# IMPLEMENTATION OF THE SAP AND POVERTY
# A CASE STUDY OF GHANA



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Tiivistelmä – Referat – Abstract

The principal argument driving this research was that, the manner in which SAP was implemented in Ghana, contributed towards higher poverty levels in the country. The aim of this research therefore was to examine the implementation and effectiveness of SAP in Ghana from 1983 to 1998. In order to achieve this aim, the dissertation questioned: the significant features and conditions of SAP with special reference to Ghana; the economic socio-economic factors which compelled Ghana to apply for the SAP; and the results of SAP in terms of poverty reduction. The research was primarily based upon the review of existing academic literature, while the principal argument was examined through an exploration of the secondary sources, mostly African in origin.

It has been concluded that the implementation of the SAP in Ghana not only failed to alleviate poverty but instead acted as an active agent of poverty towards the increased plight of the poor people in the country. The main reason of this failure was found in the dictates of both the neo-liberal and dependency theories, where the former defines the adverse impact of the conditions attached with the loans from the IMF and the World Bank, while the latter defines the debt servicing and the resultant marginalization of the poorer classes. It has also been concluded that the claims of the Bretton Woods institutions with reference to the benefits associated with the implementation of the SAP in the host countries, are completely wrong as the implementation of the SAP in Ghana had an adverse impact upon social welfare in terms of increasing the cost of social services manifold and thereby degrading the living standards.

In accordance with the conclusions from the analysis of the implementation of the SAP in Ghana, some important recommendations have also been presented which mainly include: requirement of a detailed and comprehensive analysis of the country-specific context and ground realities before the implementation of the SAP; identification of the social developmental priorities in order to enhance the ownership of the reform by all the stakeholders; designing the SAP on the basis of a suitable and dynamic institutional framework towards an enhanced synergy between efficiency and equity; basing the SAP upon a human resource developmental orientation; adoption of the creation of employment opportunities as the principal objective of the SAP; and aiming the SAP at long term social and economic transformation through a dynamic and flexible policy framework.

Avainsanat – Nyckelord – Keywords
Structural Adjustment Program
Ghana
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World Bank
Bretton Woods
Poverty
Implementation
Thematic Analysis
Dependency Theory
Neo-Liberal theory

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## ABBREVIATIONS

AFRC- Armed Forces Revolutionary Council

IGO- Intergovernmental Organisation

IMF- International Monetary Fund

NGO- Non-governmental Organization

NLC- National Liberation Council

NRC- National Redemption Council

PNDC- Provisional National Defense Council

SAP- Structural Adjustment Program

SAPRI- Structural Adjustment Participatory Review Initiative

TUC- Trade Union Congress

# CHAPTER 1: INTRODUCTION

## Context And Principal Argument

This dissertation focuses upon the Structural Adjustment Program (SAP), which was introduced for Ghana by the World Bank and the International Monetary Fund (IMF). The Bretton Woods have over the years maintained that proper implementation of SAP ensures economic growth, which then leads to the overall improvement in the social conditions of the people[1].The manner in which SAP was implemented in Ghana and its resultant impact, thus become the crux of this dissertation.

As far as the principal argument is concerned, it in fact challenges the belief and opinion of some economic analysts according to which the economic growth in Ghana[2] occurred as a result of the adoption and implementation of the SAP. These analysts also cite as their evidence, the growth consumption patterns[3] of the Ghanaian middle class[4]. It is also pertinent to mention that this dissertation examines the effect of the SAP on poverty in Ghana, in terms of its methodology of implementation; the principal argument being that the manner in which SAP was implemented, contributed towards higher poverty levels in Ghana. However, this dissertation has not focused much on the situation of the Ghanaian population in terms of poverty before the adoption of SAP, even though a historical background into what led Ghana to adopt the program has been laid out in requisite detail. Instead, the data from the beginning of the program and throughout its implementation i.e. from 1983 to 1998 has been made the area of emphasis.

The discussion first encompasses the economic position of Ghana before and at the time of adoption of the program and then contrasts it with the situation afterwards, following which the relevant economic and development theories have been applied to explain why SAP failed to improve the lives of the average Ghanaians. Questions have also been asked in both the international and domestic contexts to determine the reasons for the failure of the program in Ghana. Moreover, the stance of the Bretton Woods on using particular theories as guidelines for ensuring development has also been examined in detail. In addition to

[1]Ernest, Aryeetey., and Augustin Fosu. "Economic growth in Ghana: 1960-2000." *Draft, African Economic Research Consortium, Nairobi, Kenya* (2003).
[2]Kwabena Donkor. *Structural adjustment and mass poverty in Ghana*. Aldershot: Ashgate, 1997.
[3] Benno J., Ndulu. *The political economy of economic growth in Africa, 1960-2000*.Vol. 2.Cambridge University Press, 2008.
[4]Nii Kwaku Sowa. *An assessment of poverty reducing policies and programmes in Ghana*. Centre for Policy Analysis, 2002.

these areas of discussion, this dissertation also highlights the response of and the role being played by the Ghanaian government, as well as the opinion of the Bretton Woods towards Ghana's adoption of the programme in terms of its success or otherwise.

It is felt that a comprehensive analysis of the economic crises in developing nations cannot be carried out without examining the theories that underpin the problem. Therefore, this dissertation has examined both the dependency and the neo-liberal theories towards demonstrating the extent to which these ideologies help in the explanation of the reasons behind tough conditions on loans from the IMF[5] and the World Bank[6]. With the help of existing literature, relevant studies and statistics on the subject and additional findings available from academic and online databases, this dissertation argues that SAP had a negative impact upon the ordinary Ghanaian people because of the manner in which it was implemented. Following the discussion, this dissertation also includes a few pertinent recommendations that are expected to lead to a successive outcome of SAP when applied to countries like Ghana.

## 1.2 Introduction To The SAP

Structural adjustment programs or SAPs are economic policies promoted by the World Bank and the International Monetary Fund (IMF) for the developing countries. These programmes come in the form of conditions that the host countries must follow in order to qualify for loans from these international financial bodies. The literature highlights that these programmes were originally designed to suit the neo-liberal agenda of the World Bank and the aim behind these programmes was mainly to assist towards the restructuring of economies in the developing nations[7]. SAP policies thus included steps like the reduction of government spending through cuts in social services, wage suppression, trade liberalization, and reducing tax on high earners as well as business deregulation[8]. Many scholars over the years have praised the World Bank and IMF for introducing the program to restructure economies in the developing and under developed nations, but scholars such

[5]Ray Kiely. "Neo liberalism revised? A critical account of World Bank concepts of good governance and market friendly intervention." *Capital & Class* 22, no. 1 (1998): 63-88.
[6]M, Shamsul Haque."The fate of sustainable development under neo-liberal regimes in developing countries." *International Political Science Review* 20, no. 2 (1999): 197-218.
[7]Wayne Ellwood. *The no-nonsense guide to globalization*.New Internationalist, 2006.
[8] Kevin Danaher, ed. *50 years is enough: the case against the World Bank and the International Monetary Fund*. South End Press, 1994.

as Patomaki and Teivainen[9] and Harvey[10] have also criticized this program and view these institutions as hegemonic and selfish for advocating and implementing reforms in economies not for the good of the poor host countries but rather for their own interest of economic and financial gains.

It is also important to note in the context of SAP that even though the main aim of these programmes was to reduce inflation and not to directly reduce poverty; the application of this program was supposed to lead indirectly to a reduction in poverty. This is in accordance with the opinions of both Klasen[11] and Kakwani et al.[12], according to which the economic growth of a country has a direct influence on poverty, as gains achieved via growth ultimately trickle down and benefit the poor, thus leading to an overall reduction in poverty.

## 1.3 Historical Perspective Of SAP In Ghana

Ghana at the time of its independence from the British administration in March 1957 was acclaimed amongst many countries as the 'Black Star' of Africa[13]. This was because the country was seen as one of the strongest economies in Africa with an abundance of raw materials and rich natural products and minerals such as cocoa, gold, diamonds and bauxite. Being the world leader in the export of cocoa, Ghana's economy became buoyant to the extent that the country gained a 'medium income' international status[14].

The success story of Ghana's economy encouraged the first administration which was led by Dr Kwame Nkrumah, to adopt a state-led approach focusing upon import substitution. The central plan of Nkrumah's state-led strategy also included the provision of social services such as free health care, housing and education, all to be provided by the state[15]. According to Hutchful, the socialist-oriented policies of Nkrumah rested on the continual

[9]Heikki Patomäki, and TeivoTeivainen. *A possible world: democratic transformation of global institutions*. Zed Books, 2004.
[10]David Harvey. *A brief history of neoliberalism*.OUP Oxford, 2005.
[11]Stephan Klasen. "In search of the holy grail: how to achieve pro-poor growth?." *Toward pro poor policies-aid, institutions, and globalization* (2004): 63-94.
[12]Nanak Kakwani, Hyun H. Son, Sarfraz K. Qureshi, and G. M. Arif. "Pro-poor growth: Concepts and measurement with country case studies [with comments]." *The Pakistan Development Review* (2003): 417-444.
[13]Justin Williams. *Pan-Africanism in One Country: African Socialism, Neoliberalism and Globalization in Ghana*. Longsight, 2011.
[14]Kwame Insaidoo. *Ghana: An Incomplete Independence Or a Dysfunctional Democracy?*.Author House, 2012.
[15]Jeffrey Ira Herbst. *The politics of reform in Ghana, 1982-1991*.Univ of California Press, 1993.

increase of the cocoa prices in the international market. However, when the price of cocoa fell in the 1960's, the government could not afford to continue sponsoring the welfare program it had started earlier. This led to allegations of inefficiency against the government, which ultimately led to a military coup. By the time the Nkrumah government was toppled by the military leaders, investment in import-substitution and infrastructure were yielding very poor returns, while corruption and over-staffing of the state enterprises were at their peak[16].

The regimes which came after Nkrumah's administration such as the NLC, NRC and AFRC, all claimed to have inherited a weak economy which could not thrive without assistance from external agencies and foreign powers. Therefore, all successive governments such as the NLC introduced stringent measures such as tax imposition on levies; abolishment of free education; withdrawal of subsidies; devaluation of the cedi to about 44%; and liberalization of trade[17]. All these steps were introduced to revamp the crippled economy, however in reality, nothing positive or constructive occurred as the Ghanaian economy kept on plunging down over time[18]. As a result of the failure of the domestically developed approaches and strategies to improve the economy, the capitalist system became the only viable alternative for pursuing economic development in Ghana[19]. As Smith rightly puts it, "developing countries cannot exist without their dependence, but they cannot exist within it"[20].

