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The new 'New Poverty Agenda' in Ghana: what impact?

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CONTENTS

ABSTRACT

This paper describes and explains the impact of the international-driven 'New Poverty Agenda' in Ghana, focusing on the impact of the Poverty Reduction Strategy Papers (PRSPs) adopted by the New Patriotic Party government in power from 2001 until 2008. The paper argues that the New Poverty Agenda has had some impacts, but not they have been limited and not necessarily helpful in achieving long term poverty reduction. The PRSP was seen by the government in Ghana as necessary to secure debt relief and donor resources, and the strategies produced by the government contained broad objectives rather than concrete strategies on how to achieve those objectives and thus had little impact on government actions. The paper discusses what was actually implemented under the NPP government and the factors influencing those actions. It highlights the constraints Ghanaian governments face in pursuing economic transformation within contemporary domestic and international contexts.

ACRONYMS

ERP	Economic Recovery Programme
GPRS I	Ghana Poverty Reduction Strategy (2003-2005)
GPRS II	Growth and Poverty Reduction Strategy (2006-2009)
HIPC	Heavily Indebted Poor Country
IMF	International Monetary Fund
MDBS	Multi-Donor Budget Support
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
MTEF	Medium Term Expenditure Framework
NDC	National Democratic Congress
NPP	New Patriotic Party
PNDC	Provisional National Defence Council
PRSP	Poverty Reduction Strategy Paper
PSIs	Presidential Special Initiatives
UNCTAD	United Nations Conference on Trade and Development

INTRODUCTION

The most recent poverty reduction drive of the international aid community began in the 1990s by the World Bank in response to criticisms of the negative impacts of structural adjustment programs. It picked up steam at the end of the 1990s as these criticisms continued. The global anti-structural adjustment movement had turned the focus on 'growth' into a heresy against the poor, although their real target was the particular brand of growth strategy embodied in the Washington Consensus prescriptions of stabilize, liberalize, and privatize. Furthermore, the United Nations and bilateral aid agencies increasingly focused on ameliorating the immediate needs of 'the poor' in Least Developed Countries. With the turn of the millennium, consensus on a new 'new poverty agenda' emerged at the international level.[1] The consensus was built on five pillars:

(1) the Millennium Development Goals, which made commitments to reduce poverty and identified targets to be achieved;
(2) a diluted and more pragmatic version of the Washington Consensus prescriptions for growth combined with emphasis on social and safety nets as well as good governance;
(3) a mechanism for operationalizing this strategy at the country level, i.e. the Poverty Reduction Strategy Papers (PRSPs);
(4) emphasis on tools for delivering aid in support of PRSPs and operationalizing the new principles of aid effectiveness (i.e. ownership, alignment and harmonization), such as general budget support and sector wide approaches;
(5) a commitment to results-based management, which led to more focus on setting indicators and monitoring and evaluation procedures.

This paper describes the impact of this 'new poverty agenda' in Ghana. It focuses on the impact of the PRSPs adopted by the New Patriotic Party government in power from 2001 until 2008, both in terms of processes surrounding the PRSP including its attendant aid modalities and procedures, and in terms of their content and influence on the government's implemented policies and actions. The story of Ghana's first PRSP is somewhat well rehearsed in the existing literature.[2] This paper updates the story to include the second PRSP, but also goes beyond the existing narrative about how the international PRSP process was translated in the Ghanaian context to focus on its impact. The paper is based on extensive fieldwork in Ghana over several years, particularly during 2008.[3]

It is argued here that the 'new poverty agenda' has had a limited impact in Ghana. It did increase the allocation of resources to social services. The idea of the PRSP was to assure donors and international NGOs that money saved through debt relief would go towards poverty reducing expenditures. The existence of the PRSP and implementation

[1] S Maxwell, 'Heaven or Hubris: reflections on the New 'New Poverty Agenda', *Development Policy Review* 21(1), 2003, pp 5-25.

[2] See for example L. Whitfield, 'Trustees of development from conditionality to governance: poverty reduction strategy papers in Ghana', *Journal of Modern African Studies* 43(4), 2005, pp 641-664; B Woll, 'Donor harmonisation and government ownership: multi-donor budget support in Ghana', *European Journal of Development Research* 20(1), 2008, pp 74-87.

[3] The author acknowledges financial support for this fieldwork from the British Academy SG 46722 and from the Elites and Productive Sector Initiatives research programme at the Danish Institute for International Studies.

of key policy actions agreed between the IMF and NPP government were conditions for granting of debt relief under the Heavily Indebted Poor Country Initiative. The PRSP also provided a rationalization for the provision of general budget support, under in that donors needed to know what the country's medium term development strategy was (and approve it) before they would provide money directly to government's budget. The introduction of general budget support in Ghana, increased the level of resources available to the Ministry of Finance (which would have previously gone directly to line ministries through donor programmes or projects), but it also introduced a whole new set of joint government-donor processes and committees and a new set and way of formulating conditionalities which the government must meet in order to receive budget support.

What the PRSP process did not do was strengthen the existing national planning system, which was in disarray. Nor did the PRSP documents themselves serve as planning tools or significant guide the implemented actions of the NPP government. The PRSP had little impact on what was formulated and implemented at the ministry level because it contained a broad set of objectives with no specific strategies for how to achieve those objectives and with no prioritization. Actions by government ministries, agencies and departments during the period of the first PRSP were determined by ongoing projects and programs negotiated with donors, or in rare cases new initiatives solely funded by the government. During this period many ministries produced sector strategies, which in turn were used to write the text of the second PRSP. Thus, while the 'new poverty agenda' did have an impact, its effects were largely limited to restructuring the aid system and had little effect on moving forward a long term poverty reduction agenda.

The first two sections explain the context in which the 'new poverty agenda' was introduced in Ghana. Growth and poverty trends since the 1980s, a turning point in Ghana's economic history, show that the country has achieved modest success on both accounts, but that this success has not been accompanied by economic transformation and that this accounts for the limited impact of growth on poverty reduction. Section two highlights the political and institutional constraints Ghanaian governments faced in the 1980s and 1990s in implementing an agenda for structural change. Section three looks at how the New Poverty Agenda affected the economic, political and institutional landscape in Ghana, as well as the legacy of the New Patriotic Party government. The final section pulls together the beginning of a framework for understanding the factors influencing the policy actions of Ghanaian governments since the return to democratic rule in 1993, as well as the factors impeding the formulation and implementation of a long term poverty reduction agenda.

GROWTH AND POVERTY REDUCTION SINCE THE 1980s

There has been little structural transformation of the Ghanaian economy since the end of British colonial rule. The colonial economy was dependent on cocoa and gold exports, and this still holds true today. Agriculture remains untransformed, and the nascent but inefficient industry that emerged in the 1960s was significantly reduced since trade liberalization in the 1980s. The story of how Ghana's economy went wrong after independence in 1957 is well documented.[4] In the early 1980s, Ghana began recovering from a devastating economic crisis characterized by negative growth (-0.3%) on average during the 1970s. Since then the country has experienced modest economic growth and significant poverty reduction.

