external donors and the PNDC worry about the lack of a strong private sector response to the free market economic reforms. The ERP mostly benefitted foreign resident businesses. The resident foreign business groups such as Indians, Lebanese, Syrians, Taiwanese, and some Europeans aggressively responded to the liberalization measures. They have good management skills, resources to invest, understanding of the free market system, and access to technology and information. However, they became visible targets of resentment. Reflecting the public sentiment, even a government newspaper expressed growing impatience with those non-indigenous businessmen "who flout Ghanaian laws and vaunted their conspicuous affluence" and warned that "unless they take firm steps to curb the excesses of their countrymen, the anger of Ghanaians may spill over to those who exploit the countrymen."(EIU, Ghana Country Report, No.1, 1988:11).

From the second year of the ERP, traditional chiefs, leaders of Christian churches and some professional associations, who previously opposed the PNDC rule, began to believe that the Economic Recovery Programme would be the final solution to the nation's economic crisis (Ninsin, 1990:143). At the beginning of the PNDC regime, Catholic and Protestant church leaders were critical of the PNDC's militant strategies. But later they began to be more sympathetic to the government's efforts to restore discipline in the society. Rev. Francis W.B. Thompson, Anglican Bishop of Accra, even strongly urged Christians to "throw their full weight behind the Government in its effort to reorganize the social and moral lives of Ghanaians."[3]
The middle class is somewhat fragmented but the ERP can appeal especially to those with professional skills (Green, 1987:20). The pursuit of IMF ordained policies may regenerate economic and political power for the social and political forces favouring capitalist development. The pursuit of the ERP requires the curbing of radical social and political forces for capital accumulation which will come at the expense of wage salary workers and workers in small service sectors.

POWER STRUGGLE WITHIN THE PNDC

The PNDC originally had a heavy representation of the Ghanaian radical left, including the militant sections of the student leadership, workers and solders as well as Left movements such as the June Fourth Movement, the New Democratic Movement, the Kwame Nkrumah Revolutionary Guards, and the African Youth Command. The PNDC's links to the Left and its views on the private sector used to be major obstacles to its embracement of Fund/Bank programs. The Bank emphasizes that economic adjustment policy would certainly be effective provided the general political and social milieu is favorable. Until the end of 1984 foreign donor countries continued to express doubt about the government's capacity to control the Left effectively as a condition for successful implementation of the adjustment program.

The general principle of agreements with the IMF was supported by the traditionally pro-IMF financial bureaucracy and "a minority on the left identified with the New Democratic Movement (NDM) and principally its leading member, the PNDC Secretary for Finance Botchwey. The bureaucracy was alarmed by the "anarchy" in
state-owned factories, "people's power" and by the attempts of grassroots political organizations to undermine state structure. Those forces were unpredictable and not easily subject to central control. The state and parastal bureaucracy looked for allies who could re-introduce "discipline" and help arrest anarchistic developments (Hutchful, 1989:103). They hoped to use the agreement with international financial institutions to control workers movements. On the other hand, a small minority group of Marxists considered temporary collaboration, or at least a normalization of relations with "imperialism," to consolidate the socialist revolution.

Major opposition to any form of collaboration with international financial institutions came from the leftist faction supported by nationalist intellectuals and workers' organizations. They proposed a self-reliance policy based on popular mobilisation and looked for economic assistance from socialist countries. However, the position of the anti-IMF faction was weakened by the failure to obtain aid from alternative sources.

The implementation of the ERP, following the defeat of the left by the end of 1984 and political pressure from the donor community, resulted in discrediting the left and disorganization of progressive groups. The PNDC systematically closed existing lines of communication between itself and the left, in complete disregard of the loud protest from leftist leaders. Subsequently progressive organizations that had rallied to the support of the regime at its dawn were either driven to the immediate periphery of state power, or disintegrated.
Government officials are concerned that political instability following resistance from key opposition groups could have a devastating impact on the remarkably sustained efforts of the ERP (Callaghy, 1990:281). Workers are major concerns to the PNDC since their protest can be disruptive to the Ghanaian economy. Since the initiation of the ERP, the government attempted to significantly reduce economic and political power of workers. The government often criticized TUC demands for wage increases (Kraus, 1985:167). The government also emphasized discipline and productivity.

In his speech, the Chairman of the PNDC Rawlings emphasized productivity, discipline and hard work in reversing the economic crisis (Graham, 1989:61). The PNDC has depended on "moral exhortation" and a subtle campaign "denigrating some workers' so called self-interest in calling for more money." The press under the influence of the government praise farmers for their contribution to the nation, while workers' restraint in their demands was urged. In the government media, workers are often described as unproductive (Graham, 1989:61).

New policies are oriented toward reconciliation with "the class enemies of the masses." In his speech, Rawlings criticized the "militant minority" and warned that the regime would not tolerate "a situation where petty power brokers exercise authority without responsibility." (Graham, 1989:61) He also argued that the trade union movement has been dominated by few who do "not always express the real interests of that constituency, some of whom do not always see beyond the short term, and will not analyse the implications of purely wage claims within an economy in
which production is declining."(EIU, Ghana Country Report, No. 2, 1987:12) His speech is consistent with the PNDC's emerging anti-popular line.

Opponents of popular movements in Ghanaian society were appointed to high office, and their influence grew. This increased the alienation of popular forces, especially the working class, from the PNDC regime. Workers agitations were often encountered by severe repressions. The government used military and police forces against workers in disputes at Assene Household Enamelware Limited in Accra, and striking workers of the State Gold Mining Corporation's Dunkwa mines (Ninsin, 1987:37). The growing gap between the PNDC regime and workers was more dramatically represented in the four-month battle which erupted in April 1984 around the Pioneer Food Company (PFC) in Tema. The labour struggle at PFC and the regime's brutal repression demonstrated the growing hostility of the regime to the working class and evolving changes in the government's policy toward industrial relations and its political relationships to different classes (Graham, 1989:62).

Efforts to weaken political strength of workers followed the regime's anti-labour wage, prices and employment policies. By the end of 1984, the defense committees as independent, autonomous and militant organizations for labour's political struggles were reorganized as Committees for the Defence of the Revolution (CDRs). Greater executive control was imposed on the new organization through the supervision of respective District and Regional Secretaries of the PNDC government. They effectively brought the CDRs under the control of the PNDC and changed its orientation from political agitation and mobilization to essentially non-political tasks. The bureaucratization of CDRs was designed to take away any possibility of its becoming an alternative source of legitimacy and power in the political process (EIU, Ghana Country Report, No1, 1988:10).
This change was made in an effort to reduce uncontrolled grassroots activism. To reduce the influence of unions on management, on December 3, 1984, the PNDC abolished the Interim Management Committees in public enterprises and corporations which allowed the participation of representatives of workers in key management decision making. Newly established Joint Consultative Committees had only advisory functions and did not have any meaningful influence on management even though labours could still be their members.

These organizational changes helped reduce the input from grassroots groups and educate factory workers to increase productivity. The government used the CDR's as a tool for dividing the ranks of workers and making collective labour action against the government ineffective. These changes contrast with the PNDC's labour agitations of the 1982-83 period.

To facilitate the implementation of Fund/Bank policies the PNDC depoliticized the country's political process and recasted its role to ensure that it would not become an impediment to its economic policies. These changes culminated both in the shift that occurred in the ideological and political orientation of the PNDC and in its resolve to push through with economic adjustment (Jonah, 1989:112).