## 1.4 Significance And Rationale Of The Study

In context of the foreign aid and also of the conditions attached to the loans from the Bretton Woods and their contribution towards the underdevelopment of Africa, the criticism carried out by the Zambian economist, Dambisa Moyo in her famous book 'Dead Aid: Why Aid Is Not Working and There Is Another Way for Africa'[21], is considered

[16]Eboe Hutchful. *Ghana's adjustment experience: The paradox of reform*. Geneva: UNRISD, 2002.
[17]Kwame Boafo-Arthur. "Ghana: Structural adjustment, democratization, and the politics of continuity." *African Studies Review* 42, no. 02 (1999): 41-72.
[18]Kojo E., Sakyi, Richardson Azunu, and Kwasi Addei Mensah. "Factors Impeding Anti-corruption Policy Implementation in Africa-The Case Study of Ghana's Zero-tolerance for Corruption Policy." *Africa Insight* 40, no. 3 (2010).
[19]Cristobal Kay, and Robert N. Gwynne. "Relevance of structuralist and dependency theories in the neoliberal period: a Latin American perspective." *Journal of developing societies* 16, no. 1 (2000): 5.
[20] Tony Smith. "The underdevelopment of development literature: the case of dependency theory." *World Politics* 31, no. 02 (1979): 249.
[21]Dambisa Moyo. *Dead aid: Why aid is not working and how there is a better way for Africa*. Macmillan, 2009.

highly pertinent. According to Moyo, these loans did nothing except to multiply the deplorable economic conditions which most countries in Africa find themselves in, of which the case of Ghana is not exempted. Moyo has also argued as to how the policy decisions concerning poor nations have been left in the hands of the 'musicians'[22] who know very little about how to make economies in Africa grow and for that matter, the resultant policies lead to an economic stagnation amongst these nations. Easterly and Williamson[23] agree with Moyo's argument that foreign aid and foreign designed economic policies have not helped in solving the economic crisis in Africa. This is because instead of engaging poor nations such as Ghana in significant policy planning meetings to discuss how to impact positively on the country's economy in a 'glass door'[24] manner, the foreign financial institutions prefer to hold meetings in what Patomaki and Teivainen[25] term as the 'green door'[26] manner.

In spite of the criticism on and the negativity associated with the loans and economic aid provided by the international agencies, the examination of the literature also reveals some positive aspects. For instance, Mekasha and Tarp[27], used meta-analysis (ie, a statistical procedure use to combine data from different sources) to refute research already conducted in 2008 by Doucouliagos and Paldam[28] (DPO8) on the relationship between aid and growth. They found out that the statistical choice used by DPO8 to assess 68 existing studies on aid growth link was wrong and therefore while using a meta-analysis approach concluded that although the aid aggregate impact on economic growth is non-existent, there are still some positive outcomes in terms of economic growth despite conditions attached to aid. In support of existing aid literatures which argues that aid aggregate impact on economic growth is non-existent, DPO8 concluded similarly that the aid effectiveness literature has failed to show that the effect of development aid on growth is positive and statistically significant. According to Mekasha and Tarp, statistical errors were enormous in the DPO8 work; for example, in DP08 the weighted average aid-growth effect was

[22]*The term 'musicians' refer to idealist economists who design policies without understanding the typical context of the host nation.*
[23]William Easterly, and Claudia R. Williamson. "Rhetoric versus reality: the best and worst of aid agency practices." *World Development* 39, no. 11 (2011): 1930-1949.
[24]*Transparent with all conditions and implications being visible to all stakeholders.*
[25]Ibid 9.
[26]*The exact theoretical opposite of the 'glass door'.*
[27]Tseday Jemaneh Mekasha, and Finn Tarp. "Aid and growth: What meta-analysis reveals." *The journal of development studies* 49, no. 4 (2013): 564-583.
[28]Hristos Doucouliagos, and Martin Paldam. "Aid effectiveness on growth: A meta study." *European journal of political economy* 24, no. 1 (2008): 1-24.

calculated using sample size as weights under the assumption that studies with large sample size are more accurate. According to Mekasha and Tarp, this bias contradicts with established best-practice in standard fixed and random effects meta-analysis, which recommends that the inverse of the variance of estimates should be used as weights (that is, as the measure of statistical precision) when calculating the weighted average effect (pooled estimates) from an existing body of empirical literature

Hutchful is of the opinion that since the launch of SAP in Ghana in 1983, the country experienced strong improvements in terms of its socio-economic standing. Inflation declined from an annual rate of 73% to about 13%; there was a significant raise in gross national investment i.e. 3.7% to 16%; and also an expansion in industrial capacity i.e. from about 25% in the 1970's to about 46% in the 1990's[29]. However, despite the successes of the program cited by Hutchful and an overall balance of payments switching from deficit to surplus, the situation of the Ghanaian poor apparently remained the same. In this context, Konadu-Agyemang[30] notes that despite attempts to reverse Ghana's economic decline through SAP, poverty level in the country continued to grow and the resultant economic hardship remained prevalent among the local population.

The argument that SAP did not result into the alleviation of the poverty in Ghana is also obvious from a widely publicized interview of Mr. Kofi Asamoah, the Deputy Secretary-general of the Trade union Congress (TUC) in 2001, who strongly urged for the review and total replacement of SAP with a new economic policy centred on Ghanaians as the engine of development. According to Asamoah, SAP since its introduction, had wrought havoc onto the labourers and workers in the country by way of job insecurity, mass retrenchment, under employment, mass unemployment and also poor and paltry pensions[31].

The examination of the literature also reveals that the international agencies themselves accepted the failure of SAP in Ghana. For example, during the second forum of the Structural Adjustment Participatory Review Initiative (SAPRI) held in Ghana in 2001, the World Bank Country Director, Peter Harold acknowledged that after almost two decades of implementation, SAP did not bring the necessary benefits to the people and communities

[29]Ibid 16.
[30]KwadwoKonadu-Agyemang, ed. *IMF and World Bank sponsored structural adjustment programs in Africa: Ghana's experience, 1983-1999*. Aldershot: Ashgate, 2001.
[31]Ibid 30.

who bore the brunt of the harsh prescriptions. He also admitted that the World Bank and IMF ignored Africa's social priorities and were only driven by economic criteria[32]. Furthermore, in a speech being delivered on behalf of Ghana's President at the same SAPRI forum, the Minister of Economic Planning and Regional Integration, Dr. Paa Kwesi Nduom stated that:

"*After 20 long years of implementing structural adjustment programs, our economy has remained weak and vulnerable and not sufficiently transformed to sustain accelerated growth and development. Poverty has become rather widespread, unemployment very high, manufacturing and agriculture in decline and our external and domestic debts much too heavy a burden to bear*"[33].

Certain important statistics also substantiate the principal argument, for instance, while examining SAP in context of Ghana, it can be seen that from 1983 to 1986, social services such as electricity, quality health care and good drinking water could only be afforded by the rich in the country. In 1986 for example, rates for electricity increased from 47% to about 80% and the cost of health from 800% to 1000%[34].

All the above arguments and statistics have been examined by this dissertation towards arguing that the situation of the Ghanaian poor as a result of the implementation of SAP was not improved but rather worsened.

## 1.5 Research Aim, Objectives And Questions

The aim of this research is to examine the implementation and effectiveness of SAP in Ghana from 1983 to 1998. From this aim and also from the discussion in the previous sections, following main research questions have been derived:

[32]Ibid 30.
[33]Kwadwo Konadu-Agyemang, *IMF and World Bank sponsored structural adjustment programs in Africa: Ghana's experience,* 2001:9.
[34]Charles Anyinam. "Spatial implications of structural adjustment programmes in Ghana." *Tijdschriftvooreconomischeensocialegeografie* 85, no. 5 (1994): 446-460.

1. What were the significant features and conditions of SAP with special reference to Ghana?

2. What economic socio-economic factors were behind Ghana requiring SAP?

3. What were the results of SAP in terms of poverty reduction and what factors can explain the performance of SAP in relation to poverty reduction?

4. What can be done to make programs like SAP more useful in terms of poverty reduction for the developing and under-developed countries?

## 1.6 Methodology

This dissertation has been primarily based upon the review of academic literature and the principal argument has been examined through an exploration of the secondary sources; while no primary data collection methodology has been utilised. The secondary research methodology has been preferred because of its inherent advantages of: ease, convenience and simplicity in accessing the secondary data sources; low cost of acquiring data; the possibility of further clarification of the research question; and also the possibility that the research may lead to emergence of new but relevant data and themes[35]. The sources show an unusual proportion between the western writers and those from Africa and in particular Ghana. The important western sources include: Peter Arthur on the industrial development in the post-SAP period in Ghana[36]; a meta-study exploring the relationship between aid effectiveness and growth by Doucouliagos and Paldam[37]; a welfare-based analysis of SAP in Ghana by Drafor, Filson and Goddard[38]; an assessment of the impact of SAP on the mining sector by Hislon[39] and also Hilson and Potter[40]; and Killick's study of the economic

[35]Samuel Lefever, Michael Dal, and Asrun Matthiasdottir. "Online data collection in academic research: advantages and limitations." *British Journal of Educational Technology* 38, no. 4 (2007): 574-582.
[36] Peter Arthur. "The State, Private Sector Development, and Ghana's" Golden Age of Business"."*African Studies Review 49*, no. 1 (2006): 31-50.
[37]Hristos Doucouliagos, and Martin Paldam. "Aid effectiveness on growth: A meta study." *European journal of political economy* 24, no. 1 (2008): 1-24.
[38]Ivy Drafor, Glen Filson, and Ellen W. Goddard. "Cereal producers and the structural adjustment programme (SAP) in Ghana: A welfare analysis of the first decade of SAP." *Development Southern Africa* 17, no. 4 (2000): 489-499.
[39]Gavin M. Hilson, "Structural adjustment in Ghana: Assessing the impacts of mining-sector reform." *Africa Today* 51, no. 2 (2005): 53-77.
[40]Gavin Hilson, and Clive Potter. "Structural adjustment and subsistence industry: artisanal gold mining in Ghana." *Development and change* 36, no. 1 (2005): 103-131.

impact of SAP in Ghana[41] amongst a few others. On the other hand, a long list of African writers has been consulted from: the Ghanaian National Bureau of Economic Research; the African Studies Quarterly; the African Studies Review; the Development Southern Africa; the African Affairs; the African Economic Research Council; the Journal of Modern African Studies; the Journal of African Studies and Development; the African Insight; the Journal of Southern African Studies; and the Africa Media Review amongst others. This imbalance between the western and African writers and sources is there because as a researcher I feel that the African perspective on the performance of SAP in Ghana matters more and is in accordance with the ground realities. However, this does not mean at all that the research is biased as the contrasting opinions have been included and accorded due significance where required.

Though the overall research approach has been qualitative in nature, the impact of the SAP on the Ghanaian population has been determined quantitatively from the statistics provided by reputed data bases like that of the World Bank, which provides a year-by-year statistical data on both the macro and microeconomic factors for individual countries. This mixed-methods approach has not only provided a depth of the analysis but also the possibility of triangulation i.e. the verification of data from multi-perspective dimensions[42].

During the course of this dissertation, thematic analysis has remained the key approach for the qualitative analysis of the literature and both primary and secondary data. According to Braun and Clarke[43], thematic analysis is:

*"A method for identifying, analyzing and reporting patterns within data. Thematic analysis is simple to use which lends itself to use for novice researchers who are unfamiliar with more complex types of qualitative analysis. It allows for flexibility in the researchers choice of theoretical framework. Some other methods of analysis are closely tied to specific theories, but thematic analysis can be used with any theory the researcher chooses. Through this flexibility, thematic analysis allows for rich, detailed and complex description of your data."*

[41]Tony Killick. *Development Economics in Action Second Edition: A Study of Economic Policies in Ghana*. Routledge, 2010.
[42]Uwe Flick. "Triangulation in qualitative research." *A companion to qualitative research* (2004): 178-183.
[43]Virginia Braun, and Victoria Clarke. "Using thematic analysis in psychology." *Qualitative research in psychology* 3, no. 2 (2006): 77-101.