JJ Rawlings led a military coup in December 1981 which overthrew the Third Republic. His Provisional National Defence Council (PNDC), a bureaucratic-authoritarian government, began an Economic Recovery Programme in 1983. The Programme, supported by the World Bank and IMF, contained much of the standard structural adjustment fare. Growth rates averaged 5.2% per year between 1984 and 1992, but then declined after the return to democratic rule in January 1993 to hover around 4% for the rest of the 1990s. This growth was the produce of the policy changes, a relatively stable political environment, the rehabilitation of the country's traditional export industries (gold and cocoa), investment in human capital and infrastructure, and increased aid inflows. Production of cocoa and gold increased, but world market commodity prices fluctuated and generally were not favorable during the 1980s and 1990s.[5] The large public investments funded by aid since the 1980s did not lead to significant improvements in productivity or substantial private investment. Growth rates increased under the New Patriotic Party government reaching 5.2% in 2004 at the end of the first Kufuor administration and 6.5% in 2008 at the end of its second Kufuor administration. However, private sector investment remained minimal, little formal sector employment was created, and growth in agriculture outside of export-oriented sectors was slow.[6]

Despite increased growth in all sectors of the economy since 1983, industry and agriculture growth rates tailed off in the 1990s, while growth in the service sector remained strong. Much of the increase in services was derived from wholesale and retail trade, and restaurants and hotels[7]. The share of industry in GDP generally declined largely as a result of poor performance from manufacturing. In agriculture, there are significant differences between growth rates in staple crops (which

[4] For an overview of the economic history of Ghana, see E Aryeetey, J Harrigan & M Nissanke (eds), *Economic Reforms in Ghana: the miracle and the mirage*, Oxford, James Currey, 2000; E Hutchful, *Ghana's Adjustment Experience: The Paradox of Reform*, Oxford, James Currey, 2002; and T Killick, *Development Economics in Action*, London, Heinemann, 1978.

[5] Although export volumes more than doubled between 1984 and 1988, the growth in export values was much less due to the decline in world cocoa and gold prices. World cocoa prices fell from 1984 until 1992, and by 1989 were less than half their 1984 values.

[6] E Aryeetey & A McKay, 'Ghana: the challenge of translating sustained growth into poverty reduction', in *Delivering on the promise of pro-poor growth: Insights and Lessons from country experiences*, T Besley & L Cord (eds), New York, Palgrave Macmillan, 2007, pp 147-168.

[7] E Aryeetey & A Fosu, Economic Growth in Ghana 1960-2000, in *The Political Economy of Economic Growth in Africa 1960-2000*, volume 2 country case studies, (eds) B Ndulu et al., Cambridge, Cambridge University Press, 2008, pp 289-324.

Table 1. Poverty Incidence by Locality (%)*

Geographic Area	1991/92		1998/99		2005/06	
	Poverty Incidence	*Contribution to total poverty*	*Poverty Incidence*	*Contribution to total poverty*	*Poverty Incidence*	*Contribution to total poverty*
Accra**	23.1	3.7	4.4	1.3	10.6	4.4
Urban Coastal	28.3	4.7	31.0	4.6	5.5	1.1
Urban Forest	25.8	5.5	18.2	5.4	6.9	3.5
Urban Savannah	37.8	3.9	43.0	5.2	27.6	5.2
Rural Coastal	52.5	14.4	45.6	16.7	24.0	9.2
Rural Forest	61.6	35.5	38.0	30.1	27.7	27.2
Rural Savannah	73.0	32.6	70.0	36.6	60.1	49.3
Urban	27.7	17.8	19.4	16.6	10.8	14.3
Rural	63.6	82.2	49.5	83.4	39.2	85.7
All Ghana	51.7	100	39.5	100	28.5	100

Source: *Pattern and Trends of Poverty in Ghana,* 1991-2006, Ghana Statistical Service, April 2007.

* Poverty incidence is calculated based on an upper poverty line which incorporates essential food and non-food consumption. Individuals consuming at levels above this are considered able to purchase enough food to meet their requirements and to be able to meet their basic non-food needs.

** Greater Accra Metropolitan Area

contribute more than 50% of total agricultural GDP growth) and export crops such as cocoa and timber which have been the drivers of agricultural growth. Outside of cocoa, the agriculture sector has performed poorly.[8] Low agricultural productivity is attributed to the limited use of new technologies in production, limited access to inputs, credit and land, reliance on rainfall, and poor marketing and distribution networks. This explains why food crop farming has the highest incidence of poverty in terms of occupation.

The country's major exports remain cocoa, timber, and minerals (gold, diamonds and bauxite), with gold and cocoa as the lead export earners. The higher growth rates in the second half of the 2000s were driven by increased international prices for gold and cocoa and increased production of these commodities. The share of non-traditional exports increased since 2000, but cocoa and gold still account for about two-thirds of Ghana's exports. These two lead exports are primary commodities with little linkage to the

[8] World Bank, Ghana: Meeting the Challenges of Accelerated and Shared Growth. Country Economic Memorandum. Volume I: synthesis. Draft, 5 September 2007.

Figure 1.
Administrative Regions of Ghana

Scource: NCGIA SB UNEP-GRID Sioux Falls

domestic economy. The mining sector is an economic enclave which lacks effective linkages with other sectors of the economy and results in limited employment creation, and governments since the 1980s mining sector reforms have lacked a cogent program for utilizing mining revenues.[9] Non-traditional exports include mostly agricultural and processed agricultural produces.

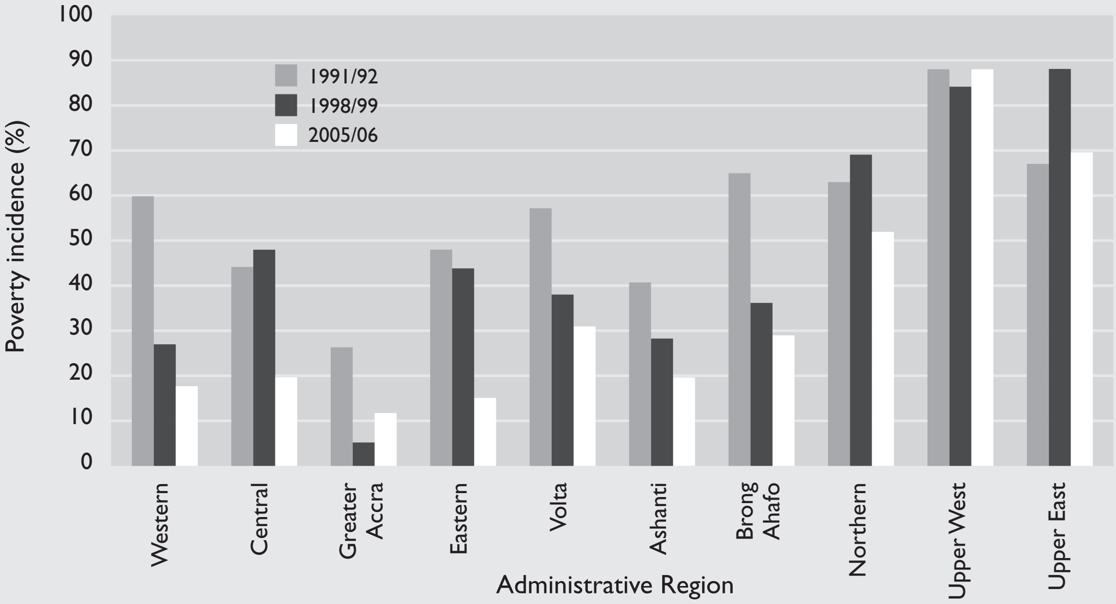
Poverty reduction has been significant in the 1990s and 2000s, but uneven across the geographical regions and across occupation as a result of the sources and nature of economic growth. Ghana Living Standards Surveys were carried out in 1987/88, 1988/89, 1991/92, 1998/99, and most recently in 2005/06. Poverty was and still is predominantly a rural phenomenon, but with strong regional patterns. There was a north-south divide, with substantially higher levels of deprivation in the three northern regions compared to the southern part of the country.[10] Figure 1 indicates the administrative regions of Ghana. Table 1 and Graphs 1 and 2 summarize poverty trends by rural/urban, regions, and occupation.