**THE PNDC'S AUTHORITARIAN RULE**

The PNDC survived numerous attempted counter-coups in the first few years after it started the ERP. However, it still faces organized opposition from such leftist groups as the New Democratic Movement and the Kwame Nkumah Revolutionary
Guards. These opposition groups recently organized a new umbrella political organization called the Movement for Freedom and Justice (MFJ) which has been led by nationalist intellectuals and politicians, including Adu Boahen, a well known retired historian, Johnny Hansen, ex-PNDC secretary for the interior, and Ray Kakraba-Quarshie, a lawyer based in Accra, John Ndebugre, ex-PNDC secretary for agriculture (EIU, Ghana Country Report, No 4, 1990:11). Opposition groups which have strong relationships with students and labour denounced the PNDC's close ties with international financial institutions and called for multiparty elections. In response to opposition, the PNDC discouraged public discussion of structural adjustment measures and criticisms of the government and put down opposition by outlawing or restricting strikes and crushing mass demonstrations, if necessary, through the violent use of state power.

The government was surprised by the vehemence of student and public response to an open discussion of World Bank supported educational reforms in early 1987 (Callaghy, 1990:278). This had the effect of reinforcing the development and consolidation of authoritarian and repressive political rule. Since 1983, Ghana did not have representative institutions until elections for district assemblies which were held in 1988. The PNDC's populist rhetoric and promises of "debate" about the liberal economic measures did not translate into any popular input into its policies. Without permitting free debate and allowing wider political participation, however, political legitimacy could prove quite difficult for Rawlings to achieve (Mikell, 1989:246).
INTEREST GROUP POLITICS AND THE PNDC

The influence of interest groups is related to the mobilization capacity of interest groups and their formal political representations. The PNDC's dilemma is that major beneficiaries of the ERP, expatriate business and cocoa farmers, are difficult to mobilize for its political support. Expatriate business success generated considerable sensitivity. It has proved politically embarrassing to the PNDC who needs to justify the ERP. Farmers in Ghana, who are supposed to be major gainers of the ERP, do not constitute a powerful interest group unlike big landowners in Kenya and Ecuador who are politically represented in a parliament through a national farmers' union. Repeated government efforts to find appropriate political formulas and structures were not successful in mobilizing rural support. It will take time to build a coalition among politically inactive rural constituencies in support of adjustment policies.

By attempting to broaden the base of support, Rawlings and the PNDC hope eventually to receive a mandate which is quite different from that of seizing power. He has invited highly placed lawyers, professionals and women's representatives to become members of the Cabinet and the PNDC, and has tried to transform the December 31st Women's Movement into an organization supportive of the government. The bid for rural grass-roots support has included overtures to local chiefs and the clergy. The tribal chiefs are viewed as instruments of stability and linkage with the rural grassroots. To overcome populist resistance and reduce anti-PNDC sentiment, Rawlings directly appealed to the chiefs in such regions as Ashanti. Regional consultative committees of professionals, chiefs and businessmen were established in 1984 to advise the regime (Kraus, 1987:207).
The political economy of distribution in Ghana has been regional as well as sub-class. The ERP has been positively received in the main cocoa-growing regions such as Ashanti and Brong Ahafo which suffered from previous government policies to overtax and underpay cocoa producers. On the other hand, the PNDC's economic policies have been unpopular in the Accra region, like Sekondi-Takoradi in the West, which has a large number of urban informal and organized labour population and business and professional classes (Green, 1987:19).

In Ghanaian politics, the loci of tensions with regime changes have always shifted in correspondence to domination of a particular ethnic group. Resentments centered around nepotism and economic favoritism which goes to a particular region. The outlying regions, notably Northern, Upper, Western and sometimes Volta, have tended to line up against the inner and rather economically better off regions, i.e. Eastern, Central, Brong-Ahafo and Ashanti. In the past, especially, cocoa growing Ashanti communities have been "outsiders" in every government coalition except the 1969-72 Busia one and viewed themselves as victimized, unfairly eliminated from power positions within the government. Ewe or northern communities saw themselves as having to be ever-viligant to ensure that Ashanti political and economic domination did not emerge. Rawlings had courted various rival ethnic constituencies, including Ewe, Adangbe, Ashanti, and Brong, with his efforts to recruit ethnically diverse groups for the PNDC government. Effective political control in Ghana necessitates broad support and policies divorced from ethnic, regional or economic favoritism. Rawlings tries to build ethnic good will by emphasizing the irrelevance of ethnicity in constructing a strong Ghana (Mikell, 1989:245).
Both the instability within the military and the TUCs resistance against retrenchment and criticism about the government's lack of a comprehensive redeployment programme seem to have prompted the PNDC's more conciliatory stance since 1987. Especially in anticipation of the local district elections to be held in 1988, the government announced its decision to increase social spending especially for those disadvantaged.

The Programme of Action to Mitigate the Social Costs of Adjustment (PAMSCAD) was finally introduced to address social costs of the ERP. This was designed to ease criticisms of workers who believe that a disproportionate share of the costs of adjustment is borne by them (EIU, Ghana Country Report, No 3, 1987:10-11). As the regime faced difficult challenges following several monetary and institutional reforms in 1987, the program attempted to prevent worsening economic conditions of retrenched workers and the urban and rural poor. Building the PAMSCAD was related to efforts of external donors and the PNDC to gain support in the 1988 local elections (Callaghy, 1990:284).

Another government effort to soften opposition was made at a meeting in July 1987 between government officials and union leaders. Even though the meeting did not bring any significant change in the relationship between the PNDC and trade unions, both sides agreed on the necessity of more frequent talks and cooperation in the future. The government was reported to have made some concessions, including the suspension of further lay-offs in specific sectors without a more expeditious procedure for the payment of entitlements. It also promised a comprehensive retraining
and compensation schemes. In order to offer further relief to workers, later the PNDC government made further concessions by removing taxes on transport and canteen allowances. In addition, workers affected by the retrenchment programme were entitled to two months' pay for every completed year of service as well as normal entitlements under the government's social security scheme. This move represented a clear government's intention to improve their relations with labour even despite IMF restraints on government spending (EIU, Ghana Country Report, No. 4, 1987:10).

The government's main task in its pursuit of the ERP is to restore the mutual trust with key social groups and maintain confidence of international donors, especially the World Bank and the IMF. Various structural adjustment programs alienated key economic groups. On the other hand, the government's concessions are limited by policy conditions whose change needs the approval of the Bank and the Fund. In addition, full democratization demanded by diverse opposition groups and the government's refusal of the demand limit the possibility for the regime to get popular support.

**BANK AND FUND SUPPORT FOR THE PNDC**

More external support has been mobilized especially when internal opposition to the ERP became stronger. Mounting internal opposition resulted in more funding in the hope that this increased support would allow Ghana to continue and broaden its structural adjustment programs. The dramatic fall of the economic program in Zambia in early 1987 helped Ghana get broader Western support at a Consultative Group
meeting in Paris in May 1987. In 1987 Ghana was left as one of the last remaining "success stories" in Africa (Callaghy, 1990:284).

To help the government's efforts to ease urban opposition, the Bank began to support PAMSCAD which was initially developed by UNICEF and health and education ministries of the government. The Bank organized a special donor meeting in February 1988 to discuss the support for a comprehensive social sector rehabilitation programme. Donors recognized the need to ease tension coming from the social consequences of structural adjustment, and eighty five million dollars were raised for PAMSCAD at the meeting (EIU, Ghana Country Report, No.4, 1987:10).