This process involved the identification, evaluation and recording of emerging patterns from the qualitative data[44] on the implementation of SAP in Ghana. These patterns became themes which were then examined to shed light on the different aspects of SAP in the Ghanaian context and also to assist the researcher in determining if the programme was implemented in accordance with the host country's requirement or not. Some of these themes are listed as under:

1. The link between employment and poverty.

2. The relationship between accessibility to social services and poverty.

3. Trade liberalism and its impact upon economy.

4. Dependency theory and its relationship with debt servicing.

5. Neo-liberal economic theory and its relationship with the conditions imposed by the Bretton Woods institutions.

## 1.7 Dissertation Structure

The discussion in this dissertation has been developed through six chapters in all, where after introduction and the theoretical framework, each chapter deals with one research question, while the last chapter encompasses the conclusion. Chapter 2 discusses the theoretical framework; Chapter 3 identifies the significant features and conditions of SAP with special reference to Ghana; Chapter 4 determines the economic socio-economic factors on the basis of which SAP was introduced in Ghana; Chapter 5 examines the effectiveness of the SAP in Ghana terms of poverty reduction along with the factors which can explain the performance of SAP; and Chapter 6 includes a few pertinent recommendations on what can be done to make programs like SAP more useful in terms of poverty reduction for the developing and under-developed countries.

In this chapter, the dissertation has been introduced in terms of the relevant context, background and historical perspective. In the next chapter, the appropriate theoretical framework for the analysis of the significant features and conditions of SAP with special reference to Ghana will be identified and discussed.

[44]Jodi Aronson. "A pragmatic view of thematic analysis." *The qualitative report* 2, no. 1 (1995): 1-3.

# CHAPTER 2: THEORETICAL FRAMEWORK

Two different theories are considered applicable to the implementation of the SAP in Ghana and the resultant economic progress and development in the country i.e. the neo-liberal theory and the dependency theory, both of which owe their origin to the theory of liberalism as presented by Adam Smith. Both of these theories are being discussed in the subsequent sections.

## 2.1 Theory Of Neo-Liberalism

The grand theory, upon which IMF and the World Bank base their argument in favour of the economic aid, is the neo-liberal ideology. Neo-liberal ideology is a political orientation which holds that personal liberty is maximized by limiting government interference in the operation of free markets (Dictionary reference). It can also be defined in the simplest term as a political doctrine which is used to describe an economy where the government have little or no control over domestic economy. This concept originated from the ideas first introduced by Adam Smith in his classic 1776 book 'An Inquiry into the Nature and Causes of the Wealth of Nations'. According to Adam Smith, human beings are motivated by self-interest and as such, society is best advised to accommodate human drive since the welfare of the society as a whole is best maximised by ensuring that individual self-interest is promoted and satisfied.

Neo-liberalism also has its roots in classical liberalism which criticized on one hand the constraints inherent in the old feudal and mercantilist orders, and on the other hand preached for political and economic freedom underpinned by a market economy based on private property rights in the form of newly emerging capitalist mode of production. Both classical and neo-liberal ideology believe in core assumptions that, through establishment of institutions, interdependence and democratization, the world can be improved. They also believe that, other actors like IGOs, NGOs and multinational corporations also influence world politics and that the state is not the only important actor in international politics. However, there are many factors that set these two schools of thought apart. For example, whereas classical liberals believe that global anarchy can be overcome, neoliberals on the other hand acknowledge anarchy as a constant of the international system, even though they still believe that states can be driven to cooperate.

Furthermore, this theory encompasses modern economic concepts like: the end of the government's interference in economic matters; absence of any limitations on manufacturing; elimination of all obstacles to commerce including tariffs; free trade; free competition; and free enterprise[45]. However, with the passage of time and with the globalization of the capitalist economy, the theory of economic neo-liberalism emerged, which incorporates the concepts of: the rule of the market and freedom from the governments' hold primarily towards the formation of unregulated markets; open international investment and trade; the absence of price controls; reducing the public expenditure on social services; deregulation; privatisation of state-owned enterprises; and replacement of the ideas of community or public good with individual responsibility[46]. It is also pertinent to mention that neo-liberalistic concepts and practices are enforced all over the world through international institutions like the World Bank and the International Monetary Fund (IMF)[47].

Supporters of the neo-liberal ideology argue that, the theory provides the greatest possibility for economic growth, and the most equitable distribution of wealth among the population. On the otherhand, Several economists like Tsie[48], Bourdieu[49]and Bakre[50], agree that through the application of the neo-liberal ideas, IMF and the World Bank become capable of imposing their own rules on poor economies, thereby creating favourable conditions for the western markets. From the perspective of these powerful financial institutions, imposing rules such as the deregulation and cutting down of public expenditure on social services like education and health, are the best possible ways to liberate private market from any bonds imposed by the state[51]. As such, these exploitative ideologies have over the years been followed by the international financial institutions without considering how much damage the implementation of such ideas may cause among the poor and under-privileged segments

[45]Athol Fitzgibbons. "Adam Smith's system of liberty, wealth, and virtue: The moral and political foundations of the wealth of nations." *OUP Catalogue*(1997).
[46]Elizabeth Martinez, and Arnoldo Garcia. "What is neoliberalism? A brief definition for activists." *National Network for Immigrant and Refugee Rights* 1 (1997).
[47]Ute Pieper, and Lance Taylor. "The revival of the liberal creed: the IMF, the World Bank, and inequality in a globalized economy." *Globalization and progressive economic policy* (1998): 37-63.
[48]Balefi Tsie. "States and markets in the Southern African development community (SADC): beyond the neo-liberal paradigm." *Journal of Southern African Studies* 22, no. 1 (1996): 75-98.
[49]Pierre Bourdieu. *Firing back: Against the tyranny of the market 2*. Vol. 2.Verso, 2003.
[50]Owolabi M., Bakre. "International financial corporation's neo-liberal privatisation policy meets privatisation drive of the new post military Nigerian neo colonial capitalist elites'." *Centre for Global Accountability, Essex Business School, University of Essex, UK* (2008).
[51]Ibid 40.

of the society[52]. Thus, one of the aspects being addressed by this dissertation is examining the evidence of these exploitative policies in Ghana and the damage these have caused to the Ghanaian poor.

The economists quoted above i.e. Tsie, Bourdieu and Bakre also opine that in order to convince countries (the borrowers) that the advised market policy is good for them; the international institutions claim that an unregulated market is the best way to increase economic growth, which has the potential to ultimately benefit all. It is this idea of 'benefit all' that is being challenged by this dissertation through examining the argument that rather than benefiting all, it was only the Ghanaian rich in the community that benefited from the economic aid offered by the international institutions. This argument is primarily based on the observation that in Ghana at the time of the application of SAP, the gains from the policy were never felt amongst the poor populace due to high fees on social services such as education and health and also because of an abnormal rise in the food prices; rather the condition of the poor worsened since the adoption of SAP. Also, many local industries could not compete with successful industries from the global north and therefore had no other option but to close down. Statistics presented by Hutchful[53] also show that within the first decade of the introduction of SAP, Ghana lost about 48,000 jobs in the private sector; while cutting down the government expenditure led to about 200,000 Ghanaians losing their job in the public sector. These cutbacks decreased the labour force in the public sector to about 10%. It thus became difficult for many to afford basic human necessities due to high rise in social services and also people losing their source of income.

## 2.2 Theory Of Dependency

Along with the neo-liberal ideology, the dependency theory also offers a plausible insight into the debt crisis in Ghana. The foundation of dependency theory was established in the 1950's out of a research conducted by the Economic Commission for Latin America and the Carribbean (ECLA). Authors of this approach contended that, in order to ensure a healthy development, countries ought to create conditions for development. According to Raul Prebisch, who was one of the key figures of this model, in order for countries to create conditions of development, it is necessary to allow the entrance of external capital following priorities already established in national plans for development and also,

[52]Ibid 39.
[53]Ibid 29.

countries should develop a more effective coverage of social services from the government, especially to impoverished sectors in order to create conditions for those sectors to become more competitive.

The initial proposals by Prebisch were accepted as the representative ideas of the Dependency theory. Later on, several scholars such as Dos Santos and Felleto raised the arguement that the ECLAC'S development proposal failed to reflect the realities of the Third World, of which lead to the establishment of a more elaborated theoritical development model in late 1950's. Prominent among the New representatives of Dependency theory were Andre Gunder Frank, Theotonio Dos Santos, Enrique Cardozo, Edelberto Torres-Rivas and Samir Amin (Reyes, 2001).

Dependency theory is often summarized under three main hypothesis. First, the theory assumes to the fact that, in a sharp contrast to the development of the rich countries in the West, development of the underdeveloped and developing countries necessitates subordination to the core countries of the Western world. Secondly, the countries in the global south experience their greatest economic development when their ties to the core are weakest, and lastly, the theory assumes that, when the core countries get out of their crisis situation, they try to fully integrate peripheral countries into the world capitalist economic system.

Proponents of this theory like Bakre[54]contend that the under-development in the Global South is the direct result of a continued dependence upon economies in the Global North. In the same context, the historical injustice to the economies of countries in the Global South during the era of colonialism, made it possible for the categorization of wealthy states in the North as 'centre' and the poor as the 'periphery'[55]. In this manner, the economic development of the Global South was from the beginning made impossible because of the domination of the global economy by the already industrialized capital powers from the North. The question of Ghana being a classical example of the Global South has therefore constituted another important query to be addressed by this research.

The dependency relationship can also be seen in terms of the dual edged crisis faced by the developing countries prior to the 1970s because of two major reasons i.e. the phenomenal

[54]Ibid 40.
[55]Ibid 44.

increase in the price of oil and the abnormal decrease in the price of the major exports. According to Taylor[56], this created a huge deficit for the economies of these developing countries in terms of the gap between the national incomes and expenditures and therefore led them towards the option of securing loans from the major commercial financial institutions i.e. banks based in the industrialized and well developed western world. The result was that, by the start of the 1980s, the developing countries owed extraordinary amounts of debt to the west because of the abnormal acquisition of loans. In this context, Taylor[57] presents the example of the countries from Latin America, whose total debt in 1983 amounted to US $336,230 million as compared to US $100,000 million in 1976.

In the 1980s a crisis for the developing nations emerged when the US decided to introduce a sudden increase in the interest rates, thereby creating a dilemma for the borrowers. This dilemma was because the developing countries were unable to pay back their debts instantaneously and were also not ready to afford the risk of facing accumulating interest accompanying the option of delayed payment[58]. Kaminsky and Pereira[59] consider that this was the major reason or threat because of which a few of the developing countries like Mexico, which had almost US $180 billion in debt arrear, made clear their intentions of declaring bankruptcy, thereby posing a great risk to the US owned banks and also the international financial institutions like the World Bank and the IMF. When almost thirty of such countries posed this threat, the quantum of the debt arrears became too high i.e. approximately US $239 billion, to be absorbed by the economies of the developed and industrialised world and therefore created a possibility of a complete economic collapse or depression[60]. Taylor[61] highlights that the only solution to this looming threat was again loans extended to the developing countries by the international financial institutions which could repay the arrears of the developing countries, while managing to keep the possibility of economic depression at bay.

[56]John B. Taylor. *The financial crisis and the policy responses: An empirical analysis of what went wrong*. No. w14631. National Bureau of Economic Research, 2009: 158.
[57]Ibid 56.
[58]Sebastian Edwards. *Crisis and reform in Latin America: From despair to hope*. The World Bank, 1995.
[59]Graciela L. Kaminsky, and Alfredo Pereira. "The Debt Crisis: Lessons of the 1980s for the 1990s." *Journal of Development Economics* 50, no. 1 (1996): 13.
[60]William R. Cline. "International debt reexamined." *Peterson Institute Press: All Books* (1995).
[61]John B. Taylor. *The financial crisis and the policy responses: An empirical analysis of what went wrong*. No. w14631. National Bureau of Economic Research, 2009: 159.