The 1998/99 Survey showed a fall in headcount income poverty from 51.7% of the population in 1992 to 39.5% in 1998, but this decline was concentrated in the capital city Accra and the rural forest zone where cocoa, gold, and timber are produced. The rest of the country seems to have been left behind in this phase of poverty reduction. The 2005/06 Survey showed a further decline in headcount income poverty to 28.5% of the population, but also a more even geographic distribution of poverty reduction. Poverty reduction was greatest in regions generally left out in 1990s, but poverty increased in one of the most northern regions. Government policies to promote cocoa production alongside increases in the international price of cocoa led to increased cocoa production which in turn had a large impact on poverty reduction as small farmers play a significant role in its production. Farmers in general, non-farm self-employed and public sector employees enjoyed the greatest gains in standard of living. Despites these gains, by locality the rural savannah in the northern regions

[9] T Akabzaa, 'Mining in Ghana: implications for national economic development and poverty reduction', in *Mining in Africa: regulation and development*, B Campbell (ed.), London, Pluto Press, 2009, pp 25-65.

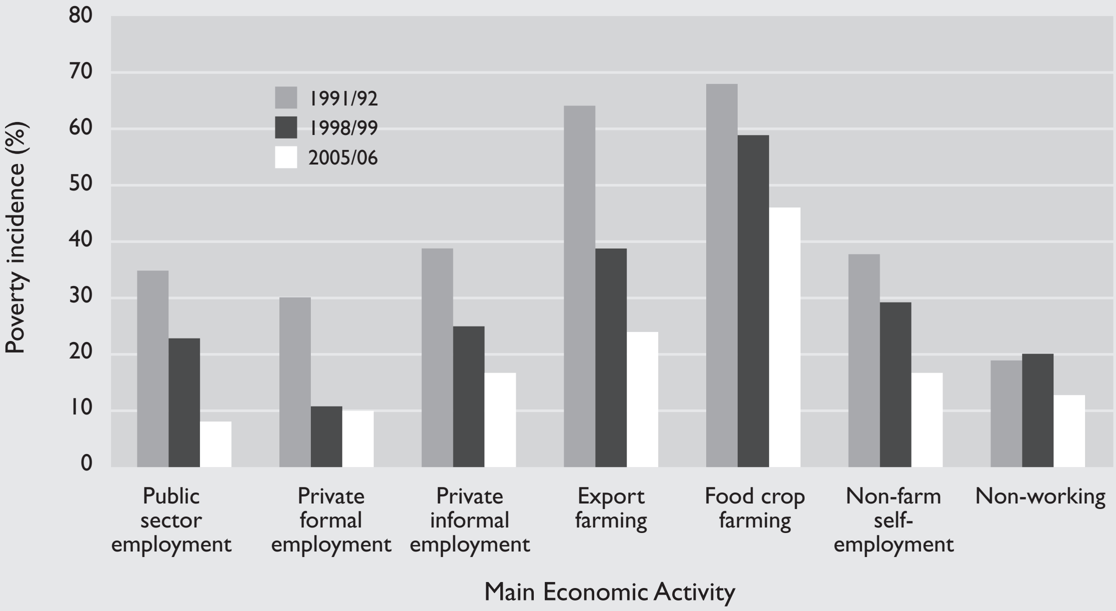
[10] The substantial economic inequality between the north and south dates back to the colonial period.

Graph 1. Poverty Incidence by Administrative Region*



Source: Pattern and Trends of Poverty in Ghana, 1991-2006, Ghana Statistical Service, April 2007.
* Poverty incidence is calculated based on an upper poverty line.

Graph 2. Poverty Incidence by Main Economic Activity



Source: Pattern and Trends of Poverty in Ghana, 1991-2006, Ghana Statistical Service, April 2007.

and food crop farmers still have the highest poverty incidence.

While many donor agencies, particularly the World Bank, describe Ghana's growth over the past fifteen years as pro-poor in the sense that it has reduced poverty and done so more equitably in the last five years, Ghanaians are not quite as optimistic. The government poverty report shows that although the incidence of poverty has been falling since 1991/92, the depth of poverty for those still classified as poor has not changed. The emerging middle class registered large gains, and the richest quintile became even richer. While all regions benefited from recent growth, the reduction in poverty was lower for the poorer areas of the country, and thus the gaps between the various regions and localities have widened.[11]

While Ghana has achieved significant levels of poverty reduction, the sources of that reduction call into question the sustainability of present achievements and the ability to achieve further poverty reduction from the present sources of economic growth. Three major factors account for the poor's inability to participate in the growth witnessed since the 1980s: (1) agricultural performance, (2) the limits to employment creation, and (3) the composition, effectiveness and distributional pattern of public spending.[12] With the exception of cocoa, agricultural production processes have not become more intensive and yields have largely stagnated below achievable levels. Underdevelopment of the financial sector, itself partly caused by continued weaknesses in macroeconomic policy, remains the main factor discouraging private sector investment. Neither the urban informal sector nor the rural economy has created substantial opportunities for employing hired labor. Restructuring in the industrial sector following the initial economic reforms in the 1980s was hampered by devaluation, high interest rates, lack of access to long-term credit, and increased competition from imported consumer goods. Lastly, public spending has been dominated by interest payments on external and domestic debt, paying public sector personnel, and spending on health and education. Aryeetey and McKay argue that public expenditure patterns appear to be driven largely by revenue flows and political expediency and reflect no particular commitments to policies and expected growth outcomes.[13] The 'new poverty agenda' as it played out in Ghana had little impact on any of these three factors.

Several explanations have been put forward as to why there has been growth without structural transformation in Ghana. One view is that the impediments to structural transformation require hard political choices. Some of the reforms required, such as in land tenure reform and public service reform, will entail high political costs from the negatively affected groups. The political elite (of both major political parties) have not shown the will to take the hard decisions.[14] However, there is nothing particularly patrimonial about fearing the wrath of civil servants or chiefs at election time, but rather a rational political calculation. Another view is that the political elite (again of both parties) lack a coherent development vision, with the similar outcome that public spending is politically expedient in the sense that it corresponds to the electoral cycle rather than any long term development strategy.[15]

[11] World Bank, 'Ghana'.

[12] Aryeetey & McKay, 'Ghana'.

[13] *Ibid*.

[14] For this argument, see T Killick, 'What drives change in Ghana?' in *The Economy of Ghana: analytical perspectives on stability, growth and poverty*, E Aryeetey & R Kanbur (eds), Suffolk, James Currey, 2008, pp 20-35; and D Booth et al., Drivers of Change in Ghana: Overview Report. Final draft. 2004.

[15] See Aryeetey & McKay, 'Ghana'.

A third view does not negate the first two, but rather argues that they are incomplete without taking into consideration aid dependency and the ideas and incentives that it generates.[16] Foreign aid and the aid system play a role in shaping the incentives of political leaders and the public service as well as the parameters within which a coherent development vision and articulated strategy must be produced and pursued.

These explanations will be elaborated, revised or refuted through subsequent work on the politics of pro-poor growth in Ghana which aims to move through the macro, meso and micro levels of analysis. This paper represents a first step in this direction. The next section looks at the political period when Rawlings was head of the PNDC and then NDC governments. It draws out some key aspects of that period important for understanding both the performance of that group of political elite, as well as the context in which the NPP took power and the New Poverty Agenda was introduced.

[16] See L Whitfield & E Jones, Ghana: Breaking out of Aid Dependence? Economic and Political Barriers to Ownership, in *The Politics of Aid: African Strategies for Dealing with Donors*, Oxford, Oxford University Press, 2009, pp 185-216.