The PAMSCAD was an important political test, not just for the PNDC, whose adherence to World Bank/IMF backed programmes has caused much political grief, but also for the Bank which has attracted increasing criticism in Ghana. There is always the risk that World Bank and IMF programmes would nurture the seeds of political resentment to the point of their being abandoned by a worried government. "It is no coincidence that Ghana, the only African country to follow the Bank and Fund programmes to the letter without interruption, should be the first subject of such an attempt." The PAMSCAD made the future political prospects for the PNDC a bit smoother (EIU, Ghana Country Report, No. 4, 1987:10).

CONCLUSION

The Ghanaian government adopted stabilization measures under external pressure. The ERP divided the political coalition of the PNDC which was built at the outset
of the regime in 1982. The most visible opposition came from workers and students who enthusiastically supported socialist economic policies of the first year's Rawlings regime. While business groups and the middle class can potentially benefit from various measures to support the private sector, they have open criticisms of import liberalization and credit difficulties. The major beneficiaries are cocoa farmers and foreign business groups. However, the Rawlings regime had difficulty mobilizing their support. Farmers are not well organized politically whereas foreign businesses are often the object of mistrust among the population.

The absence of reliable popular support for liberal economic policies weakened government positions. To implement Bank adjustment programs, the government was soon forced to take a coercive authoritarian political strategy to deal with popular resistance. The survival of the Rawlings regime can be explained by strong financial support from external actors for the economic program and relatively ineffective opposition to his regime as well as its authoritarian rule. By using coercive measures, the PNDC regime was able to depoliticize Ghana's public environment and reduce political opposition of all kinds, particularly of the left. To pursue Fund/Bank structural adjustment programs which may help solve balance of payments problems, political leaders must carefully consider the fear of an intensified protest which often follows various austerities measures. The PNDC government was willing to take risks of alienating key political and social groups for obtaining financial aid from the World Bank and IMF.
[1] This is a weekly report on economic, political, and social conditions of various countries. EIU is abbreviation of Economist Intelligence Unit which is based in London, England.


[4] There are more incidents of government attacks on labour. In 1985 police attacked regional CDR centres in the Eastern and Volta regions and in Tema and arrested CDR leaders. In 1986, CDR and union leaders were arrested at a factory when they protested unsafe working conditions; several CDR and leftist political organization leaders were arrested for encouraging massive worker protests and threatening to strike to protest the government's decision to end all leave allowances—a measure that the PNDC finally had to cancel (Kraus, 1987:207).
CHAPTER VII

CONCLUSION

Since the 1970s, Sub-Saharan African economies have continued to decline. Prospects for economic situations in the 1990s even look bleaker. Many low-income African countries currently experience falls in per capita GDP, and have a large imbalance of payments and fiscal deficits accompanied often by high inflation. Structural adjustment has been suggested for and has been implemented in many of these countries. But there is no sign of economic recovery yet in the continent.

There has been some debate about whether Ghana’s economic development model based on foreign participation could be desirable and replicable in other African countries which face economic decline. Related to this, we may ask what the Ghanaian experience of implementing structural adjustment programs means for the country’s political process, popular interest, and future economic structure. The concluding chapter reviews the political and economic nature of structural adjustment in Ghana and its prospects, elaborates conceptual issues in politics for structural adjustment, helps deepen our understanding about the role of the state in the economy and its relations to international and domestic actors, explores alternatives to structural adjustment, and suggests reform for international development policy making.
THE EXPERIENCE OF STRUCTURAL ADJUSTMENT IN GHANA

Policy making in Ghana has not only been structured by domestic and international economic conditions but also strongly affected by Ghana's persistent political struggle over dominant economic ideologies. Historically, the Ghanaian economy has not been able to achieve sustainable growth benefiting the majority of the population. Structural rigidities, rooted in the concentration of trade in a few commodities and in the failure to modernise its infrastructure, caused unstable growth with little improvement in the employment and income of the majority of population. Especially, in the early 1980s, a worldwide recession reduced Ghana's exports and increased deficits. In addition, the droughts that hit Ghana severely caused a shortage of food. The worsened economic conditions inevitably invited external intervention in the economic policy making.

In Ghanaian politics there has been continuing conflict between the political rationality of politicians and the economic rationality of technocrats. The tradition of political patronage explains the tendency to fiscal expansionism, with emphasis on the building of a large infrastructure, which previously characterized the Ghanaian state. On the other hand, economic rationality puts priority on private capital accumulation over equitable redistribution of resources, and stresses the improvement in economic efficiency. The conflict can be characterized, in part, by ideological differences regarding the precedence of economic accumulation for capitalist development over immediate satisfaction of social needs. It is also related to different power bases of the two groups and the conditions for reproducing their power. (Hutchful, 1989:123) Persistent external economic intervention since 1983 helped the predominance of economic rationality.
Originally the World Bank and the IMF expected that a limited number of "macro-level" policy reforms, epitomized by the phrase "getting the prices right," would establish a framework for resumed economic growth. But the adjustment program now encompasses a broad range of "sectoral" reforms with detailed schedules for implementation as well as macro-economic policy changes. (Weissman, 1990:1623) Adjustment efforts in Ghana have turned into a long term strategy of establishing a more efficient capitalist economy.

In the formulation of the adjustment program, major decision makers were insulated from social and economic circumstances, and popular concerns. The masses were excluded from active participation in the discussion of economic issues which influence their daily life. Adjustment policy, therefore, is a summary affirmation of state interest defined by a narrow circle of the leadership and officials of international agencies. The absence of a more equitable and politically sustainable vision of structural adjustment is a consequence of the lack of broad participation in policy formulation.

The PNDC government has been more willing to push political limits for implementing IMF/World Bank programs than other African regimes or Ghana's predecessor governments. Maintaining relative coherence of the Economic Recovery Program (ERP) is, in part, attributed to a high level of political commitment of top politicians and state managers. On the other hand, due to economic weakness, the state was unable to implement its policies independently, and the external intervention in the economy was inevitable. This significantly undermined the formative base for political legitimacy.
The external appropriation of policy making power is related to the depoliticization of the ERP and the displacement of popular participation and mobilization by a narrowly based, bureaucratic management. (Hutchful, 1989:123) The implementation of the orthodox adjustment program requires the political protection of the investors' capital and profits. The market ideologies of the ERP do not represent the economic interest of the population. The highly secret nature of program negotiation generated the demand for public debate. The imposed liberal economic model inevitably produced repression of the activities of grassroots organizations which led popular participation in various sectors of the economy. Ghana has turned into "a laboratory for extensive neo-classic economic experimentation" (Ninsin, 1989b:31). This forced the regime to abandon equitable and egalitarian economic development strategies it originally pursued.

Even though there were many protests from labour and students, Ghana has not yet experienced mass street riots which took place in other countries such as Senegal and Zambia in the 1980s after implementing Fund austerity programs. But, politically, the ERP has never been popular with the majority of the population. Most significantly, Ghana does not have a political economy within which legitimate dialogue and negotiation occur between various interest groups in society. (Mikell, 1989:247) It is difficult to imagine that Ghana could have launched orthodox adjustment programs if there had been democratic rule. Previous governments were mostly reluctant to take such measures as devaluations and budget cuts in the face of popular dissent.

The government sees itself forced into acceptance of the adjustment program due to its foreign indebtedness and insufficient national liquidity. (Lachenmann, 1988:86) However, the central motivation behind economic policy is regime survival. In the
case of Ghana, the government believed that, given the economic chaos in the early 1980s, political instability would be outweighed by the economic benefits of access to foreign exchange from international financial institutions, and other international financial sources whose support is contingent on the IMF seal of approval. For sustaining the adjustment program in Ghana, the increased resource flows from the Fund, the Bank, and the donor countries had to compensate for very modest direct foreign investment and a very serious drop in the world price for cocoa (Callaghy, 1990:285). External financial assistance is one of major reasons that the Rawlings regime has maintained its official commitment to Fund/Bank adjustment programs.