The resultant scenario can thus be seen as a vicious cycle wherein the developing countries (the global South) secure loans from the international banks to sustain their economies, thereby benefitting the developed world (the global North) and thereafter take more loans from the international financial institutions including the World Bank and the IMF to repay the interest on the original loans and also for economic and public/private sector development, thereby again benefitting the global North. Thus in the case of the SAP, the IMF, the World Bank, and the West become one side of the equation constituting the global North; and the developing countries form the other half of the equation i.e. the global South.

Both the above discussed theories will form the basis of analysis for further discussion in this dissertation; however, it is pertinent to mention that the dependency theory will be used as the primary instrument to understand the implementation of SAP in Ghana and the resultant scenario; while the neo-liberal theory will be used as a secondary instrument to analyse the conditions imposed by the international financial institutions and the adverse or favourable results of these conditions.

In this chapter, the appropriate theoretical framework for the analysis of the SAP and its effectiveness in Ghana has been outlined, while in the next, the relevant economic and socio-economic factors dictating the requirement of the SAP in Ghana will be identified and discussed.

## CHAPTER 3: ECONOMIC AND SOCIO-ECONOMIC FACTORS DICTATING THE REQUIREMENT OF SAP IN GHANA

Tsikata and Wayo[62]in their Oxford University paper 'Identities, inequalities and conflicts in Ghana', opine that there are both economic and political dimensions of SAP with regards to the conditions imposed by the World Bank of the IMF, where the former includes market-oriented policies, for instance, fiscal and monetary discipline, privatization and liberalization of trade; and the latter refers to democratization. When examined in the light of both the dependency and the neo-liberal theories, the reasons or factors responsible for Ghana opting for SAP can be seen as economic[63], socio-economic and structural[64] in nature with the roots of the decision being found in both domestic and external contexts[65]. It will be thus argued in this chapter that Ghana opted for the SAP or the Bretton Woods for economic relief because of its economic crisis and the country's inability to act independently of the aid from the West or the international political economy. This is in accordance with Bakre's[66] opinion with regards to the adverse impact of the western economic models from the Global North upon the Global South. The discussion in this chapter will thus encompass the evolution of the economic crisis in Ghana under Nkrumah's regime; continuation of the economic crisis during the first and second Republic's tenures; during the National Redemption Council's and Rawlings' tenures; during the third Republic's tenure; and also because of the external economic influences, towards establishing that the worsening economic and socio-economic crises in Ghana was inherited by each successive government, thereby leading to the implementation of SAP as the only viable option.

### 3.1 Beginning Of The Economic Crisis During Nkrumah's Regime

The literature is generally in agreement that at the time of independence of Ghana i.e. March 1957, the country enjoyed a very optimistic economic future. For instance,

[62]Dzodzi Tsikata, and Wayo Seini. *Identities, inequalities and conflicts in Ghana*. Centre for Research on Inequality, Human Security and Ethnicity, University of Oxford, 2004.
[63]Luke UkaUche,."Some reflections on the dependency theory." *Africa Media Review* 8, no. 2 (1994): 39-55.
[64]Peter Arthur. "The State, Private Sector Development, and Ghana's" Golden Age of Business"." *African Studies Review* 49, no. 1 (2006): 31-50.
[65]Frank Kwaku. Ohemeng, and Felix K. Anebo. "The politics of administrative reforms in Ghana: Perspectives from path dependency and punctuated equilibrium theories." *International Journal of Public Administration* 35, no. 3 (2012): 161-176.
[66]Ibid 40.

Dzorgbo[67] in his book on the institutional, economic and governance challenges in Ghana, mentions that the international community initially predicted a revolutionary and transformational development in Ghana in economic, social and political terms. This optimism could be primarily ascribed to the production of cocoa and the availability of natural resources like bauxite, manganese, diamonds and gold. Both Arthur[68]and Rapley[69] are of an opinion that the rich availability of natural resources enabled President Kwame Nkrumah to implement a centrally planned economic strategy, which focused upon import substitution. This strategy encompassed a seven year long development plan which intended to substitute imports through domestic production and industrialization, thereby discouraging free trade. The strategy was also coupled with socio-economic developmental measures including free housing, healthcare and education for the Ghanaian population. However, there was a catch to this optimistic planning and a bright economic future, and that was the total dependency of this strategy upon the high international prices of raw materials for success.

Hutchful[70] in his commentary on the economic reforms in Ghana, highlights that Nkrumah's economic and socio-economic strategies, though apparently effective, had one principal weakness and that was their total predication upon the consistency in the high prices of cocoa, agricultural products and raw materials. This weakness thus inevitably linked the economic future of Ghana with the international economy. Resultantly, the country's economy totally collapsed with the sudden drop in the cocoa prices in the international market in the beginning of the 1960s. However, Mensah et al.[71] mention another related weakness in their article on the policy and institutional perspectives on economic development in Africa, which was more socio-economic in nature i.e. an over emphasis upon wide scale public expenditures. Mensah et al. are of the opinion that Nkrumah's socio-economic approach was concentrated upon the redistribution of national prosperity, which led to the government planning for public expenditures on a huge scale and also gave rise to institutional problems like bureaucratic incompetence, bribery and

[67]Dan-Bright S. Dzorgbo, *Ghana in Search of Development: the challenge of governance, economic management and institution building*. Ashgate Pub Limited, 2001:48.
[68]Peter Arthur. "The State, Private Sector Development, and Ghana's" Golden Age of Business". (2006): 33.
[69]John Rapley. *Understanding development: Theory and practice in the third world*. Psychology Press, 1997: 19.
[70]Eboe Hutchful. *Ghana's adjustment experience: The paradox of reform*. 2002:9.
[71]James Kwame Mensah, Kwame Ameyaw Domfeh, Albert Ahenkan, and Justice Nyigmah Bawole. "Policy and institutional perspectives on local economic development in Africa: The Ghanaian perspective." *Journal of African Studies and Development* 5, no. 7 (2013):169.

corruption and also overstaffing of public organizations. Once the country's economy suffered a downfall in the early 1960s because of the drop in cocoa prices, the government was unable to sustain the public expenditure.

As a result of a military coup in February 1966, Nkrumah's regime was toppled, primarily because of its failure to sustain the country's economy[72]. The reasons of this failure can be summarised in two dimensions i.e. both economic and socio-economic as the Nkrumah's regime not only failed in carrying out an effective and long-term economic planning but also could not sustain the socio-economic development in Ghana. However, the discussion also indicates towards an important aspect related to the dependency theory and that is the intimate relationship between the domestic and international economies as it can be seen in case of Ghana that the drop in the international price of agricultural products i.e. cocoa, led to an economic crisis in Ghana.

## 3.2 Continuation Of Economic Crisis During The First And Second Republic's Tenure

In February 1966, President Nkrumah's government was replaced by General J. A. Ankrah, who was leading the National Liberation Council (NLC)[73]. However, the change in the Ghanaian leadership did not just mean the change in faces or people or even political parties. This change also meant a complete and revolutionary transformation from an anti-liberal to a liberalistic stance and soon after the assumption of power; the NLC government started several rounds of negotiations with the Bretton Woods institutions and displayed a pro-IMF stance[74]. The case study by Boateng of the fiscal decentralization policies in Ghana shows that several shifts in the economic policy indicated this pro-IMF stance, for example, devaluation of the national currency, monetary and fiscal discipline, elimination of subsidies and also the liberalization of trade. These can be seen as the direct opposites of President Nkrumah's state oriented anti-free trade policies as instead of the state, the private sector was made responsible for economic development and growth in Ghana. However, this radical shift in the policy and the sharp inclination towards the market-oriented economic policies was not readily accepted by the people of Ghana. In this context,

[72]S. K., Date-Bah. "Jurisprudence's day in Court in Ghana." *International and Comparative Law Quarterly* 20, no. 02 (1971): 321.
[73]Kwame, Boafo-Arthur. "Ghana's Politics of International Economic Relations under the PNDC, 1982-1992." (1999):47.
[74]Micheal Boateng. "Rethinking Fiscal Decentralization Policies in Developing Economies: A Case Study of Ghana." (2014).

Gyimah-Boadi and Richard[75] are of the opinion that it was primarily due to the sudden shift towards the neo-liberal approach that compelled the labourers, lawyers, teachers and the civil society organizations in Ghana to resist the government and ultimately force it to transfer the power to the Second Republic under Dr. K. A. Busia in 1969.

When examined in a neo-liberal context, the above highlighted public resistance to the economic policies of the First republic can be seen as a popular perspective on the exploitative rule of the IMF and the World Bank according to which, these institutions impose their policies on the poor or developing economies in order to create favourable conditions for the western markets; demand a reduction in public expenditure in health and educations sectors; and the ultimate adverse impact of their economic policies upon the under-privileged and poor segments of the society.

The Second Republic assumed the reigns of the Ghanaian government in 1969; however, instead of correctly interpreting the public sentiment against the pro-IMF economic policies, the government wrongly concluded that the fault was with way the pro-IMF policies were being implemented by the First Republic[76]. This has been substantiated by Boateng[77], according to who, the government of Dr. Busia not only continued with the neo-liberal economic policies of the First republic but also introduced stringent measures as part of its 1971 budget in terms of: imposition of taxes on imports; taxes on development; withdrawal of subsidies; liberalization of trade; a further devaluation of national currency by 44 per cent; and elimination of subsidies on transport and education.

From another perspective, this continuation of the neo-liberal economic policies can be seen as a compulsion instead of a choice. For instance, Martin Matthew[78] in his discussion on debt negotiations with IMF in Africa is of the opinion that the principle emphasis of the government of Dr. Busia was on arresting inflation, addressing the problems in the private sector and institutional reform. The author was also of a view that once the negotiations with the IMF were started by the First Republic, it was quite difficult, if not impossible, for

[75]Emmanuel Gyimah-Boadi, and Richard Jeffries. "The political economy of reform." *Economic Reforms in Ghana: The Miracle and the Mirage* (2000): 42.
[76]Eboe Hutchful. "From 'Revolution' to Monetarism: The Economics and Politics of the Adjustment Programme in Ghana." In *Structural adjustment in Africa*, pp. 92-131. Palgrave Macmillan UK, 1989.
[77]Micheal Boateng. "Rethinking Fiscal Decentralization Policies in Developing Economies: A Case Study of Ghana." (2014): 237.
[78]Matthew Martin. "Negotiating Economic Policy with the IMF."In *The Crumbling Façade of African Debt Negotiations*, pp. 27. Palgrave Macmillan UK, 1991.

the Second Republic to backtrack on its commitments or to suddenly change back to what President Nkrumah supported, especially once the international prices of agricultural products remained low.

It is obvious that the above highlighted defence of the Second Republic was not given any consideration by the Ghanaian military, as it toppled Dr.Busia's government in January 1972 on the basis of failure to display the requisite economic growth and development[79].