THE PNDC AND NDC PERIOD (1982-1992): ACHIEVEMENTS AND FAILURES

The PNDC government pursued important policy reforms, and its political leaders and technocrats negotiated strongly with the World Bank and IMF to achieve what they thought were the best policies.[17] The PNDC also brought unprecedented infrastructural development to rural and poor parts of the country, particularly through the construction of feeder roads and electrification. Under the Economic Recovery Programme, the three northern regions were finally connected to the national electricity grid and a rural electrification program extended to most district capitals. These initiatives partly explain why Rawlings and the NDC (formed out of the PNDC) were able to win the elections in 1992 and 1996, and why the NDC polled well in rural areas and in the three northern regions.[18] The costs of adjustment were felt most strongly in the urban areas, and the main opposition New Patriotic Party channeled this discontent into political support.

There was a desire by the technocrats behind the Economic Recovery Programme to address structural constraints. In 1989, Ghanaian officials publicly criticised the World Bank and IMF for having too much faith in the ability of domestic production to respond to short-term prices changes and requested that structural bottlenecks be ad-

[17] See Y Tsikata, Ghana, in *Aid and Reform in Africa*, S Devarajan, D Dollar, & T Holmgren (eds), Washington DC, World Bank, 2001, pp 45-100.

[18] R Jeffries, 'The Ghanaian elections of 1996: towards the consolidation of democracy?', *African Affairs* 97, 1998, pp 189-208.

dressed.[19] The key technocrats and top political leaders with technical knowledge saw macroeconomic stability and liberalization as just the first stage. They had planned to revive a version of import-substitution industrialization, but this time with the right incentives.[20] However, their ability to do so was hindered by two main factors: the return to multiparty rule and the onset of aid dependence.

Ghana's initial success with economic reform attracted much donor support. In the 1980s, the Bretton Woods institutions saw Ghana as its showpiece for economic reform in Africa, resulting in an expanded range of policy interventions tied to increased concessional credit.[21] The economic team lost control over the pace of the reforms as donors wanted to support the reform process and the number of donors increased. Central coordination of the reform process dissolved as donors negotiated straight with line ministries who did not know what the central economic team was doing.

The return to democratic rule also had some negative effects on the economic reforms. With the return to multiparty politics ahead of the 1992 elections, priorities of the government moved away from economic reform towards the political imperative of remaining in power.[22] Political power within the NDC government shifted away from the technocrats of the PNDC era to political brokers and party financiers, and economic rationales were overtaken by political ones. The chief architect of the ERP resigned in late 1995, and crucial players in the macroeconomic team left their key governmental positions. After the key architects of the reforms left the NDC government by the mid-1990s, the reform effort stalled at the liberalization stage. There was not a reversal in the reform process, but pursuit of reforms was characterized by less rigor, a little less commitment and more politicization of the reform process.

The return to democratic rule probably increased the legitimacy of policies pushed by the NDC government during its second term (1997-2000), but not necessarily during the first term since the opposition parties boycotted the 1992 parliamentary elections and thus were left without a voice in the first Parliament. One of the main motives within the PNDC for pursuing democratization was to gain greater legitimacy for the reform process, recognizing that many reforms could not be pushed through but required broader societal support. However, it is hard to say whether the positive effect of greater legitimacy outweighed the negative effect of the new politics.

There were additional factors, partly related to or reinforcing the first two, which also shaped the implemented policy actions of the NDC government and its ability to think about and implement a long term growth and poverty reduction strategy. First, the 1990s were characterised by a vicious cycle of increasing government spending, whilst aiming to break even on the budget. The 1992 elections resulted in a significant increase in government spending. Fiscal shocks in the second half of the 1990s resulted in further inflation and currency depreciation. These shocks had multiple sources: delay in introducing a Value Added Tax for political reasons, an increase

[19] Hutchful, *Ghana's Structural Adjustment Experience*, p 155.

[20] Interview with Kwesi Botchwey, 12 April 2008, Oxford, UK.

[21] J Harrigan & S Younger, 'Aid, Debt and Growth', in *Economic Reforms in Ghana: the miracle and the mirage*, E Aryeetey, J Harrigan & M Nissanke (eds), Oxford, James Currey, 2000, pp 185-207.

[22] Hutchful, *Ghana's Structural Adjustment Experience*, p 221-3.

in civil servant salaries, expenditure on rural infrastructure, and lastly corruption and party patronage. In an attempt to balance the budget without sacrificing public spending, the government became increasingly reliant on one-off receipts from state divestures and increased domestic and foreign borrowing. In 1999, the country suffered two major external shocks: rising oil prices and a decline in world prices for its major exports cocoa, gold and timber. These shocks were compounded by the loss of fiscal discipline and loosening of monetary policy in the run up to the 2000 elections, and the subsequent suspension of aid and loan disbursements by the IMF and other donors due to non-compliance with IMF conditions.[23] Rapid inflation and currency depreciation followed. These macroeconomic problems meant that the NDC government depended on donors to shore up fiscal deficits and achieve macroeconomic stability.

Second, the economic reform process of the 1980s had been very centralized within the Ministry of Finance, rather secretive, and almost 'institutionless'.[24] Thus, there had been no attempt to build a public administration that could devise strategies and implement them. The legacies of this historical trajectory created problems in the democratic period when the public administration was expected to function and to negotiate with a myriad of donors but the civil service lacked the organization, personnel, skills and motivation to do so.[25]

Third, there was an attempt to create the capacity for long term planning, but it died in its infancy, and that legacy lives on today. In late 1987 the decision was announced to establish a National Development Planning Commission to deal with issues of long term development. Up until then, economic policy had focused on reversing the decline and enacting major policy changes of liberalization and privatization, but it was realized that longer term economic thinking was needed. With a combined Ministry of Finance and Economic Planning, the planning was relegated to the background, particularly given the need to manage short term economic crises. The Commission was established in 1990, and later enshrined in the 1992 Constitution and given legal basis by an Act of Parliament in 1994. A new division of labor was supposed to be created between a Ministry of Finance and the Planning Commission, with economic planning going to the latter and the former responsible for investment programming and budgeting. However, this never happened. Eboe Hutchful states that the Ministry of Finance and Economic Planning, supported by the World Bank, did not consider the Planning Commission an appropriate initiative at the time.[26] The Finance Minister, Kwesi Botchwey, regarded the move as motivated in part by political considerations and intended to reduce the power of the Finance Minister. For the World Bank, a planning institution reminded them of the inefficient state planning of the 1960s and state controls.

Thus, the Planning Commission was crippled at birth and has never overcome its downsized position. It was never properly staffed or equipped and became stigmatized as 'political Siberia', and the envisioned decentralized national development planning system never really took off. Nevertheless,

[23] Center for Economic Policy Analysis, Ghana: The Poverty Reduction and Growth Facility (PRGF) Arrangement, May 1999-November 2002. *Selected Economic Issues*, No. 4. Accra, Ghana.

[24] Hutchful, *Ghana's Structural Adjustment Experience*, pp 146-8.

[25] See Whitfield & Jones, 'Ghana'.

[26] Hutchful, *Ghana's Structural Adjustment Experience*, pp 111-2.

the constitution requires that the President presents a Coordinated Programme of Economic and Social Development Policies to Parliament. The Planning Commission produced a long term policy framework called *Ghana Vision 2020* in 1994 and then the first medium term development plan, which President Rawlings presented in 1995. It was an attempt by those writing it to reassert control over the direction of their development strategy and policies and use it as a basis from which to negotiate donor-funded projects.[27] The goals of Vision 2020 included structural transformation of the economy, correction of socio-economic imbalances, enhancement of the role of the private sector, strengthening infrastructure, and provision of greater social and economic amenities. It was written by civil servants in the Planning Commission and Ghanaian experts outside government, but it had the support of some important political leaders.