THE FUTURE PROSPECT OF STRUCTURAL ADJUSTMENT IN GHANA

The recent economic growth rates in Ghana averaged about five percent a year except in 1990. Even despite its past performance, there is not much optimism about the future prospect of the Ghanaian economy. Many wonder whether these growth rates will continue when the balance of payments support of the IMF ends in the near future as planned. Another concern is related to the expectation of the decline in foreign development aid from eight to three percent of gross domestic product over the next decade. In considering that overseas aid has been the main source of investment since the initiation of adjustment, the reduction in foreign assistance will hamper Ghana's efforts to develop key sectors of the economy. For an accelerated growth, even Bank experts say, Ghana should break out of the aid cycle. To achieve this goal, the government needs to pursue a radical privatization strategy and continue to control wages which are one of the lowest in the world (Africa Confidential, 25 September 1992:5).
The Ghanaian economy still faces recurrent macro-economic imbalances, and there is continuing social challenge to adjustment programs. Since the government budget was announced on January 5, 1993, according to the report of West Africa "prices of goods and services have shot up astronomically, in some cases by as much as 100 percent" following the 60 percent rise in the prices of petrol (West Africa, February 1-7, 1993:140). Labour groups and the NDM (the New Democratic Movement), one of the PNDC's opponents, expressed serious questions about the government's ability to manage macro-economic objectives this year. They also charge that "the budget was clear evidence of the lack of sensitivity to the already-critical plight of most Ghanaians, and showed that the PNDC's economic recovery programme was in very deep trouble." Critics of adjustment policies now argue that even statistics with which the government "has been so fond of intimidating poor Ghanaians can [not] any longer hide this fact."(West Africa, 1-7 February 1993:140)

On various occasions, Ghanaian officials say that Ghana's economic future lies in successful emulation of economic performance of Newly Industrialized Countries in East Asia (World Bank, 1991d). In the view of the World Bank, the achievement of this goal requires the development of a strong private sector and continuation of an export-led growth development strategy. The Bank and the government are expected to make efforts to develop light manufacturing sectors such as agricultural processing and service industries. However, Ghana currently experiences difficulties in wholesale privatization, and local private sectors do not demonstrate any ability to play a leading role. Even World Bank officials now admit great uncertainty about how Ghana's economy will evolve over the next decades (Africa Confidential, September 25, 1992:6).
ISSUES IN THE POLITICAL ECONOMY OF STRUCTURAL ADJUSTMENT

Ghana's experience is not atypical in the context of Africa's struggle for re-building its economy. Discussion of politics for economic development in Africa needs to include such issues as political process for economic policy making, interest group politics, domination of technocratic rationality in the design of economic programs, and the balance between rural and urban interests.

Political Commitment to Adjustment Programs

In the efforts of the Bank and the Fund to bring about policy changes in Africa, there is a great deal of stress on the political commitment of the national leadership to structural adjustment and the promotion of political support for "strategic economic changes" and "a pragmatic approach to making policy adjustment." (World Bank, 1989:6) The Bank report is generally sympathetic to difficulties national policy makers will face in implementing unpopular policy changes especially when a country's political situation is chaotic, and the economic conditions are already bad. They argue, however, that as the economic situation worsens, the economic "medicine" required will be even more painful, and the political support for policy makers will be even weaker. Failure to take unpopular policy actions, when they are first required, can lead to "a deadly downward spiral in which it becomes harder and harder to turn the economy around again" (World Bank, 1989:5).

Since national policy makers are reluctant to take initiatives for liberal economic reform, donors should play an important role in building demand for policy change.
Therefore, the core task of policy lending in support of structural adjustment is to draw sustained commitment from client governments. (Nelson, 1986:73) Especially, the initiation phase of structural adjustment would be more dependent on the education of leaders and officials as to the benefits of reform as they struggle to cope with worsening financial and budgetary constraints. In the case of Ghana, the World Bank has devoted considerable resources to influence the ministry of finance and planning through its country economic planning and sector work on local capacity. In other Third World countries, the World Bank has increasingly used its technical assistance work and senior policy seminars of its Economic Development Institute to raise the commitment of national leaders and senior officials to structural adjustment.

Statecraft and Management of Social Opposition

The programs which are dictated are probably more easily abandoned when the economy does not turn better quickly. But even genuine mutual agreement between the two parties provides no assurance of good implementation. In many cases, programs are inaugurated in crisis conditions, and implementing them requires skills in political management which the government may not have. This line of explanation implies that we need to go beyond the notion of "political will" or "commitment" if we are to analyze the politics of program effectiveness (Killick, 1991).

Though no appropriate political formula for economic stabilization has been elaborated, it is obvious that the sustainability of the program would depend on the interaction of various interest groups opposing and supporting reform. Some World Bank studies emphasize a policy design which compensates negatively affected groups (at least partially) and enhances the power of positively affected groups in the early stages of the reform by altering the sequence of measures (World Bank, 1990b).
In considering that there is a strong anti-IMF coalition, even among sectors of domestic businesses in many African countries, building political coalitions to support adjustment policy takes time. This is especially true where the costs of policy changes are quickly felt and concentrated on a few vocal groups, but the benefits are delayed and diffused among poorly organized sectors of society (Nelson, 1986:81). In addition, the rigid institutional dogma of the Fund and the Bank, and the weak capacity of the government make mobilization of support for IMF/Bank adjustment politically more difficult. Legitimacy and capacity of governments for taking policy initiatives of adjustment tend to decline over time (Lamb, 1987:9). The negative impact of adjustment policy on living standards without improving macro-economic conditions is likely to mobilize opposition to the program.

Therefore, the government's capacity to implement adjustment policy in the midst of protests on the part of the urban poor and other losers of the program draws attention (Lachenmann, 1988:85). Authoritarian rule often has been seen as a useful, if regrettable, expedient for effective policymaking in the face of political instability. A strongly held view from the 1950s through the 1970s was that development policies required time to bear fruit, and that this was not consistent with the politics of short-term electoral cycles (World Bank, 1991f:132). The Bank and the Fund, even though not explicit about this issue for political reasons, tend to prefer conservative, authoritarian regimes in the Third World for promoting neo-classic economic policies.
Technocratic Rationality and State Intervention in Economy

Liberal economic policies emphasize "technocratic rationality" specifically in response to the decay in the productive sector of the national economy. Economic technocrats see state intervention as responsible for mismanagement of social infrastructures and fiscal expansionism. With state intervention in the economy, rent-seeking activities are used to acquire scarce resources, and patron-client relationships hamper more efficient distribution of state services and resources. In considering the criticisms of the Bank and the IMF about state intervention in the private sector, it is not surprising to find their hostility toward the public sector. The governments, particularly socialist ones, are generally viewed as the obstacles to development. Public enterprises are naturally considered inefficient, and discussion about public sector interventions leads to the emphasis on reductions in the role of the public-sector (Annis, 1986:105). Much emphasis is put on less spending on social welfare and infrastructure. Economic technocrats tend to insist on accumulation of capital rather than equitable distribution of growth (Hutchful, 1989:124).