### 3.3 Continuation Of Economic Crisis During The National Redemption Council's And Rawlings' First Tenures

In January 1972, the First Republic was replaced by the National Redemption Council (NRC) under the joint leadership of F. W. K. Akuffo and Col. I. K. Acheampong[80], with the latter having a more significant influence upon the economy than the former. Economic development or the lack thereof, was the basis on which the Second Republic was ousted by the military and therefore the emphasis of the new government was primarily upon economic development and growth by getting rid of the pro-IMF policy framework. However, it will be argued in this section that even this backwards shift towards an anti-neo-liberal stance, though resulting into popular public support, could not lead to any worthwhile economic growth or prosperity.

Tony Killick[81], in his book encompassing an analysis of the economic policies in Ghana, highlights that Acheampong's strong stance against the neo-liberal economic policies managed to gain popular support in Ghana, because of significant reformative measures. These primarily included: revaluation of the Ghanaian currency by 42 percent; foreign debt repudiation; restoration of maximum benefits to the workers from the public sector; and abolishment of the taxes on development. This is duly substantiated by Donald Rothchild[82] in his article on the performance of military regimes in Ghana, according to whom, Acheampong initially managed to gather popular support because of Operation Feed

[79]David Goldsworthy. "Ghana's Second Republic: A Post-Mortem." *African Affairs* 72, no. 286 (1973): 22.
[80]Joseph R. A., Ayee, ed. *The 1996 General elections and democratic consolidation in Ghana*.Department of Political Science University of Ghana, 1998.
[81]Tony Killick. *Development Economics in Action Second Edition: A Study of Economic Policies in Ghana*. Routledge, 2010: 32.
[82]Donald Rothchild. "Military regime performance: An appraisal of the Ghana experience, 1972-78." *Comparative Politics* 12, no. 4 (1980): 462.

Yourself (OFY) which was aimed at the achievement of food sufficiency. Rothchild[83] also believes that the government of NRC was greatly benefitted by the unprecedented rise in the price of cocoa in the international market and therefore was capable to re-establish Ghana on the path to economic growth and prosperity. However, it can be seen that like its predecessors, the government of NRC also failed to accord due consideration towards long term economic planning and instead concentrated on strengthening its hold on the reins of government through popular support.

Killick[84] is of the view that almost all the economic reforms introduced by Acheampong backfired. For instance, the revaluation of the Ghanaian currency was not linked to the foreign exchange; while the public sector development was not supported by long term investments. Similarly, Rothchild believes that OFY was not successful as the plight of the Ghanaian poor continued without any practical improvement in the food situation. In a separate dimension, Shillington[85] highlights that instead of diverting the foreign exchange being obtained because of the unprecedented rise of the cocoa prices in the international market towards development, the government wasted it because of professional incompetence, wide scale corruption and economic mismanagement. Ultimately, all these issues became the basis for the establishment of the Armed Forces Revolutionary Council (AFRC) under Flight Lieutenant Jerry John Rawlings.

Instead of transforming the economic system or opting for a pro or anti-IMF stance, Rawlings' concentration was majorly upon the elimination of the problems hindering the economic development in Ghana. In this context, both Gyimah-Boadi[86]and Gyimah-Boadi and Richard[87]are of a view that the government of AFRC under Rawlings was greatly successful in its aim and effectively reduced the problems of economic mismanagement and corruption to a great extent. In September 1979, after completing its agenda, AFRC handed over the government of Ghana to Dr.Hilla Limann[88]. However, this brief respite and the Rawlings' agenda being very narrow in scope cannot be viewed as the final solution to

[83]Donald Rothchild. "Military regime performance: An appraisal of the Ghana experience, 1972-78." (1980): 463.
[84]Tony Killick. *Development Economics in Action Second Edition: A Study of Economic Policies in Ghana*. 2010: 34.
[85]Kevin Shillington. *Ghana and the Rawlings factor*. Macmillan, 1992:21.
[86]Gyimah-Boadi, Emmanuel. "The search for economic development and democracy in Ghana: From Limann to Rawlings." *Ghana Under PNDC Rule. Dakar: CODESRIA* (1993):6.
[87]Gyimah-Boadi, Emmanuel, and Richard Jeffries."The political economy of reform." (2000): 40.
[88]Ibid 73.

Ghana's economic plight, as this short interlude only managed to address minor issues of governance and not the complete economic framework.

### 3.4 Economic Crisis During The Third Republic's Tenure And Establishment Of The PNDC

AFRC handed over the government of Ghana to the Third Republic under Dr.Hilla Limann; however, the country was not at all an improved economic state because the problems remained where they were before the assumption of power by the AFRC. Gyimah-Boadi is of the opinion that:

"Third Republic, inherited a collapsing social infrastructure, shortage of foreign exchange, scarcity of consumer goods, and weak state institutions. Mismanagement under the NRC/SMC had resulted in an era in Ghanaian social life where destitution and despondency became the order of the day"[89].

The above situation was confirmed by John L Adedejî[90], who in his analysis of the Ghanaian politics from 1979 to 2000 comments that Rawlings' attempts at improving the Ghanaian economy can at best be termed as micro-economic in nature as these only solved the problems of economic mismanagement and bribery to some extent, while leaving the more important matters of inflation and foreign exchange utilization relatively untouched.

Because of the above highlighted issues, the macro-economic management became the principle agenda for Limann's government as according to Shillington[91], the new government after much deliberation, decided to seek foreign assistance towards solving the economic crisis including applying for loans by the IMF. However, this was again received unfavourably by the Ghanaian population because of the concerns associated with the neo-liberal economic approach and the fear of exploitation at the hands of the Bretton Woods institutions. In this context, Vincent[92] highlights that the main opposition towards Ghana approaching the IMF for requisite financial aid existed in the form of various pressure bodies like the Ghana Bar Association (GBA), the National Union of Ghana Students (NUGS) and the Association of Registered Professional Bodies (ARPB), all of which

[89]Gyimah-Boadi, Emmanuel. "The search for economic development and democracy in Ghana: From Limann to Rawlings." (1993):2.
[90]John L. Adedejî. "The Legacy of JJ Rawlings in Ghanaian Politics^ 1979-2000." *African Studies Quarterly* 5, no. 2 (2001): 7.
[91]Shillington, Kevin. *Ghana and the Rawlings factor*. 1992:11.
[92]Vincent N. Okyere. *Ghana: A historical survey*. SN Publishing Company, 1997:97.

actively protested against the government's decision. Resultantly, the government refrained from negotiating with the IMF.

While the new government was incapacitated by the public opposition towards the shift in the economic policies, the military made the lack of any progress the basis for another coup. Resultantly, in December 1981, Rawlings led another coup against the government and formed the PNDC[93]. Interestingly PNDC became the government which formally applied for the implementation of the SAP in Ghana[94] because of numerous external economic influences discussed in the next section.

## 3.5 External Economic Influences Upon The PNDC

The discussion in the preceding sections indicated that each government in Ghana experimented with the country's economy in different ways, while some of these ways and approaches were directed at obtaining economic independence and self-sufficiency in complete international isolation. In this context, both Killick[95] and Acemoglu[96] are of the opinion that Ghana not only lacked the requisite material base but was also heavily dependent upon the international trade and foreign aid, which exposed the country to the western colonial forces; however, the direction of the economic policies was in the opposite direction. The resultant conflict thus gave rise to a continuing economic crisis which ultimately paved the way for the implementation of SAP. In the same context, Peter and Stefano[97] highlight that by virtue of its exports, Ghana always formed part of the capitalist global economy, a fact which gave a very little space to the leaderships' and the populations' false belief in economic independence. This finally led to the implementation of SAP under the auspices of the Bretton Woods institutions. All of these views and opinions also indicate at the dependency theory, according to which the lack of development in the Global South, is the result of it enjoying a misbalanced relationship with the Global North. Ghana, though equipped with an abundance of natural resources, did not

[93]Terrence Lyons. "A major step forward." *Journal of Democracy* 8, no. 2 (1997): 65-77.
[94]John L. Adedejî. "The Legacy of JJ Rawlings in Ghanaian Politics^ 1979-2000." (2001): 24.
[95] Tony Killick. *Development Economics in Action Second Edition: A Study of Economic Policies in Ghana*. 2010: 37.
[96]Daron Acemoglu, Simon Johnson, and James A. Robinson. *The colonial origins of comparative development: An empirical investigation*. No. w7771.National bureau of economic research, 2000.
[97]Peter Gibbon, and Stefano Ponte. *Trading down: Africa, value chains, and the global economy*.Temple University Press, 2005.

enjoy an equivalent relationship with the industrialized west, a fact which thus became the basis for the introduction of SAP.

The example of the cocoa production is a case in point. Dzorgbo[98] comments that Ghana was never in a position to dictate an economic system of choice because of the absence of any potent bargaining position. This led to the international institutions like the IMF dictating their terms and conditions like for instance, the implementation of the austerity measures during Busia's tenure. The absence of the requisite bargaining strength was also closely associated with the fact that the country's major export was only cocoa, the price of which was heavily dependent upon the trends in the international market, foreign trade and the global capitalist system. The contribution of cocoa towards the Ghanaian economy can also be examined in the light of the fact that Ghana was only a country where cocoa was produced and not processed. According to Appiah[99], this can again be linked to the colonial practise of limiting the raw material producing countries to the status of producers only, thereby ensuring their lack of influence in the international market. Ghana lacked the requisite industrial infrastructure for the processing of cocoa and therefore, was in no position to influence the price of the raw material in the international market.

Unlike the previous governments, the government of the PNDC under Rawlings can be accredited with the fact that it not only acknowledged the economic necessity of referring to the Bretton Woods institutions but also took concrete steps to re-establish the economy on firm footings. However in the beginning, the government of PNDC did try the option of economic independence for the last time. For instance, Matthew[100] highlights that during the first year, the new government under the PNDC tried various economic solutions at the domestic level but because of the lack of long term planning by the previous governments, none of these measures could prove useful. Therefore, the rapidly worsening economic situation in Ghana forced the government to revise its economic approach. According to Kay and Gwynne[101], though the PNDC was fully aware of the fact that referring to the

[98]Dan-Bright S. Dzorgbo. *Ghana in Search of Development: the challenge of governance, economic management and institution building*. 2001:2.
[99]M. R.Appiah. *Impact of cocoa research innovations on poverty alleviation in Ghana*. Ghana Academy of Arts and Sciences, 2004:11.
[100]Matthew Martin. "Negotiating Adjustment and External Finance: Ghana and the International Community, 1982-1989." *Ghana: The Political Economy of Recovery, London: Lynne Reinner Publishers* (1991): 241.
[101]Kay, Cristobal, and Robert N. Gwynne. "Relevance of structuralist and dependency theories in the neoliberal period: a Latin American perspective." (2000): 51.

Bretton Wood institutions would lead to Ghana participating in the global capitalist economy and thereby losing its economic independence because of the neo-liberal influence, it had no other option but to refer to World Bank and the IMF as the last resort.

In this chapter the economic crises in Ghana under each successive government since the time of the country's independence, has been analysed towards determining the factors which led to the implementation of SAP. It can be concluded that starting from President Nkrumah, each government in Ghana tried to adopt and employ a different recipe towards solving the country's economic crises. However, the lack of long term planning and an overall failure to address the macroeconomic issues led to the continuation and aggravation of the economic situation, which ultimately led to the government of PNDC opting for the implementation of SAP. It can also be seen that in case of Ghana, both the neo-liberal economic theory and the dependency theory were applicable as each government not only failed to acknowledge the intimate linkage between the domestic and international economic contexts but also failed to show considerable progress in the face of public opposition against the neo-liberal school of thought. In the next chapter, the significant features and conditions of SAP with special reference to Ghana will be examined.