However, this medium term development plan had little influence on government policy actions, and it did not become a platform for negotiating with donors. As could be expected from the Planning Commission's marginal position politically and institutionally, it did not have the authority to ensure that ministries and agencies formulated policies and programmes to implement its objectives. It also had to compete with the three year Medium-Term Expenditure Framework controlled by the Ministry of Finance which outlined activities and expenditures for all ministries and agencies. The MTEF was adopted as part of the public financial management reform launched in 1996 and funded primarily by the World Bank. Furthermore, none of the donors supported the Vision 2020 document. Donors criticized it for lacking a clear strategy to deliver on the aspirations embodied in it, which was true. However, it is argued that the Planning Commission pitched the document somewhere between what it thought was required for economic development and what it thought would be supported by donors, but in leaving the government space to be flexible, the document lacked detail and prioritization. By the second half of the 1990s, the government was dependent on donor resources for the investment portion of government expenditure. The plan had little influence since donor-funded projects largely determined what ministries implemented.

Lastly, the antagonistic stance of the PNDC and NDC governments towards the private sector hampered their ability to move beyond the liberalization phase. President Rawlings gave the impression of being antagonistic to the private sector, which was born from his rhetoric and actions during the revolutionary period of the PNDC. Although Rawlings' PNDC pushed through major economic reforms, this was done through collaboration between the economic team in the PNDC and the World Bank and IMF teams. Rawlings supported the liberalization and privatization reform agenda, but he was predominantly a political entrepreneur with limited economic vision and appreciation of private business.[28] The PNDC and its successor NDC governments were not perceived by Ghanaian business as being a strong supporter of the domestic private sector.[29] Furthermore, the political elite in these governments did not develop collaborative relationships

[27] Interview with Ernest Aryeetey, Director of the Institute for Statistical, Social and Economic Research, University of Ghana, 13 April 2007.

[28] Hutchful, *Ghana's Structural Adjustment Experience*, p 245.

[29] R Tangri, 'The Politics of Government-Business Relations in Ghana', *Journal of Modern African Studies* 30(1), 1992, pp 97-111.

with economic elite in productive sectors. The collaboration that existed between the state and business largely took place around state-awarded contracts in construction, procurement and timber concessions. As a result, the contemporary Ghanaian business class is largely politically divided. Businessmen are aligned with the two major parties and those businesses not supporting the ruling party are marginalized.[30]

[30] See D Booth et al., Drivers of Change in Ghana.

THE 'NEW POVERTY AGENDA' COMES TO GHANA, THE NEW PATRIOTIC PARTY COMES TO POWER (2001-2008)

Ghana became eligible for debt relief under the Heavily Indebted Poor Countries Initiative (HIPC) in 1999, but the NDC government decided not to apply for it. Nevertheless, the government was required to prepare a PRSP in order to continue accessing World Bank and IMF balance of payment support, which it desperately needed at the time. The Planning Commission was charged with the responsibility of formulating the PRSP. Within the rest of the state bureaucracy, the PRSP was seen as a donor-driven process and ministries showed little interest in it.[31] The December 2000 national elections led to a change in ruling party before the PRSP formulation process was completed.

The New Patriotic Party (NPP) came to power under President Kufuor and with a slim majority in Parliament. It remained in power after the 2004 elections, with Kufuor taking a second term. In order to understand the impact of the New Poverty Agenda in Ghana, and particularly the PRSP process, it is necessary to analyze the impact from the perspective of how the NPP government saw the purpose of the PRSP. The first PRSP was a necessity for accessing debt relief and a tool for mobilizing funds from donors. Ministers and chief directors saw the chief importance of the GPRS to be in its use for acquiring future donor funding and resource allocation from the Ministry of Finance.[32] Having ac-

[31] T Killick & C Abugre, 'PRSP Institutionalisation Study Final Report, Institutionalising the PRSP approach in Ghana', Overseas Development Institute, London, 2001.

[32] Woll, 'Donor harmonisation and government ownership'.

cessed debt relief, the second PRSP remained a tool for mobilizing resources from donors, but also now had a life of its own as joint donor-government funding mechanisms had been created around it, such as general budget support. The content of PRSP documents was not really important, as the PRSP was not meant to be a national development strategy that set priorities, determined resource allocation and guided the formulation of programs at the ministry level.

The NPP's development vision spelled out in its 2000 election manifesto stemmed from its critique of the economic policies of the PNDC regime and NDC governments. The NPP political leadership criticised the passive role of the government, particularly on industrial policy since much of Ghana's nascent industrial capacity crumbled under import liberalisation. Therefore, the NPP's development vision focused on a positive partnership with the private sector, but also an active state role to remove impediments and foster development of the domestic private sector. The NPP government also articulated a strong commitment to restoring macroeconomic stability. However, the NPP government did not implement this development vision. Its proclaimed Golden Age of Business never materialized, as the NPP government failed to address key constraints that producers face which result in high production costs. While the NPP government did achieve macroeconomic stability, it squandered this achievement at the end of its second term.

The Ghana Poverty Reduction Strategy 2003-05 and its impact

Upon assuming power in January 2001, the NPP government's immediate task was to solve the macroeconomic problems it had inherited: rising inflation, currency depreciation, a huge domestic debt, shortfalls in aid flows and massive external debt servicing. The NPP government therefore reconsidered applying for debt relief under HIPC. Despite cutting development expenditure and freezing expenditure on goods and services, the 2001 budget had a huge deficit. Thus, the NPP government had to either cut public spending massively or to ask the international community for more aid money (and Ghana's biggest donors were pushing it to apply for HIPC). Finally, after direct discussions with IMF, British and French government officials, President Kufuor decided 'to go HIPC'.[33]

Under new political leadership, the Planning Commission quickly wrapped up the PRSP process in order to access debt relief as quickly as possible. Most Ministers took little interest in the process, again seeing it as a donor demand and activity of the Planning Commission with little implication for their work.[34] The situation changed when the World Bank country director stated that this document would be the reference document for donor aid. The President put his support behind it, and the Cabinet put its stamp on it. The final text of the Ghana Poverty Reduction Strategy 2002-2004 (GPRS) was largely written under the NDC government, so the NPP political leadership inserted its Medium Term Priorities as the focus in implementation of the GPRS. The NPP government gave the document an emphasis on poverty reduction through wealth creation and assisting poor groups to engage in income generating activities.

[33] DK Osei, 'Ambassador D.K. Osei' in *An Economic History of Ghana: reflections on a half-century of challenges and progress*, I Agyeman-Duah (ed.), Banbury, Abyeia Clarke, 2008, p.125

[34] Evaluation of the Comprehensive Development Framework: Ghana Case Study. Comprehensive Development Framework Evaluation Secretariat, 15 October 2002. Draft report.

The Medium Term Priorities included measures for

- macroeconomic stability;
- economic transformation, such as modernizing agriculture and promoting agro-processing;
- strengthening the private sector, such as access to long term credit;
- infrastructure, such as roads and energy;
- education and skills training, such as building model senior secondary school in each district;
- health, such as a model health centre in each district and reforming the health payment system
- and a few measures on the environment, gender, water and sanitation

These priorities diverged from the preferences of some major donors who did not consider them pro-poor at all or who did not see them as linked to a diagnosis of the country's poverty problem.[35] The term 'wealth creation' used in the GPRS appears to have been created after the NPP government was elected, as it does not appear in its election manifesto, in contrast to the new discourse of the international aid community which focused on poverty reduction. As the second PRSP would indicate, the NPP government saw the new poverty agenda as too narrow and not ambitious enough.