In the economic sphere, in particular, most decisions should be left to the "invisible hand" of the market place. The reason is that when political pressure groups intervene, they are "liable to be an 'invisible foot' trampling on the finely wrought work of the other limb" (UNDP, 1991:70). The technocratic version of policy making assumes that "individuals, particularly when they have the training to use analytic techniques, can carry out rational and relatively comprehensive analysis." (White, 1990b:48) In this view, the role of a government in promoting adjustment and development is considered in terms of the size of the public sector or the extent of government regulation on economic activity. What is ignored is the ability of the state
to compensate for the absence of functioning markets and factors of production, to effectively channel investment towards activities with the highest social returns, to provide and guarantee a stable environment for economic growth and "to redress extreme inequalities and poverty which may emerge from the unfettered interplay of market forces" (ILO, 1989:41).

Overemphasis on economic technology and principles leads to the negligence of political, cultural, social and bureaucratic forces in economic policy making. The Bank and Fund's suggestions to streamline the bureaucracy and cut recurrent expenditures can undermine political strategies of African states to maintain political political balance between different ethnic and social groups. The lay-offs of government officials in cutting government budgets make it more complicated to balance the ethnic mix in many African societies and keep regional balance by eliminating employment in civil services and parastals. Technocratic emphasis on short term macro-economic stability has produced only a "spotty record of influencing policy" even though it may be sound economically. Many stand-by loan programs of the Fund, for instance, are discontinued sometimes because exogenous factors such as weather or international prices prevented targets from being met, but often because governments did not take agreed actions for political reasons. The most frequent broken target, not surprisingly, is restrictions on government expenditures which require retrenchment of government employees and removal of subsidies to essential commodities (Nelson, 1986:78).
Urban versus Rural Interests

To some, the need for structural adjustment has arisen from the situation that a government in the Third World has been "captured" by a strong urban coalition comprised of workers and industrialists (Bates, 1986: 6-8). "Captive" governments legislate their economic policies to advance urban interests at the cost of rural interests. The whole apparatus of trade and exchange control, and the government monopoly of procurement process of export and food crops are seen as "a single great scheme to exploit the rural hinterland and grow rich on a variety of artificially created rents in the cities and towns."(Toye, 1991:2) Thus, producer prices for agricultural products failed to keep pace with rising real prices. Moreover, available state subsidies and inputs are used to "buy off" the often volatile urban dwellers at the expense of the peasant group which produces most of the country's resources (Mikell, 1989:249-50). These arguments lead to the distributional proposition that structural adjustment reduces the rents accruing to urban interest groups and benefit rural interest groups who have been systematically disadvantaged (Toye, 1991:2).

The indiscreet dichotomy between urban and rural interest groups is used, in particular, as a means of counteracting the largely urban-based opposition to austerity measures. This is more specifically reflected in the allegation that urban people are "exploiting" the rural populace via low prices of agricultural products. This notion of an undifferentiated rural populace is not confirmed by the fact that price incentives to commercial crops did not change economic conditions of the rural poor. Yet it has "the merit of helping to divide the disenfranchised majority of urban and rural poor and therefore, at least for a time, to weaken the opposition to the austerity measures" (Sawyer, 1988:23-4).
Rural poverty has always been one of major characteristics of the African economy even at the height of commodity price hikes. This fact is often hidden in the calculation of aggregate or average rural incomes, which does not differentiate the incomes of big landowners, commercial farmers, and rural money lenders from those of peasant farmers and landless agricultural workers who are the majority of the rural population. One of the principal measures undertaken under adjustment programs was an increase in rural producer prices, but "the benefits of this measure do not always spread evenly throughout the rural community, the bulk usually going to the better-placed large farmers, transport-owners, and money lenders" (Sawyer, 1988:21).

STRUCTURAL ADJUSTMENT AND CHOICES FOR THE STATE

Economic difficulties of so many developing countries, especially in Africa, in the 1980s "have left them more desperate for external finance, and have emboldened financiers to tighten their demands on those to whom they provide resources." (Helleiner, 1992:784) Concessional IMF and World Bank lending has been a major source of power for international financial institutions. There have been major changes in Bank/Fund behavior toward their client states since the 1980s. On the other hand, various demand constraints measures, which are one of major components of orthodox structural adjustment, generated strong opposition, and sometimes triggered political instability. No Third World government has ever voluntarily adopted a Bank/Fund version of adjustment policy without external pressure.
There are some interesting variations in reactions of African countries to structural adjustment. In the Bank's assessment, Ghana, Kenya, Malawi, and Togo have sustained adjustment programs longer than other countries, and can be singled out as having a good performance. Some countries, including Tanzania, Mozambique, and Nigeria, embarked on structural adjustment late in the 1980s after much reluctance and resistance. Others, like Zaire, are still at a stage of developing economic adjustment programs. An interesting example is Zambia where adjustment policies were reinstated after being thrown out. A small number of countries, for instance, Sudan, have not shown any interest in Bank/Fund programs.

Though it is difficult to draw any conclusion from those cases without thorough analysis, we can still make some general observations. There are several factors which influence government attitudes toward adjustment programs. First, economic conditions and the degree of necessity for concessional financial assistance have a great impact on the government's positions. Countries with huge deficit and weak economy, like Ghana in the early 1980s, cannot sustain their economy without concessional finance, and are more willing to take any political risks involved in accepting tougher adjustment measures. The Bank and the IMF tend to apply more strict adjustment measures to those counties which are weak economically and have severe imbalance of payments problems. They appear to believe that major restructuring of the economy is more needed for those with poor economic performance. Countries, such as Nigeria, which have a bigger economy and/or more resources, have more room to maneuver in their negotiation on the conditions for loans. These countries are likely to have better trained economic officials who have some expertise on macro-economic matters. Compared with small countries with weak economic bureaucracy, this also tends to increase their leverage in negotiations with multilaterals.
Second, how structural adjustment hurts major economic interest groups is a very crucial factor which determines the degree of sustainability of adjustment. If the regime, like Kenya, has a strong support base in rural areas, and the country does not have any extensively organized labour unions, it is easy to implement Bank/Fund sponsored adjustment programs. On the other hand, if the regime, for instance, Zambia in the middle of the 1980s, cannot ignore the demands of urban consumers, workers, or socialist elements of society, it is much tougher to introduce and maintain adjustment policies without any major changes in its political environment.

Third, since it is almost certain that adjustment policy triggers urban discontent, it is difficult to implement adjustment policies without some type of coercive power. The government's skills to divide opponents and crash organized opposition may be needed to endure unpopular economic programs. Democratically elected governments have a more difficult time to implement austerity measures than do military or authoritarian regimes such as Ghana, Malawi, and Kenya in the 1980s.

Fourth, adjustment policies are more likely to be maintained in countries where top political leaders see no choice but to adopt a structural adjustment policy and mandate power for negotiating with international financial institutions to economic and financial ministries. When the economy is badly shaken, the influence of technocrats in financial ministries tends to grow vis-a-vis ministries of industries and commerce which oppose cut in investment programs and import liberalization measures respectively. With respect to the policy struggle, the economic ideology of top leaders are also important. If top politicians believe the significance of equitable distribution of wealth and do not want to give up their economic sovereignty, the adoption of structural adjustment is either difficult or very slow as what happened in Tanzania in the mid 1980s.
In general, the Bank and Fund can have more influence when the economic condition of a country is badly shaken, when technocrats in finance ministries play a key role in policy making, when macro-economic concerns override any other issues, and when there is a certain degree of authoritarian rule in the political system. On the other hand, when the economy can be sustainable at least for a while without outside financial assistance, when the government has a strong coalition with urban economic interest groups, and when government leaders think that economic autonomy and sovereignty are important, adjustment programs cannot be either sustained or initiated at all. Therefore, economic relations of any Third country with international financial institutions and Western industrialized countries are determined in terms of its domestic economic policies and politics.