## CHAPTER 4: SIGNIFICANT FEATURES AND CONDITIONS OF SAP WITH SPECIAL REFERENCE TO GHANA

In the previous chapter the economic factors responsible for the implementation of SAP in Ghana, have been examined in detail. However, before moving onto the significant features and conditions of the SAP, it is considered pertinent to start with an overview of the economic conditions and environment in Ghana with special reference to poverty and living standards of the general population.

After independence, the tenure of President Kwame Nkrumah can be seen as the most prosperous in Ghana's history because of a strong economy primarily based upon the export of cocoa. Because of a comparatively higher per capita income, which was almost equal to South Korea and Mexico at that time, Ghana was internationally classified as a medium income country in Africa. The inflation was also maintained less than 1%, while the external reserves were high and the output was steadily growing[102]. However, towards the end of Nkrumah's tenure, this situation had deteriorated with a stagnant economy and rapidly falling living standards.

By 1966, poor returns were being observed with regards to public investment in infrastructure and also industries established for the purpose of import substitution[103]. In 1966, NLC opted for an IMF supported economic reformation strategy but the economic analysis for the subsequent year i.e. 1967 reveals that this programme or strategy could not prove to be effective as there was a further decrease in the per capita income and also the growth rates[104]. In 1969, when the Second Republic took over the government in Ghana, there was initially some evidence of economic recovery because of the increase in the prices of cocoa in the international market and also because of the free market strategy. However, the economy was on a downward path once again as only after 2 years i.e. in 1971, the Ghanaian currency was significantly devalued and inflation adversely impacted the Ghanaian poor[105]. This deterioration in the national economy not only continued during

[102]Eboe Hutchful. *Ghana's adjustment experience: The paradox of reform*. 2002.
[103]Ibid 89.
[104]Eboe Hutchful. *The IMF and Ghana: the confidential record*. Zed Books, 1987.
[105]Jonathan H. Frimpong-Ansah. *The vampire state in Africa: The political economy of decline in Ghana*. Africa World Press, 1991.

the military government of Colonel Acheampong, but also intensified primarily because of faulty economic policies and rampant administrative corruption[106].

Following the tenure of Colonel Acheampong and all through the first tenure of Rawlings and that of the Third Republic and thereafter during the initial period of Rawlings' second tenure, the national economy of Ghana followed a downward trend. Both the macro and microeconomic indicators painted bleak picture i.e. very high rates of unemployment; wide scale shortages in imports because of scarcity of the foreign exchange; inflation rate in three digits; and a steady decrease in output[107]. There was a corresponding decline in Ghana's exports too as the country could no longer claim to be the largest producer of cocoa i.e. as compared to an international share of 35% of cocoa production in 1961, the share fell to 15% by 1981[108]. Some other important issues included: absence of investment in the mining sector; a serious drought in 1982-83; and the forced expulsion of approximately one million Ghanaian nationals by Nigeria[109].

## 4.1 Introduction To And Significance Of SAP In Ghana

Both Frimpong and Oteng-Abayie[110], in their analysis of the relationship between the inflows of foreign direct investment and economic growth in Ghana and Kraus[111]in his analysis of the capital, power and business associations in the African political economy, opine that though SAPs are generally viewed with pessimism, controversy and suspicion in Africa, the SAP in Ghana is considered to be very significant. This is because of certain important reasons, for instance, the implementation of SAP was initiated with active local involvement, which is a rare occurrence in Africa. Also, the plan was implemented by a military government which had socialist inclinations and therefore tried to establish a democracy on grassroots level and non-party basis. In 1983, President Rawlings was compelled by the adverse economic circumstances in the country to refer to the IMF and

[106]Shahzad Uddin, and Mathew Tsamenyi. "Public sector reforms and the public interest: a case study of accounting control changes and performance monitoring in a Ghanaian state-owned enterprise". A*ccounting, Auditing & Accountability Journal* 18, no. 5 (2005): 648-674.
[107]Joseph Magnus Frimpong, and Eric Fosu Oteng-Abayie. "Bivariate causality analysis between FDI inflows and economic growth in Ghana." *MPRA.Paper*351 (2006).
[108]Ian E.A., Yeboah. "Structural adjustment and emerging urban form in Accra, Ghana." *Africa Today* 47, no. 2 (2000): 60-89.
[109]Ansa Asamoa. *Socio-economic development strategies of independent African countries: the Ghanaian experience*. Ghana Universities Press, 1996.
[110]Joseph Magnus Frimpong, and Eric Fosu Oteng-Abayie. "Bivariate causality analysis between FDI inflows and economic growth in Ghana." (2006):9.
[111]Jon Kraus. "Capital, power and business associations in the African political economy: a tale of two countries, Ghana and Nigeria." *The Journal of Modern African Studies* 40, no. 03 (2002): 398.

the World Bank for the much needed financial and economic assistance. The response by both the institutions was in terms of the demand on Ghana for the implementation of SAP[112]. Kraus[113] is of an opinion that SAP was implemented as an overlay upon the two phases of the economic recovery plan introduced by the Ghanaian government, which was primarily aimed at arresting the downward trend in economy and reverse it towards growth and prosperity.

Wood and Lass[114] highlight that the primary aim behind obtaining loans from the World Bank and the IMF as part of the SAP was to enhance the production price of cocoa, it being the principle agricultural product and export of Ghana. This was closely followed by an intense privatization drive and according to Conteh and Frank[115], the privatization ensured that the ownership of all public investments, property, corporations and businesses, was transferred to the private sector for both an increased efficiency and effectiveness. Some other important economic aspects of SAP included: initiation of investment programmes at national, regional and local levels; a total; elimination of price control mechanisms; imposition of limitations upon the pay structures in the public sector; reduction in the budget deficit; liberalizing the industry; establishing a stable exchange rate; and generation of tax revenues[116]. Furthermore, Mmieh and Owusu-Frimpong[117] highlight that a significant aspect of the SAP in Ghana was to introduce a favourable atmosphere for foreign direct investment towards enhanced rehabilitation and growth, mainly through bringing down the cost of doing business and eliminating barriers to trade.

Overall, the policies under the SAP in Ghana can be divided into four major categories i.e. trade and industrial growth, mining sector, education and health, all of which are being discussed in the next sections.

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[112]Augustin K. Fosu, and Ernest Aryeetey. "Ghana's Post-Independence Economic Growth: 1960-2000." *The Economy of Ghana—Analytical Perspectives on Stability, Growth and Poverty, James Currey, Suffolk* (2008).

[113]Jon Kraus. "The struggle over structural adjustment in Ghana." *Africa Today*38, no. 4 (1991): 22.

[114]George Alan RoskrugeWood, and R. A. Lass. *Cocoa*. John Wiley & Sons, 2008:9.

[115]Charles Conteh, and Frank LK Ohemeng. "The politics of decision making in developing countries: A comparative analysis of privatization decisions in Botswana and Ghana." *Public management review* 11, no. 1 (2009): 59.

[116]Ivy Drafor, Glen Filson, and Ellen W. Goddard. "Cereal producers and the structural adjustment programme (SAP) in Ghana: A welfare analysis of the first decade of SAP." *Development Southern Africa* 17, no. 4 (2000): 489-499.

[117] Frederick Mmieh, and Nana Owusu-Frimpong. "State policies and the challenges in attracting foreign direct investment: A review of the Ghana experience." *Thunderbird International Business Review* 46, no. 5 (2004): 580.

## 4.2 SAP: Reformation Of The Industrial Growth And Trade Policy

The available statistics on the pre-SAP industrial and trade growth in Ghana indicate that from 1960-70, the annual growth rate for the GNP was 2.5%; the annual growth rate for the price manufacturing value was 8.8%; there was an increase in manufacturing output by 3%; there was an increase of 4% in the industry production and processing; and there was an increase in industrial employment by almost 90%[118]. However, thereafter all these growth rates experienced a downward trend. Britwum, Jonah and Ferdinand[119] and Hilson[120] were of the opinion that several different factors were identified by the SAP as being responsible for this economic reversal. These included: the lack of interest of the Ministry for Industries in industrial development; random geographical distribution of industries without any consideration for the location of raw materials or the availability of labour; very low quality, non-competitiveness and market value of indigenously produced or manufactured products; very low labour productivity rates; a very high dependence upon imported raw materials; obsolete industrial technology and machinery; and under-utilization of the output capacity. All of these weaknesses can be seen as major policy and planning related problems, which brought down the economic growth rate in a very short period of time. Therefore, the SAP introduced the trade and industrial policy reforms in order to address all these weaknesses.

Hilson and Clive[121] highlight that the trade and industrial policy reforms were introduced as part of the SAP with three main aims i.e. simplification of the reward system; enhance motivation of the workers; and also to increase the competition amongst the Ghanaian manufacturers and producers. As far as the nature of these policy reforms is concerned, an examination of the literature reveals that these reforms included: elimination of price and quota restrictions on trade and imports[122]; introduction of a floating exchange rate for the

[118]J. Clark Leith. "Foreign trade regimes and economic development: Ghana." *NBER Books* (1974):22.
[119]Akua O. Britwum, Kwesi Jonah, and Ferdinand D. Tay. *Structural adjustment participatory review initiative (SAPRI): Ghana country report*. Tripartite National Steering Committee, 2001:20.
[120]Gavin M. Hilson. "Structural adjustment in Ghana: Assessing the impacts of mining-sector reform." *Africa Today* 51, no. 2 (2005): 55.
[121]Gavin Hilson, and Clive Potter. "Structural adjustment and subsistence industry: artisanal gold mining in Ghana." *Development and change* 36, no. 1 (2005): 107.
[122]Simon Harvey, and Kordzo Sedegah. "Import demand in Ghana: Structure, behaviour and stability." *AERC Research Paper* 233 (2011):7.

national currency[123]; imposition of limitations upon the import taxes, tariffs and duties[124]; complete removal of export duties and licensing fees[125]; allowing duty free import of machinery[126]; and introduction of special rebate on export related taxes[127]. The most important steps amongst these can be seen as linking the Ghanaian currency with the rates of exchange of other international currencies and the elimination of barriers on export. All of these remedial steps can be seen as direct solutions to the above identified policy problems and also include the aspect of long term economic planning, an aspect which can be seen missing in the planning of all the successive governments in Ghana.

### 4.3 SAP: Reformation Of The Mining Sector

The mining sector, though a major contributor towards the Ghanaian economy, has always been a victim of state and policy neglect and therefore suffering from various serious problems. Akabzaa and Darimani[128]are of the opinion that the period between 1957 and 1986 was the most progressive in the mining history of Ghana because the control and supervision of production and extraction operations was with Britain and other colonial powers. This can be indirectly interpreted into a better impact over the economy and also the state of the poorest of classes, which found employment in the mining sector. However, the situation suddenly deteriorated once the Government of Ghana assumed control and management of the mining sector in 1986.