The NPP government produced a Coordinated Programme for the Economic and Social Development of Ghana 2003-2012 and submitted it to Parliament as required by the constitution. The document states that the government's aim is to transform the nature of the economy by harnessing agricultural resource potential through value additions. It refers to the Medium Term Priorities indicated in the GPRS as laying the foundation, but its two strategies for accelerating growth focus on agro-based industrial development and information technology. The Coordinated Programme is quite different from the GPRS text. However, this Programme is never mentioned in public statements or donor documents, and one would be excused for not knowing that it even existed. The GPRS, on the other hand, is referred to consistently in donor documents and much official government discourse. This schism was solved during the second term of the NPP government when GPRS II contained more of the government's agenda, and when the GPRS II was presented to Parliament as the government's Coordinated Programme.

For the NPP government, the GPRS served mainly to access debt relief, and as such it was a declaration of intentions to use debt relief for poverty reduction actions. In order to access debt relief, the government had to meet the conditions specified in the HIPC agreement, implement its World Bank and IMF agreements, and implement its PRSP for a year.[36] The government completed the HIPC process in late 2004. It also acquired relief on debt to the Bretton Woods institutions in 2006 under the Multilateral Debt Relief Initiative. Twenty percent of the HIPC funds (revenue calculated to be saved annually as a result of debt relief) went to servicing domestic debt, and the rest was allocated to ministries, departments, agencies and local government bodies for poverty reduction expenditures. Starting in 2007, the budget allocated all debt relief funds to specific activities, as opposed to just stating the amount

[35] Ibid.

[36] For more detail on the conditions see Whitfield and Jones (2009) and Whitfield (2005).

going to each ministry. However, the funds were quite small, especially when distributed across a wide range of activities, and thus did not amount to a large new source of discretionary expenditure.

Multi-donor Budget Support was introduced in 2003 as a mechanism for how donors would give budget support and what the government must do in order to receive this direct financing. It created a common structure for 'dialogue' between donors and the government, which included key discussions twice a year and a formal annual assessment. Disbursements were linked to a set of benchmarks established for judging progress which are contained in a performance assessment matrix. These targets and conditions are chosen annually through negotiations between the budget support donors and the government. Nine donors signed up to budget support in 2003, which expanded to eleven donors in 2007, although these donors only give a portion of their aid portfolio through budget support. The budget support arrangement is backed by an extensive system of sector working groups. There are regular meetings of the budget support group and parallel regular meetings of the budget support sector working groups. Donors tried to use the MDBS to increase their leverage over implemented policies.[37] Initially, budget support conditionalities focused on public financial management, and the government had little input. Only in 2005 did the government begin to have input into the proposal for targets and conditions. By the time of GPRS II, budget support targets came from the joint donor-government sector working groups, which largely took them from sector strategies. Thus, the introduction of general budget support structures increased donors' access to discussions over the budget and sector level policy.

In sum, what got implemented during the first Kufuor administration were actions to achieve macroeconomic stabilization (the focus of 2001 and 2002) and actions which were tied to the release of significant monies, including the conditions negotiated in the HIPC agreement, conditions in the World Bank's Poverty Reduction Support Credit and the IMF's Poverty Reduction and Growth Facility, and (from 2003) conditions in the Multi-Donor Budget Support Mechanism. Also implemented were on-going donor-government projects and programs, and from 2004, activities funded from HIPC savings.

Although dependence on donor resources to support the budget declined during the first term of the NPP government, donor resources still accounted for most of the investment expenditure. Investment expenditure increased over 2003 and 2005 due to increased aid flows while domestic funding for investment remained constant. The largest component of government spending was the public sector wage bill. Resources allocated to social services increased, but the 2004 Annual Progress Report on the GRPS notes that 'increased allocation to social services to provide relief and safety nets to the poor and vulnerable has crowded out resources to the economic services sector which supports wealth creation an sustained poverty reduction'.[38] Budget allocations to the agriculture

[37] T Lawson et al., 'Evaluation of outputs, outcomes and impacts and recommendations on future design and management of Ghana MDBS', Joint Evaluation of Multi-Donor Budget Support to Ghana, Final Report to the Government of Ghana and to the MDBS partners. Overseas Development Institute, London and Ghana Centre for Democratic Development, Accra.

[38] National Development Planning Commission, 2005 Annual Progress Report. Implementation of the Ghana Poverty Reduction Strategy 2003-2005, Accra, Government of Ghana, p 21.

sector declined from 7.1% in 2001 to 3.03% in 2004.

The Growth and Poverty Reduction Strategy 2006-09 and its impact

Multilateral and bilateral donors pressured the government (through the government's dependence on IMF and World Bank balance of payments support arrangements) to continue with the GPRS as its primary development plan, even when the government's lack of interest with its indicators was apparent. However, donors' main interest was to uphold the credibility of the process because donor funding arrangements were nominally based on the GPRS and there was no ready alternative on which to formalize the donor-recipient relationship.[39] In terms of content, however, donors played a less prominent role than during the first PRSP.

The context in which the second PRSP was produced was different from the first. Having achieved macroeconomic stability and debt relief by 2005, the emphasis shifted to growth-inducing policies and programs that have the potential to support 'wealth creation and sustainable poverty reduction'. As the title suggests, the Growth and Poverty Reduction Strategy (GPRS II) declared a need to focus more on the productive sector, so that the costs of social sector spending could be sustained. This argument was there in the first PRSP, but it was made more forcefully in the second. GPRS II was an agriculture-led strategy which seeks to diversify the economy's structure away from dependence on cocoa to cereals and other cash crops for export markets and increase agro-processing and light industry based on textiles and garments and value-added minerals.

The GPRS II was also produced by the Planning Commission using the same system of expert working groups as during the first PRSP. The Preface which aggressively sets out an alternative to the New Poverty Agenda was written by the Chairman of the Commission at that time, J.H. Mensah. Mensah is a veteran politician and development economist. He served under President Nkrumah in the country's first government, and as Finance Minister under K.A. Busia, Ghana's second President. He was the Senior Minister in Kufuor's first administration, but became marginalized in the second administration and was posted to the Planning Commission. Given that Mensah is an octogenarian and part of a very old generation, it seems the younger generation of NPP politicians may have pushed him out. Thus, the extent to which the GPRS II resonates with the rest of the NPP political elite can be questioned.

On the other hand, the content of the GPRS II was just an aggregate of existing sector strategies and international commitments. As stated by the Director General of the Planning Commission: 'GPRS II essentially integrates the otherwise disparate development agendas and sectoral commitments that compete for inclusion in the annual national budget into one comprehensive development policy framework'.[40] Thus, the Preface may reflect the desire of Mensah and the Planning Commission, and probably many political leaders in the NPP, but it did not affect the content of GPRS per se.

[39] Woll, 'Donor harmonisation and government ownership', p 77.

[40] 'Results and Resources Analysis 2007', presentation by Regina Adutwum, Director-General, National Development Planning Commission, to the Consultative Group meeting, 30 June 2008.