THE INTERNATIONAL POLITICAL ECONOMY OF AFRICA

One of the significant dimensions of structural adjustment in Africa is better understood in the context of the structure of the international political economy in Africa. In considering the fact that economic development in Africa has long been dominated by external factors, it is appropriate to examine the linkage of Africa to the international capitalist economy and the impact of external economic forces on the shape of economic policy making in Africa.
Relations of Africa to the International Economy

One of the most distinctive characteristics of Africa's political economy is its colonial experience. This distinguishes development of Ghana and other African countries from that of other societies without any colonial past in various ways. First, the colonial inheritance brought about underdevelopment of indigenous education and lack of an efficient bureaucratic system. Many African states now have very weak administrative capabilities to cope with difficult economic situations. In addition, the existing economic infrastructure was weak and was not well maintained for developing an indigenous economic base (Callaghy, 1990:261). For these reasons, the penetration of foreign economic interests was not difficult, and external influence could more easily shape economic policy making in African countries.

Second, the colonial economic relationship left a tendency to disequilibrium that results from the integration of Africa into the international economic system. The increasing volatility of the international economy and fluctuations in prices of raw materials made the management of African economies particularly difficult since the 1970s. Various attempts to solve economic instability in Africa focused on domestic economic variables, but the management of domestic policy alone is not likely to solve economic problems. Therefore, the recovery of African economy needs to address the international environment in which African economies are set (Elliot, 1988:218).

Structural adjustment clearly pushes African states into being integrated more fully into the world economy through trade and payments liberalization (Loxley, 1986:110). There is heavy emphasis on agricultural exports since African countries do not have major alternative foreign exchange earning opportunities. Adjustment also forced African states to confer a primary role in promoting economic growth on for-
eign private capital and the domestic private sector. On the other hand, foreign donors of financial and technical assistance have not always maintained "pure motives" or considered the long term interest of African countries. With the exercise of conditionality monitored by international financial institutions, foreign aid has been increasingly intended to influence economic policy decisions at the national level (Bery, 1990:1127).

Structural adjustment creates conditions which are neither conducive to the mobilization of local resources, human and material, nor to increases in productivity (Sawyer, 1988:7). The over-dependence on foreign capital and the export-oriented growth approach increase foreign debt and restrict sovereignty. The export expansion of primary goods has proved a shaky basis for economic growth given their unstable prices in the international market. The Bank/Fund version of adjustment also immediately imposes a mandatory accommodation with international capital. Being adjusted into the world economy implies remaining peripheral countries within the international capitalist economy. The reduction in financial inflows, along with the deterioration in trade terms, means reduction in the capacity of African countries to import food and needed industrial inputs, which, in turn, contributes to the collapse of local production and unemployment. Consequently, inflation and balance of payments problems are unavoidable.

The location of a country within the international economic order as well as their internal economic and class structures tends to predispose the direction of the political economy in Africa. More specifically, the degree to which external interests determine particular policy measures, relies obviously on the strength and the political orientation of those in power in the country, the depth of the crisis affecting the
national political economy, and the prevailing international environment. (Sawyer, 1988:15, 24) Perhaps, it is not easy for a populist regime of a poor country, like the PNDC government in Ghana, to take a more equitable and egalitarian economic development approach, especially when they were shaken by deteriorating economic conditions, in a capitalist world economic system where the search for foreign aid and capital often requires the adoption of market oriented policies and the promotion of local class forces which have the resources to profit from the market (Kraus, 1985:164). Creating a new structural basis and impetus for autonomous national development calls for the reduced economic and other links with international capital. This needs a radical restructuring of the old social and political relations (Ninsin, 1990:138).

The Role of the Bank and Fund in Africa

The World Bank is now commonly perceived as "the principal teacher" of economic development in the world. (Gran, 1983a) Its financial resources, technical capacity for research, and political support of major industrial countries are used to support any set of Bank proposals. The status of the Bank has a significant impact on other analysts and sources of finance, and it leads to the Bank's dominant role in determining development strategies and shaping economic ideologies in the Third World. This has been, in particular, true for sub-Saharan Africa which is economically weak, currently most dependent on external financial resources for the management of the economy, and has poor industrial bases.

Some hold a view that the Bank must play a larger role in the current economic development process by means of substantially expanded lending programs and
efforts to introduce more vigorously its policy prescriptions to declining economies (Institute of Development Studies, 1983). However, it is more frequently heard that IMF and World Bank programs are designed to integrate countries like Ghana more efficiently into the international capitalist system. The emphasis on a private capital sector is linked to active and open intervention of international capital through the mediation of international financial institutions. A free market system, private enterprises, increased credit and other financial incentives to the private sector can be seen as "part of a grand policy package designed to enhance private accumulation through exorbitant profit." (Ninsin, 1990:153)

Guy Gran claims that the Bank uses its leverage to promote the interests of private international capital in developing countries, with little regard for equity and the needs of the poor. Its first priority, "as defender of the industrial countries' interests," is to make sure that debtor countries are capable of paying back their debts (Gran, 1983b). In the views of Hutchful, thus, the IMF and World Bank are the "most potent instruments of multilateral imperialism" through their "regulatory" role. As illustrated in the founding principles of the Fund and Bank, their role is preventing barriers to the free movement of capital and profits, and promoting private foreign investment (Hutchful, 1989). A primary IMF objective is not "domestic economic recovery" but rather the liberalization of international trade and payments, and the penetration of finance capital (Bentsi-Enchill, 1988:1565). Given their role in the international economy, practical contradictions can be recognized in using large organizations such as the World Bank and the IMF to promote human welfare (Gran, 1983b:87). The critics argue that the interests of the Bank's largest donors lie in ensuring that the capitalist framework such as a free market mechanism enhances their economic interests, namely the preservation of their economic position.
The thesis that the IMF promotes a capitalist and inegalitarian mode of development has been more fully explicated by Cherly Payer. Her main argument is that IMF conditionality is designed to open up a recipient country's economy to international capital, with the sacrifice, largely, of the workers and peasants. She notes that IMF insistence on the abolition or liberalization of exchange regulations and import controls serves the purpose of enforcing free trade, often at the expense of domestic industries that depend on protection for their survival. Furthermore, deflationary policies designed to control inflation can create a stable business climate, but are responsible for declining wages and living conditions for ordinary people. The economic interests of low income people are hurt more by another IMF condition such as devaluation, which raises the cost of imported goods at a time when wages are falling (Payer, 1985).

In this view, the capitalist economic framework does not offer any satisfactory solution to major economic problems such as poverty. More generally, the World Bank and the IMF are seen as part of the "triple alliance" of local capital, the state, and international capital, which produces dependent development (Payer, 1979; Gran, 1983:84). Local elites in the Third World may charge the international economic system for their underdevelopment while external donors criticize lack of reforms of inefficient economic mechanisms in the Third World countries which are needed to promote growth. In reality, however, world system critics maintain, neither groups want to change the system (Payer, 1982). Therefore, economic interests of people can be better served by a bottom-up development approach based on popular participation at the local level, and self reliance with a minimal role for aid (Payer, 1983)
International financial institutions have a strong ideological commitment to their own conception of what constitutes appropriate types of economic development. However, African experience offers little to justify their self-confidence. The interests of the World Bank and IMF are, for obvious reasons, not the same as those of large segments of the population. The domination of Bretton Woods institutions in shaping economic policies of Third World countries arises from the fact that financing balance of payments and development projects is an essential part of an individual country's development strategy.