Hilson[129] and Hilson and Yakovleva[130], both are of the opinion that when the Ghanaian government assumed control of the mining operations, the performance deteriorated because of the deficiency and even lack of requisite investment and the resultant decrease in

[123]Peter J. Quirk. "Recent experience with floating exchange rates in developing countries." *Approaches to Exchange Rate Policy Choices for Developing and Transition Economies (Washington, DC.: International Monetary Fund, 1994)* (1994): 137.
[124]Jon Kraus. "Capital, power and business associations in the African political economy: a tale of two countries, Ghana and Nigeria." (2002): 399.
[125]Thomas Akabzaa. "Mining in Ghana: implications for national economic development and poverty reduction." *Mining in Africa: regulation and development* (2009): 32.
[126]Peter Arthur. "Ghana: industrial development in the post-structural adjustment program (SAP) period." *Canadian Journal of Development Studies/Revue canadienned'études du développement* 23, no. 4 (2002): 720.
[127]Ibid 113.
[128]Thomas Akabzaa, and Abdulai Darimani. "Impact of mining sector investment in Ghana: A study of the Tarkwa mining region." *Third World Network* (2001).
[129] Gavin M. Hilson. "Structural adjustment in Ghana: Assessing the impacts of mining-sector reform." Africa Today 51, no. 2 (2005): 55.
[130]Gavin Hilson, and Natalia Yakovleva. "Strained relations: A critical analysis of the mining conflict in Prestea, Ghana." *Political Geography* 26, no. 1 (2007): 105.

the exploration activities. This agreed by Hilson and Pardie[131], according to whom a major reason for the deterioration of the Ghanaian mining sector was because the government refused to spend the much needed capital on the improvement of mines and also the technological development, both of which factors caused the mines to become out-dated. Another related reason is brought out by Bloch and Owusu[132], who believe that three major factors were responsible for the mining industry in Ghana being unable to survive in the market. These included: the neglect on part of the government to maintain the mines; the lack of any attempt at modernization of the extraction or production procedures; and the absence of requisite investment in the operations. All these factors can be seen to be of fundamental importance in any sector, while for mining the aspects of investment and technological development assume an enhanced significance as in their absence, no worthwhile progress or profits can be expected.

Statistics also indicate that after 1986, the mining industry in Ghana suffered a gradual downfall. For instance, Hilson and Potter[133] highlight that the only two mining operations showing profit were the Ashanti Goldfields Corporation (AGC) and the Manganese Corporation (GNMC). On the other hand, huge losses were being reported by both the Bauxite Company (BAC) and the State Gold Mining Corporation (SGMC), as a result of which the latter closed down its Bibiani and Konongo mining operations. This is supported by Britwum, Jonah and Tay[134] according to whom:

*"Production statistics show that gold fell from 912,592 ozs in 1964 to 276,659 ozs by 1983. Bauxite fell to 70,235 tons from 271,025 metric tons. Manganese dropped from 424,657 to a low of 179, 987. And, during the same time period, diamonds had also fallen to 336,562carats from a high of 1,968,176 carats".*

Considering the state of the mining sector and its possible contribution towards the country's economy, the SAP proposed important government policy guidelines in five important areas i.e. investment; financial reforms; institutions; privatisation; and legislation.

[131]Gavin Hilson , and Sandra Pardie. "Mercury: An agent of poverty in Ghana's small-scale gold-mining sector?." *Resources Policy* 31, no. 2 (2006): 110.
[132]Robin Bloch, and George Owusu. "Linkages in Ghana's gold mining industry: Challenging the enclave thesis." *Resources Policy* 37, no. 4 (2012): 439.
[133]Gavin Hilson, and Clive Potter. "Structural adjustment and subsistence industry: artisanal gold mining in Ghana." *Development and change* 36, no. 1 (2005): 110.
[134]Akua O. Britwum, Kwesi Jonah, and Ferdinand D. Tay. *Structural adjustment participatory review initiative (SAPRI): Ghana country report*. Tripartite National Steering Committee, 2001:36.

Akabzaa[135] highlights that as the result of the guidelines provided by the SAP, the government introduced appropriate legislative changes which made the international direct investment in the Ghanaian mining sector much easier and simpler for the interested parties. The important legislations included[136]: the 1986 Minerals Commission Law (PNDC 154); the 1986 Mineral and Mining Law (PNDC 153); the 1987 Minerals and Royalty Regulations (L.I. 1349); and the 1989 Small Scale Mining Law (PNDC 218). These legislative changes were accompanied by an atmosphere of enhanced financial liberalization, which according to Bloch and Owusu[137], was facilitated not only by the removal of limitations upon the financial institutions and markets but also by increased governmental support towards these institutions in order to provide requisite financial support to the mining sector. For example, the government removed all its directives which were previously hindering the profit-oriented and commercial activities of the banks and other bilateral and multilateral financial institutions, thereby enabling them to extend loans to the mining operations on feasible interest rates. Bloch and Owusu[138] indicate that these loans not only assisted towards the much needed development of the mines but also helped raise their value. However, the impact of these legislative and policy reforms upon the condition of the Ghanaian poor remain dubious and will be examined in the next chapter.

Privatization was the second major SAP advised mining sector reform; a result of which almost all the government owned mining operations in Ghana were privatised. In this context, Hilson and Potter[139] and Akabzaa[140] explain that on the directions provided by the SAP, the Government of Ghana sold off all its shares in the mining sector, while retaining only 20% shares of the Ghana Bauxite Company and 19% shares of the Ashanti Goldfields Corporation, thereby surrendering its original 55% ownership and claim to the profits being generated by the mining companies. Akabzaa[141] highlights that apart from these two companies, for all other mines, the Government of Ghana retained 10% of shares while disposing of the rest to private bidders. Privatization, like the legislative reforms, can

[135]Akabzaa, Thomas M. *Boom and dislocation: The environmental and social impacts of mining in the Wassa West District of Ghana*. Third World Network, 2001: 36.
[136]Gavin Bridge."Mapping the bonanza: geographies of mining investment in an era of neoliberal reform." *The Professional Geographer* 56, no. 3 (2004): 411.
[137]Ibid 126.
[138]Ibid 126.
[139]Ibid 127.
[140]Ibid 129.
[141]Bid 129.

though be seen as a valuable option in contemporary economy but has an adverse impact on poverty levels, an area which will be evaluated in the Ghanaian context in the next chapter.

## 4.4 SAP: Reformation Of The Education And Health Sectors

Like all other economic and public welfare sectors, the education and health sectors in Ghana were also badly suffering from faulty governmental policies and lack of attention before the introduction of the SAP. Both of these sectors are the subject of discussion in this section.

According to both Dei[142] and Mueller and Bentley[143], the education sector in Ghana underwent a period of gradual worsening from 1970 to 1980 primarily because of the decrease in the government's revenues, which compelled the leadership to make huge cutbacks in the education related financing and investment. In this context, Britwum, Jonah and Tay[144] highlighted that:

*"For example, the education budget, in1985, was a third of the education budget of 1976. The portion of the GDP being put into education funding dropped to 1.0% in 1983and to 1.7 % in 1985, while it was 6.4% in 1976. The education budget share taken from the national budget was 27% in 1984 from a high of 38% in1976".*

The above highlighted situation is also supported by Atuahene[145], who indicates that as compared to the per student allocation of US $4 in 1975, only US $16 were allocated to the educational needs of each student in Ghana, which may appear to be sufficient, but in actual was far less than what the inflation demanded. Baah-Boateng[146] adds on this by commenting that the overall distribution of funding for the education sector was also highly faulty as a huge percentage i.e. 88% was allocated towards the salaries and allowances of the teachers and their educational staff, while leaving a paltry 12% for buildings and infrastructure, classrooms, equipment and teaching aids, instructional material and teachers'

[142]George Jerry Sefa Dei. *Schooling and education in Africa: The case of Ghana*. Africa World Press, 2004.
[143]Michael P. Mueller, and Michael L. Bentley. "Beyond the "decorated landscapes" of educational reform: Toward landscapes of pluralism in science education." *Science Education* 91, no. 2 (2007): 321-338.
[144]Akua O. Britwum, Kwesi Jonah, and Ferdinand D. Tay. *Structural adjustment participatory review initiative (SAPRI): Ghana country report*. Tripartite National Steering Committee, 2001:47.
[145]Francis Atuahene. "A policy analysis of the financing of tertiary education institutions in Ghana: An assessment of the objectives and the impact of the Ghana Education Trust Fund." PhD diss., Ohio University, 2006:9.
[146]Baah-Boateng, William. "Employment policies for sustainable development: the experience of Ghana." *University of Ghana* (2004):9.

training (Only 50% of the teachers were requisitely trained). According to Bawumia[147], this mishandling of the education sector by the Ghanaian government also translated in terms of the gender gap, especially for children above the ages of eleven. Whereas in the primary schooling category, the rate of enrolment of boys exceeded that of girls by over 10%, the situation gradually worsened for senior categories i.e. secondary schooling and university education. Commenting upon the state of higher education in Ghana, Bawumia[148] highlights that not only the percentage of females was far lesser than the males but the university education also suffered from various problems including: lack of requisite government financing; deficiency of infrastructure; and absence of qualified faculties. In the words of Britwum, Jonah and Tay[149]:

*"Keeping staff, recruiting staff and the morale of all staff was very low. Lack of consensus between the university, the government and units of the university on the political and economic issues led to constant disruption in academic work. Reasonable financial and academic planning was literally impossible since there was inadequate funding which was provided on irregular basis. University staff moved on to Nigeria or other countries in West Africa. Academic standards were made less valuable. Teaching and research work fell at universities".*

An examination of the educational reforms introduced by the SAP reveals that almost all the above highlighted aspects and weaknesses were addressed through an elaborate educational reform policy except the aspect of financing and budget allocation. For instance, Bratton and Mattes[150] highlight that based upon the recommendations of the SAP; the Ghanaian government implemented various changes in curriculum and quality of the education. Some of these included: changing the language of instruction to local dialects for the initial three years of primary education, while letting English remain in place for subsequent years of education; the emphasis upon the development of inquiry, creativity and manipulation related skills; informal and technical education programmes for school and adult dropouts; extension of education period by seven weeks for primary and

[147]Mahamudu Bawumia. "Understanding the rural–urban voting patterns in the 1992 Ghanaian presidential election. A closer look at the distributional impact of Ghana's Structural Adjustment Programme." *The Journal of Modern African Studies* 36, no. 01 (1998): 52.
[148]Ibid 141.
[149]Akua O. Britwum, Kwesi Jonah, and Ferdinand D. Tay. *Structural adjustment participatory review initiative (SAPRI): Ghana country report*. Tripartite National Steering Committee, 2001:40.
[150]Michael Bratton, and Robert Mattes. "What 'ThePeople' Say about Reforms."*Democratic Reform in Africa: the Quality of Progress* (2004): 65-98.

secondary levels; and introduction of a continuous assessment strategy to evaluate student performance and progress. Similarly, Ashiabi and Arthur[151] make a mention of certain other community-based educational reforms like: involvement of the voluntary civil society organizations, churches, communal committees and private parties towards improvement of education and development of requisite infrastructure; incorporation of communities towards provision of educational supplies and resources; and delegating the aspects of monitoring and supervision to local and communal levels.

The overall neglect of the SAP towards the aspect of financing and budget allocation is visible from the study by Annin[152], which mentions that as a result of the SAP recommended measures, the government withdrew additional funding towards the education sector and instead made an attempt to reclaim costs through fees and other charges, thereby placing education beyond the reach of most of the Ghanaian population. However, determination of the exact impact of the educational reform policies and the neglect of financial and budgetary aspects are the subjects of the next chapter.

On similar lines to the condition of the education sector in Ghana, health remained another important public sector, which greatly suffered from faulty government policies and preferences. In this context, Agyepong[153] and Mensah, Oppong and Schmidt[154] mention that though the Ghanaian government made a great show of supporting the health sector by according various subsidies, overall the sector remained in great disarray because of: lack of sufficient district level health facilities and services; lack of accessibility to health services by the majority of the Ghanaian rural population; employment of unnecessary and non-technical staff in the support category; and non-availability of requisite drugs, both lifesaving and routine. All these problems can be seen as fundamental evidence of the bad governance in Ghana and had a direct adverse impact upon the country's population.