Ministries prepared sector strategies in 2003 and 2004 to guide their activities. These strategies alluded to the GPRS text, but the GPRS was so general and all inclusive that almost anything could be justified as being 'inline' with its priorities. In reality, the content of sector strategies was determined in negotiations with donors active in that sector, especially those willing to pool funds for the implementation of the sector strategy. These sector strategies in turn were the basis for the content of the second PRSP. The emergence of sector strategies was partially driven by donors, who were seeking to implement new aid modalities such as the sector-wide approach or pooled funds and thus needed a strategy around which they could coordinate their projects and funding. This drive gained momentum with the growing emphasis on donor harmonization and alignment with government's own policies in order to increase recipient ownership of aid supported activities. Ministries took up the opportunity to produce their own strategies which donors would then support.

The reality is much more complicated. Donors tried to get their ideas and priorities incorporated and ministry policymakers are fully aware after decades of working with donors about what particular donors would and would not finance. Donors provided resources to formulate the strategies, paying domestic or international consultants to help design the strategies and for numerous rounds of public consultations. Sector policies are often comprehensive, but fail to set clear priorities and a sequence for implementation. This lack of prioritization is partly the result a large number of donor agencies being involved in the policymaking process, in addition to the many different departments within ministries, and policy makers tried to include all of their priorities so there is sufficient buy in and financial support. Sector policies are largely done for the benefit of donors by lower middle level bureaucrats, and generally civil servants were not going to get into a fight over a policy document as long as it did not proscribe them from doing the things they wanted.

In short, GPRS II may have had an overarching vision, but it did not produce a national development strategy that was then to guide the develop programs to implement it. To find out what was implemented by the second NPP government, one has to look at the ministry level and even at specific projects. It is in specific projects where government officials discuss and negotiate with donors 'how to' achieve their objectives. It is hear that politicians and civil servants do (or do not) bring ideas to the table, and it is here that they encounter the rigidities of the aid system and the weaknesses of the public administration to formulate, negotiate and implement programs.

The MDBS is supposed to be aligned with the government's priorities in the GPRS. However, since donors do not see the GPRS as properly prioritized, negotiations over the policy matrix of the Performance Assessment Framework for disbursing general budget support are basically about picking priorities.[41] Policy actions and targets in the MDBS policy matrix seem to be closer to the GPRS II priorities than was the case under the GPRS I.

[41] T Lawson et al., Report from the MDBS Budget Support Joint Evaluation Dissemination Workshop held 24 April 2007.

The NPP government and the economic transformation agenda

For President Kufuor's first term, and probably the beginning of his second term, the NPP government had limited access to funds outside donor aid flows for the purposes of investments and the provision of services. Domestic funding for investment remained constant during GPRS I, with all increased investment expenditure over the period from 2003 to 2005 coming from increased aid flows. After making payments regarding domestic and foreign debt, the remaining government revenue went to public sector salaries, administration, statutory payments, and counterpart funding for donor projects. The largest component of government spending was the public sector wage bill, as it had been in the 1990s. This left little room for maneuver and made it difficult to change investments or focus them in a landscape dominated by multiple donor projects of various sizes. However, this is not to say that the NPP government would have been able to agree on major investment strategies even if it did not face the constraints inherent in depending on donors. As discussed below, there are other factors which affect the ability of the party in power to formulate and implement policies and initiatives.

In a post-HIPC environment of macroeconomic stability, the second Kufuor administration emphasized infrastructural development in order to address critical infrastructural bottlenecks slowing down growth. The government was funding its infrastructure projects primarily through the international capital market and loans from China, but also through loans from traditional donors and public–private partnerships with foreign companies where possible. After completing its Poverty Reduction and Growth Facility with the IMF in October 2006, the government decided not to enter into another agreement with the IMF, but rather used its new credit rating to issue a Eurobond in September 2007 that raised $750 billion on the international private capital market.

However, in 2006 the government's fiscal deficit grew to 7.5% of GDP due to its expansionary policies.[42] The main driver of government spending was the wage bill as a result of pay awards in the health sector that triggered further requests for pay increases within the public sector. The second driver of government spending was energy sector subsidies. The supposedly autonomous regulatory body increased electricity tariffs in 2006, but these were not passed on to the consumer at the government's request and it subsidized the electricity company, which had tariffs 50% below the cost of power generation. Although tariff adjustments were passed through to consumers in 2007, they did not reach cost recovery level.

Electricity shortages in 2006 and 2007 created a crisis, and the government prioritized investments in the energy sector. The government responded to the need for fiscal space for energy-related expenditures, as well as payroll expenditures again, with across the board 30% cuts in budget ceilings for services and non-energy related capital expenditures.[43] This had also been done in 2006 to accommodate high payroll spending. Government increased poverty reduction spending in 2006 and 2007 at around 10.5% of GDP, with basic education, health and rural electrification accounting for over 60% of domestically financed total poverty reduction spending.

[42] World Bank. Ghana 2007 External Review of Public Financial Management, Volume 1: main report. Report no. 40676-GH, June 2008.

[43] Ibid.

However, government spending in 2007 and 2008 also included prestige projects which had no or limited effect on productivity. These included Ghana@50 to celebrate 50 years of independence in July 2007; building three new football stadia in order to host the African Cup of Nations in early 2008; hosting the Summit of Heads of State from Africa, Caribbean and the Pacific countries in October 2008; hosting the UNCTAD conference in April 2008; and the construction of Jubilee House, the new presidential palace. These events required considerable outlays from the government, but it is not officially known yet how much.

The trade deficit grew in 2007 and 2008 due to rapid growth in non-oil imports and increase in the oil bill, which overshadowed good export performance and caused a decline in the currency value while the fiscal deficit caused higher inflation.[44] By January 2009, the country was back into the throws of macroeconomic instability. The NPP government had overshot its 2008 budget projections by 697%.[45] The country's fiscal deficit surged in 2008 as a result of overspending, increased petrol prices, the effect of the energy crisis on the economy, and a short fall in the expected returns on investment from hosting the Africa Cup of Nations.[46] Fiscal deficits of the past few years had been financed from the proceeds from the privatization of state assets and from leftovers of the Eurobonds issued in 2007, while the current account deficit was financed with foreign reserves. By 2009, those sources were not longer available. Thus, the early achievements of the NPP government in terms of macroeconomic stability evaporated.

In terms of social services, resource allocations increased, but it is not clear whether the quality of education has improved significantly. A major policy change was made in the health sector which involved the establishment of the National Health Insurance Scheme in 2005 to replace the cash and carry system established under structural adjustment. This was a major issue in the NPP's 2000 election manifesto, and with the bill to create it passed by Parliament before 2004 elections, the NPP could point to a major policy victory.

In the productive sector, there were a few key initiatives. Kufuor launched the Presidential Special Initiatives (PSIs) to create new pillars of growth in agro-processing and in garments and textiles in order to take advantage of the US African Growth and Opportunity Act. However, by the end of its tenure in office, the PSIs had not achieved much and remained in the initial phases of implementation. Regarding the cocoa industry, the government increased the producer price paid to cocoa farmers, began a free mass spraying of cocoa farms to control pest and diseases, improved feeder roads in cocoa growing areas, and encouraged domestic processing of cocoa. However, the government did not make much progress on its priorities under modernizing agriculture. Concerning its priority of farm mechanization, it imported tractors for selling individually and establishing farm mechanization centers in 2005 with HIPC funds and an Indian Exim Bank facility. The government also began procurement and distribution of processing equipment to support agro-processing industries largely using HIPC funds. The government also signed the Millennium Challenge Account compact with

[44] International Monetary Fund. Staff Report for the 2008 Article IV Consultation. 16 June 2008.

[45] 'WB paints gloomy picture of Ghanaian economy', Daily Graphic, 7 January 2009, www.ghanaweb.com.