**ADJUSTMENT WITH BASIC HUMAN NEEDS**

Most Bank/Fund adjustment policies have not been able to generate economic recovery because of unfavorable external trade terms of African countries in recent years. More importantly, adjustment policies have been inappropriate for the economic and social situation most poor countries face. The neo-classic macro-economic policies do not take into account social objectives and exclude any form of protection for the poor. The short term perspectives of adjustment based on neo-classic economic theories, therefore, do not incorporate concerns with human welfare (Cornia, et al., 1987). The orthodox adjustment approach puts a major burden on the poor, and is likely to increase inequality and poverty. This weakens the long-term prospects for development (Griffin and Knight, 1989:3-8). To reverse deteriorating human conditions, the objective of structural adjustment should be safeguarding human development.
Structural Adjustment with a Human Face proposed by UNICEF has been viewed positively as an alternative, at least complementary, approach to neo-classic liberal adjustment policies of the World Bank and the IMF. Adjustment with a Human Face takes a broader approach to development which is concerned with basic human welfare. It focuses on major investment in health and education with emphasis on the implementation of small scale projects. More specifically, first, in contrast with the demand constraint nature of Bank/Fund adjustment programs, Adjustment with a Human Face policies are more expansionary to meet the need of social investment. Second, the basic need oriented adjustment approach puts a high priority on satisfying the needs of vulnerable groups while it attempts to promote economic growth. In particular, special attention is paid to those expenditures and activities which help maintain the income of the poor. Third, sectoral policies are oriented to restructuring the productive sector. This is designed for promoting opportunities of growth and increased productivity for the small-scale production. Fourth, the equity and efficiency of the social sector are stressed, but active support is given to a new range of initiatives which mobilize people. Fifth, the basic need approach includes compensatory measures that can protect the interests of groups who are adversely affected by macro-economic policies. Sixth, there is a need to monitor living standards, health, and nutrition over the period of adjustment (Cornia, 1987:134-5).

The goal of adjustment with human development is not only to increase GNP but also to enhance life expectancy, health and the control over life. The human dimension priority covers improvement in economic conditions for the population, including the income earning capacity building of very poor households, the basic health, education and sanitation services, and the protection of nutritional status. The satisfaction of basic needs is more difficult especially when growth level is declining.
(Jolly, 1985:389-90). Thus policy support should undeservedly be extended to those survival strategies emphasizing the growth of employment and productivity of small-scale, informal sector manufacturing, self production and exchange of food at a community level, shelter and community based services, and community projects on basic needs (Cornia, 1987:103-104). International agencies should help community development efforts by helping reduce the burden of macro-economic adjustment and buffering mechanisms to help poor countries. (Cornia, et al., 1987:140)

REFORM FOR GLOBAL ECONOMIC GOVERNANCE

The recognition of the need for human need oriented development generated demand for reform in international policy making. Related to this, there is reasonable worry about the growing influence of the Bretton Woods Institutions since the 1980s. This issue is elegantly addressed in one highly respected observation. "At present, there is fairly general professional, governmental and popular consensus within Africa that the relative influence of the IMF and the World Bank, particularly the latter, has grown too large. There is little consensus as to what should or can be done about it. For example, should African governments seek to strengthen the African Development Bank or the ECA or both? Should they press for more diversified sources of external assistance (while somehow still seeking to minimize transaction costs and improve aid coordination)? Should they improve various forms of South-South exchange and cooperation?" (G.K. Helleiner, 1992:787)
In its most recent annual report on global dimensions of human development, UNDP argues, "the existing framework of global governance is weak, ad hoc and unpredictable." It also says that "international economic decision making [is] dispersed over numerous institutions and forums, mostly dominated by rich countries, leaving developing countries powerless and vulnerable." (Citation borrowed from *Africa Recovery*, Vol. 6, No. 2. August 1992, p. 13) The report calls for major reforms and stresses that the UN system should not any longer play a peripheral role in global economic management but take greater responsibility for development policy formulation. It also adds that a new Development Security Council needs to be established to seek to design a global policy framework in all key economic and social areas (UNDP, 1992).

In pursuing human need oriented adjustment programs, in the views of the Vice Executive Director of UNICEF Richard Jolly, various UN agencies are more appropriate to the development of programs since they are multidisciplinary and already concerned with a variety of the broader, but often neglected, areas of development such as women's concerns, children's needs, urban problems, environment, etc. In addition, the programs need the participation of regional commissions, in the case of Africa, Economic Commission for Africa, which have their special knowledge and focus on the major regions of the world. The common element among UN technical and regional agencies is their human focus and concern which are certainly "less distinctive" in the World Bank and the IMF. It would be helpful "to bring the U.N. agencies together in support of some form of special and coherent commitment to the human dimension of adjustment, not merely as short term, stopgap arrangement, but as a means for strengthening long-term survival and development on a new basis" (Jolly, 1985:395).
In Jolly's observation, the IMF and the Bank recently initiated dialogue with UN agencies to discuss the lead which UN technical institutions may be able to take, and the ways for more effective collaboration with other international groups, including non-government organizations actively involved in the human aspects of development. In practical terms, the consultative group meetings called by the World Bank and the Roundtable meetings organized by the UNDP would be appropriate places for discussion about collaboration, especially if these meetings formally adopted a commitment to the protection of minimum living standards as part of their agenda (Jolly, 1985:397). On the other hand, however, there should be a clear definition of links between development agencies of the U.N. and the Bretton Woods Institutions, and their respective roles. In considering the financial power of the Bank and the Fund, a merger of development programs would not be desirable nor necessary (Jolly, 1985:395). The discussion of cooperation should focus on institutionalizing the human development issues in macro-economic planning.

In the context of economic policy reform in Africa, another important dimension is regional cooperation and efforts to build a regional economic community. The OAU (Organization of African Unity) summit, which took place in Abuja, Nigeria, from June 3-5, 1991, proposed the idea of an African Economic Community. Reflecting experiences of existing West African and South African Economic Communities, African countries gradually recognize the need for regional self-reliance which requires utilization of indigenous technology and exchange of resources within the region. The OAU proposal envisions, within the first quarter of the twenty first century, the eventual creation of a free trade area in the region, which will be developed from existing regional economic communities (West Africa, June 1-30, 1991:10152-4).
In considering problems with and opposition to the current role of the Bretton Woods Institutions in the Third World, "African development is likely to be best served when (a) no single foreign source of ideas and finance has disproportionate power (b) African indigenous technical capacity is built to the point where genuine policy dialogue, based on mutual respect, takes place between external donors and African policy makers, and where Africa's development programs are fully and unambiguously locally constructed."(Helleiner, 1992:787) The reduced role of the IMF and the World Bank, larger influence of UN technical agencies, and economic integration and cooperation within the South will remain major agendas for the reform of global economic governance.

THE FUTURE ROLE OF THE UN IN INTERNATIONAL DEVELOPMENT

More active involvement of UN agencies in the development of Third World countries should be related to strengthening democratic process in economic policy making and the local capacity to manage economic programs. More specifically, efforts need to be made to increase the role of indigenous NGOs and diverse cultural and ethnic groups in the formulation and implementation of community projects, facilitate open and efficient communication between development agencies, support government agencies and local groups engaged in promotion of basic human needs projects, and redefine relationships between international financial institutions and other development agencies.
The reform may start with promoting cooperation between UN agencies involved in basic human needs projects and building coalitions with government agencies and local groups interested in human need issues. One interesting example is the role UNICEF played in the formulation of programs to mitigate social impact of structural adjustment in Ghana. Since the beginning of structural adjustment in Ghana in 1983, UNICEF conducted research on human welfare conditions in Ghana in cooperation with the University of Ghana. This research was soon supported by the ministries of health and education, but was ignored by the World Bank and the ministry of finance. But later the impact of adjustment policies on vulnerable groups became clear, and the significance of UNICEF research was recognized even by Bank officials. Subsequently, a program to deal with the negative impact of structural adjustment in Ghana was launched in 1987. Given the small budget of the program and its complementary nature to orthodox adjustment programs, the program may be considered insignificant, but UNICEF study on the impact of structural adjustment on the poor has some impact on policy orientations of the Bank and Fund. Even though they did not produce any measurable outcome, UNICEF efforts also helped hold meetings among some UN agencies, including WHO and ILO, to discuss human dimensions of structural adjustment problems.

Several suggestions can be made to improve cooperation within the UN system and to strengthen its ties to local NGOs and government agencies. The first issue is how to establish an appropriate framework of development aid coordination. One approach is that since UNDP has more technical expertise on economic planning and project development, UNDP offices can play a key role in identifying development problems in certain countries, allocating resources, and linking projects of various UN agencies to the overall planning. This approach may guarantee efficiency in resource
allocation but may create an undesirable bureaucratic process with concentration of more planning and decision making power at one or few offices. In addition, it is not politically feasible given the fact that other UN agencies will not sacrifice their perceived missions and roles for better aid coordination.

An alternative approach puts stress on the communication rather than planning role of the UNDP. UNDP currently has a resident representative system in many countries and has organized many Roundtable Meetings among donors. It also has strong relationships with economic planning ministries of Third World countries through its technical aid program designed to build indigenous economic planning capacity. Thus UNDP is in a good position to develop communication networks to link various UN and government agencies. By more actively organizing Roundtable Meetings in developing countries and utilizing the system of resident representatives of its own or other UN agencies, UNDP can gather information about aid programs of various UN agencies and provide analysis of economic necessities of specific countries. In addition, it may identify similar projects initiated by different agencies to help avoid any waste of resources, and improve communication among agencies which may intend to develop common projects. In this approach, while UNDP needs to be more active in promoting communication, aid planning should be made at each agency but in consultation with other agencies. Most importantly, however, if necessary, other UN agencies should also play a leading role in their areas of concern, as UNICEF did in the area of programs to mitigate social impact of structural adjustment.

The second issue on international development policy making is regional coordination. With respect to Africa, the UN Economic Commission for Africa (ECA) should participate more in economic planning in Africa. Perhaps, ECA can share planning
functions with UNDP. The role of African Bank in financial mobilization needs to be strengthened, especially in considering that Bank/Fund loans have strict conditions which may not be productive for development in Africa. The influence of regional agencies will grow if current efforts to build African Economic Community are realized.

The third issue, perhaps, the most important, is the participation of local NGOs. One of the most ignored concerns is the involvement of NGOs in economic policy making within the UN system. NGOs should be part of a consultation and decision making network. NGO liaison offices of UN agencies should gather information about indigenous, home grown NGO projects. It is desirable for UN agencies to avoid initiating any programs or projects in the areas where NGOs are actively involved. It is also desirable that NGO projects be supported or complemented by UN agency programs.

The last and the most complicated issue is how to define relations with the World Bank and the IMF. About twenty seven years ago, one of the most influential UN study on reform for international aid coordination suggested that UNDP should be more engaged in preliminary research and initiation of development aid programs, while the World Bank take a lead in formulation of programs (UN, 1969). The introduction of structural adjustment in the 1980s made many UN agencies be in odd relationships with the Bank. Given their interest in human development, some of the most important UN agencies, including UNICEF, ILO, WHO, and UNCTAD, criticized either directly or indirectly various aspects of Bank/Fund sponsored adjustment programs and showed concerns about increase in Fund and Bank influence. The most vivid and direct criticisms have been so far made by Economic Commission for Afri-
ca, and the World Bank even had to issue an internal memorandum to defend their policies. Though UNDP cooperated with the Bank on the production of a document in support of structural adjustment in 1989, its annual reports on Human Development clearly point out problems with human dimensions of Bank/Fund adjustment programs. Overall, as many UN agency officials argue, cooperation with the Bank should not be made on its terms, and their financial support of UN development projects should be carefully reviewed.[2]

FINAL COMMENTS

There is a wide range of issues on structural adjustment which need our attention. First of all, what does structural adjustment mean politically and economically for the population in poor Third World countries? Based on the experience of Ghana, it appears that adjustment policies did not improve living conditions for the majority of people. It has been unpopular, and faces strong opposition. Thus its implementation required the use of some type of coercive power. Secondly, related to this, adjustment policy making process is highly undemocratic. It is characterized by repression of open national debates, very secret and bilateral negotiations between top finance ministry officials and Bank/Fund staff members, lack of participation of various groups which are affected by the policy, and even exclusion of other government ministries to avoid any type of internal opposition.

Perhaps more research can be developed on various problems in the political economy of structural adjustment. First, how can a heavy burden of structural adjustment on economically disadvantaged groups be justified? Distributional effect should
not be politically and socially ignored for human development. Even in an economic sense, it does not appear to do much good to the economy. Unequal distribution reduces the consumption of the population and shrinks economic activities. This is not desirable for economic growth. Second, the most ignored question is the goal of development. Should it be human development, or macro-economic balances? Is there any relationship between the two? If so, then how? Third, is the current relationship between international financial institutions and Third World countries inevitable? If structural adjustment is unpopular among people, and Third World governments are so reluctant to adopt it, why should adjustment be enforced? The typical answer of the Bank and the Fund is the lack of technical ability of Third World governments to implement "reasonable" economic policies and the absence of political will to take political risks even though adjustment policies are the only solution to economic problems. Fourth, another controversial question is the impact of implementing adjustment policies on domestic political process. Why do democratically elected governments have more difficulty in sustaining adjustment programs? This case study of Ghana deals with some of these issues, but there are more questions to be answered.

Most importantly, above all these questions, there is a human dimension of economic policy making in which culture and indigenous knowledge are crucial. In one African worker's view, "people without culture will not only be uncivilized, but will also have no future." (Sunmonu, 1990:22) Development issues should not ignore human perceptions and indigenous knowledge. In that sense, the statements of the former Secretary General of the United Nations Economic Commission for Africa draw our attention. The "so-called educated Africans look at the developed countries through lenses crafted for them by those countries ... a people who have a crisis of identity are also likely to have a crisis of perception... unless a solution is found to this basic
human dimension of the African crisis, there will be no breakthrough in social and
economic transformation in the African countries." (Adedeji, 1992:9-10) He further
states, "African leaders ... cannot afford to preserve in (sic) the naive and untenable
conviction that their different national or regional plans... are to be implemented by
foreign entrepreneurs or foreign aid agencies utilizing savings of non-Africans." (Adedeji,
1992:13-14)

The human dimension of economic development is also closely related to empower­
ment. This is most elegantly summarized in the document of African Chapter for
Popular Participation in Development and Transformation adopted at an international
conference held in Tanzania, in 1990. Popular participation "is, in essence, the
empowerment of the people to effectively involve themselves in creating the struc­
tures and in designing policies and programmes that serve the interests of all as well
as effectively contribute to the development process and share equitably in its ben­
efits... Therefore there must be an opening up of political process to accommodate
freedom of opinions, tolerate differences, accept consensus on issues as well as ensure
the effective participation of the people and their organizations and associa­
tions." (African Chapter for Popular Participation in Development and Transformation,
1990:3) On the premise that structural adjustment cannot and will never work due
to its undemocratic nature and dominant external influence, empowerment of NGOs or
"informal demands for local popular decision making" may be the only "realistic
solution" to human dimensions of African economic problems (Nyang'oro and Shaw,

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