[46] Government of Ghana is 'Broke', GNA, 16/01/09, accessed from www.ghanaweb.com.

the US in 2005, which focuses on modernizing agriculture in 2005, but it did not start implementation until early 2007. By the end of the NPP reign, that initiative was yet to make any impact on the ground. But the government did not make any progress on other stated priorities such as providing irrigation facilities, improving access to inputs for crop and livestock production, undertaking land administration reforms, and improving access and increasing volume of credit available at affordable rates.

The NPP government did not take any tough decisions or push through reforms on the key constraints. For example, it created a Ministry of Public Sector Reform, but this ministry did not make much progress in pursuing civil service reform, and it created a Ministry for Private Sector Development, but one could say that the party's Golden Age of Business failed to materialize. It is also true that Kufuor and the top political leadership seemed to lack a strong vision for the country. Not many NPP politicians brought new ideas to the table. The Presidential Special Initiatives was one of the only ones, and that idea was very state centric and did not involve 'building partnerships with the private sector'. The NPP government talked the talk, but produced few strategies to turn its discourse into reality.

FACTORS INFLUENCING GOVERNMENT POLICY ACTIONS

Why did the NPP government implement some of its stated priorities and not others? Why did it particularly fail to implement its agenda on modernizing agriculture? The following discussion is a first attempt to answer these questions in a way that highlights the key explanatory factors and gives an overall picture. This initial explanation serves to lay the foundation for future research which will look at several of these factors in more detail.

The factors influencing government policy actions were shaped by what the political and bureaucratic elite find desirable and perceive to be feasible, and their authority and ability to get those actions implemented. These factors include:

1. Macroeconomic constraints
2. Donor pressure leveraged through financing
3. Pressure to win elections
4. Internal dynamics of the ruling party
5. Bureaucratic constraints

These five factors are not specific to the NPP government, but apply to the 1993-2000 NDC government as well, but the discussion here refers only to the two Kufuor administrations. The external environment also shapes what is feasible, but is taken as an unchangeable given, whereas the five factors listed above can be changed even though they are difficult to change. The interplay of these factors determines government's actions or inactions.

The government is constrained by macroeconomic parameters, as has been true since Nkrumah's independence government, due to the structure of the economy which depends on a few key exports to fund imports and which has limited revenues to fund domestic expenditures. However, as can be seen from the narrative above, the NPP government's expenditures where also influenced by other, political factors. The prestige projects were clearly the result of pressure within the party to both portray its party and its country in a prestigious way, which were seen as more important than some public investments that went unfunded due to 'lack of funds' in ministries. Another example is that the government repeatedly delayed passing on increases in oil prices to utility consumers, which resulted in huge subsidy bills. The action of the government was most likely predicated on fears of a public backlash at election time, since utility prices are extremely politicized in Ghana. Thus, pressure to win elections also leads to fiscal expansion and in turn creates or exacerbates macro-economic constraints.

Political leaders strive to appease the electorate in order to get (re)elected. As a result, they focus on projects and actions that can deliver immediate results, or at least before the next election (which is every four years). They also focus on delivering visible benefits. Visible symbols of investment produce more political points for incumbent politicians than reforms or investments that take a long time to bear fruit. Building roads, schools and health clinics which the ruling government can take credit for makes good political sense. Investing in infrastructure is not always done with the economy in mind but with short-term political considerations: rather than targeted investments, they are widely disbursed. Furthermore, donors also like visible things, because they can also plant their flag on it, creating double perverse incentives. The need to claim credit for bringing benefits to people's lives can also result in the government wanting to be the lead implementer in productive sector initiatives or start something new instead of building on what the private sector was already doing. Thus, needing to claim credit can affect precisely how things are implemented.

Dynamics of the internal workings of the New Patriotic Party are important to understanding the lack of cohesive vision of the NPP government and to its inability to effectively implement its own priorities and initiatives. There is little research to date on debates and tensions within the party political elite and how this may undermine its effectiveness in power. How the battles within the party play out, and how the top leadership handles them are very important in determining the effectiveness of the party in power to produce and implement a development vision and initiatives.

Organized interest groups do lobby for influence on government policies and initiatives. Some are more influential than others. However, there are not many organized productive interests in Ghana, because there are few strong industries. In an economy where much of the economic elite are in construction, real estate, services, and import and distribution, there are few large and organized sector groups pushing for policies to address the constraints of agro-processing and manufacturing and offering solutions. Food crop farmers are also not organized well-enough to advocate for policies to promote agriculture and to use electoral pressure in that way. There has not been a big pull within society to deliver on an agricultural development strategy. Agribusiness only really took off in the 1990s, but Ghanaian agribusinessmen have not been very pro-active to date. General voter concerns stress the provision of social services and infrastructure much more than agricultural policies, except for requests for fertilizer subsidies. NGOs are also mostly concerned with social service provision such as health, education, water.

The last factor affecting what gets implemented is bureaucratic constraints on operationalizing and implementing policies. The public administration structures since independence have developed in an ineffectual way.[47] Since independence, the public administration has been characterized by fragmentation due to the multiplication of public sector organizations, which makes their management difficult. Since Nkrumah's time, politicians had been suspicious of civil servants' loyalty, and top civil servants were encouraged to join the ruling party. Economic decline in the 1970s led to an exodus of professionals, and acquiring or retaining good staff continues to be a problem. Parallel administrative units have been set up under several governments, such as during the late Nkrumah period and during the economic reforms of the 1980s under the PNDC regime. On top of the chaotic structures that had arisen by the 1990s, aid dependence brought with it parallel implementation units, a slew of consultants, use of donor procedures, and a second set of donor supervisors.[48] Little has changed since then, despite recent attempts to reform the aid system.

The result today is a public administration system that does not work and which severely reduces the ability of the government to implement reforms and programs. Incentive structures within the civil service actively discourage initiative and pro-activity. Furthermore, civil servants feel underpaid next to domestic or donor funded consultants who receive much higher salaries, and they feel frustrated by being bypassed when Ministers appoint political advisers to get things done. As a result, it takes a long time to implement anything, and initiatives can get killed under the weight of this bureaucracy. Public sector reform has been on the agenda for decades, but not moved very far. An affordable civil service reform will have to include substantial retrenchments. But this is politically difficult in a situation where the public sector accounts for about half of total recorded employment, and the economy has been unable to generate productive formal sector jobs to keep pace with growth of the labor force.

The leadership, institutions, policies and political coalitions needed to push forward an agenda of structural transformation of the economy, and thus long term poverty reduction, do not come easily – as the global historical record shows. In Ghana, the constraints posed by chronic macroeconomic instability, donor agendas leveraged through financing, pressure to win elections, the internal dynamics of the ruling party, and the weaknesses of the public administration appear formidable. However, this is not a determinist or path dependency argument. Although the political elite face great incentives to maintain the status quo and disincentives to change, there is cause for optimism. Most of these constraints are internally generated and thus the possibility of change from within. For example, macroeconomic instability is the cause of both the narrow economic structure but also of government policy actions. Furthermore, government leaders could choose to take less foreign aid or negotiate about what kind of aid to take. However, it has also has become abun-

[47] AG Quartey, The Ghana Civil Service: engine for development or impediment?. IDEG Ghana speaks lecture/seminar series, Accra, Woeli publishers, 2007.

[48] E Aryeetey & A Cox, 'Aid Effectiveness in Ghana', in Foreign Aid in Africa: learning from country experiences, J Carlsson, G Somolekae & N van de Walle (eds), Uppsala, Nordiska Afrikainstitutet, 1997, pp 65-111.

dantly clear that foreign aid does not hold the promise of economic development. As this paper has shown, it is hard for aid to alter the constraints and can even exacerbate them.