[151]Godwin S. Ashiabi, and Peter Arthur. "Social policies under SAP in Ghana: implications for children's human capital formation." *Canadian Journal of Development Studies/Revue canadienne d'études du développement* 25, no. 4 (2004): 633.
[152]Collins Annin. "From messages to voices: understanding girls' educational experiences in selected communities in the Akuapim South District, Ghana." PhD diss., Ohio University, 2009.
[153]Irene A. Agyepong. "Reforming health service delivery at district level in Ghana: the perspective of a district medical officer." *Health Policy and Planning* 14, no. 1 (1999): 63.
[154]Joseph Mensah, Joseph R. Oppong, and Christoph M. Schmidt. "Ghana's National Health Insurance Scheme in the context of the health MDGs: An empirical evaluation using propensity score matching." *Health economics* 19, no. S1 (2010): 97.

Though the recommendations of the SAP addressed many of the weaknesses above, however, it can be seen that the reforms in the health sector also made quality healthcare a costly prospect for the impoverished Ghanaian population. This was primarily because of the reason that the introduction of the SAP made health non-free to the country's population. In this regard, Wahab and Assensoh[155] highlight that from 1983 to 1986, the SAP in Ghana introduced the Economic Recovery Programme (ERP), which primarily targeted the subsidies in the health sector and removed them altogether. This was duly facilitated by legislation as according to Wahab and Assensoh[156], the charging of fees for the health services being provided by the government was made possible through the introduction of the Hospital Fee Act. Though this Act brought along many betterments, it overall had an adverse economic impact on the impoverished Ghanaian population.

Wahab[157] is of the opinion that the Hospital Fee Act made it possible for the Ghanaian government to improve the hospital standards, provide better drugs and hire more qualified staff. On the other hand, Yevutsey and Aikins[158] mention that the health facility and service charges and the consultation fees, not only made life more difficult for the Ghanaian population but also encouraged routine social services to start charging for their services. However, this adverse impact will be examined in the next chapter. Overall the SAP introduced health reforms can be summarised to include[159]: introduction of the Revolving Drug Fund or the "cash and carry" programme by the Ministry of Health to increase the accessibility to fundamental medicines; introduction of user fees and service charges; enhancement, development, stimulation and reinforcement of the district health services; displacement of health resources and services from the regional to local tiers; gradual reduction and elimination of the food costs in hospitals; reduction of staff in the non-technical categories; provision of essential drugs; enhanced management of medicines; and expansion of district level health teams.

[155]Hassan Wahab, and Akwasi Assensoh. "A historical-cum-political overview of Ghana's national health insurance law." *African and Asian Studies* 7, no. 2-3 (2008): 297.
[156]Ibid 149.
[157]Hassan Wahab. "Assessing the implementation of Ghana's NHIS law." *Indiana University, Bloomington* (2008): 24.
[158]S. K. Yevutsey, and M. Aikins. "Financial viability of district mutual health insurance schemes of lawra and sissala East districts, upper west region, Ghana." *Ghana medical journal* 44, no. 4 (2010).
[159]Jennifer L. Singleton. "Negotiating Change: An Analysis of the Origins of Ghana's National Health Insurance Act." (2006).

It can be concluded from the discussion in this chapter that overall the policies recommended by the SAP in Ghana were in the areas of trade and industrial growth and improvement of the mining, education and health sectors. As far as the reformation of the industrial growth and trade policy is concerned, it was aimed at the effectiveness of the reward system; increasing workers' motivation and increasing competition amongst the Ghanaian manufacturers and producers. All these aims were attempted to be achieved primarily through linking the national currency with the international rates of exchange and getting rid of the export related obstacles. The reformation of the mining sector was aimed at the areas of investment, financial reforms, institutional development, privatisation and legislation. The SAP attempted to achieve all these aims through suitable legislative changes to facilitate foreign direct investment; increased financial liberalization; and privatization of the government owned mines. Finally the reforms in the education and health sectors were aimed at improving the quality of services and enhancing the public accessibility and supervision through decentralization and communal involvement but did not address the budgeting aspect in case of education and also made the health services costlier by introducing service charges and medicinal and drug costs.

In this chapter the significant features and conditions of the SAP with special reference to Ghana have been discussed, while in the next, the effectiveness of the SAP in terms of poverty reduction will be analysed.

# CHAPTER 5: EFFECTIVENESS OF THE SAP IN GHANA IN TERMS OF POVERTY REDUCTION

In this chapter the analysis of the SAP in Ghana will be carried out and it will be examined if the implementation of the SAP and the manner in which it was implemented led to an overall enhancement in poverty levels of the Ghanaian population. The analysis will be carried out in the main areas of unemployment, cost of social services, healthcare, accessibility to drinking water, the rural-urban divide and the impact upon agriculture, infrastructure development, human rights and the impact of debt servicing upon the poverty of the Ghanaian population. It will be argued that while the implementation of the SAP led to an improvement in some sectors directly, its indirect effects translated into enhanced poverty levels for the Ghanaian population. Along with the discussion and in accordance with the emerging conclusions, the application of the neo-liberal and dependency theories will also be evaluated with respect to the conditions of the IMF accompanying the SAP and the implementation of the SAP, respectively.

## 5.1 Increase In Unemployment

Watkins and Watkins[160] are of the opinion that one of the key conditions of the SAP for the host government is the improvement of the performance of the public sector through the reduction of governmental expenditure and making cuts in the public sector employment. On the other hand, Handa and King[161] basing upon their study of the SAP in Jamaica, highlight that the labour intensive sectors of a country's economy might be benefitted by the SAP in terms of higher rates of employment and also higher wages. However, in case of Ghana it can be seen that the opinion by Watkins and Watkins manifested as the implementation of the SAP led to huge cutbacks in both the private and the public sectors, thereby increasing poverty manifold[162]. This observation is also supported by statistics as according to Konadu-Agyemang, over 200,000 employees of the Ghanaian public sector were fired only within the first ten years of the implementation of the SAP. Konadu-Agyemang also highlights that because of this huge cutback, the total size of the labour force in Ghana's formal sector of economy was limited to only 10% of the total labour

[160]Kevin Watkins and Kevin Watkins. "Back matter-The Oxfam Poverty Report."In *The Oxfam Poverty Report*, pp. 227-251. Oxfam Publishing, 1995: 78.
[161]Sudhanshu Handa, and Damien King. "Structural adjustment policies, income distribution and poverty: a review of the Jamaican experience." *World Development* 25, no. 6 (1997): 916.
[162]Kevin Watkins and Kevin Watkins. "Back matter-The Oxfam Poverty Report."In *The Oxfam Poverty Report*, pp. 227-251. Oxfam Publishing, 1995: 76.

force in the country[163], while the increase in unemployment was by about 11% from 1980 to 1993[164]; and this unemployment primarily had an adverse impact upon the educated population from the urban areas in Ghana[165]. It is also pertinent to mention that when huge cuts are made on either the public sector employment or expenditures, the resultant not only increases unemployment but also leads to lower salaries and wages of the public sector employees. This decrease in income, according to Watkins and Watkins[166], not only worsens the overall income distribution in the country but also directly leads to increased poverty levels.

Basing upon these observations and statistics it can be argued that the implementation of the SAP in Ghana did not alleviate poverty and instead acted as an active contributor towards the plight of the common people in Ghana. Also, when examined under the dictates of the dependency theory, it can be seen that the conditions attached with the loans from the international financial institutions, in this case IMF and its condition of cutting back on employment in the public sector, lead to a growing marginalization of the poorer classes in the developing countries from the global South.

## 5.2 Income Distribution And Cost Of Social Services

Handa and King[167] are of an opinion that the SAP is aimed at the reduction in real expenditure by the host country's government through privatization, reduction in size of the public sector and also a drastic decrease in the social and welfare related expenditures. Furthermore, Handa and King[168] indicate that when as part of the conditions attached with the SAP, the government expenditure to GDP ratio is adjusted downwards, the primary adverse impact materializes in the form of the postponement or cancellation of the capital intensive projects in the public sector. As these projects are mostly directed at public welfare, the cost of social services increases manifold and living standards are adversely affected.

[163]Ibid, 29.
[164]Ibid.
[165]Ibid.
[166]Kevin Watkins and Kevin Watkins. "Back matter-The Oxfam Poverty Report."In *The Oxfam Poverty Report*, pp. 227-251. Oxfam Publishing, 1995: 76.
[167]Sudhanshu Handa, and Damien King. "Structural adjustment policies, income distribution and poverty: a review of the Jamaican experience." *World Development* 25, no. 6 (1997): 917.
[168]Ibid, 919.

The above highlighted observations proved true to the case of the SAP in Ghana as according to Konadu-Agyemang[169], though poverty alleviation is maintained as the prime objective of the SAP by both the IMF and the World Bank, the experience in Ghana proved otherwise as instead of decreasing, poverty actually increased in the country. Similarly, Brydon and Legge[170]indicate that as the SAP failed to improve the condition of the Ghanaian poor, the programme cannot be termed as successful. This is duly supported by Watkins and Watkins[171] who term the implementation of the SAP in Ghana as a complete failure because neither did it lead to any reduction in poverty nor promoted economic prosperity or growth for the country's population.

The statistics also support the above highlighted claims as Anyinam[172]observed that within the first three years of the implementation of the SAP, there was an increase of 75% in the real minimum wage. However, this increase never benefitted the Ghanaian population because of a phenomenal increase in the cost of social services and also an abnormal hike in the prices of food, both of which made it almost impossible for the Ghanaian poor to access the fundamental life necessities. Anyinam[173] provides the example of three sectors where the cost of social services suffered an abnormal increase i.e. 800-1000% increase in healthcare charges and fees; 47-80% increase in the electricity charges; and 150-11150% increase in the water supply charges.

The above highlighted statistics also expose the truth behind the claim by the IMF and the World Bank that SAPs is not only primarily directed at the improvement and betterment of the provisions of social welfare, but is also quite successful towards achieving this aim[174]. This claim does not stand true in case of Ghana as the implementation of the SAP and as highlighted by Hutchful[175], the resultant investment in the social security and health sectors, failed to address the social needs of the Ghanaian populace. Peet[176] is of the view that such

[169]Kwadwo Konadu-Agyemang, ed. *IMF and World Bank sponsored structural adjustment programs in Africa: Ghana's experience, 1983-1999*. Aldershot: Ashgate, 2001:33.
[170]Lynne Brydon, and Karen Legge. *Adjusting society: The World Bank, the IMF, and Ghana*.Vol. 5. IB Tauris, 1996:28.
[171]Kevin Watkins and Kevin Watkins. "Back matter-The Oxfam Poverty Report."In *The Oxfam Poverty Report*, pp. 227-251. Oxfam Publishing, 1995:10.
[172]Charles Anyinam. "Spatial implications of structural adjustment programmes in Ghana." *Tijdschriftvooreconomischeensocialegeografie* 85, no. 5 (1994): 455.
[173]Ibid.
[174]Kevin Watkins and Kevin Watkins. "Back matter-The Oxfam Poverty Report."In *The Oxfam Poverty Report*, pp. 227-251. Oxfam Publishing, 1995: 79.
[175]Eboe Hutchful. *Ghana's adjustment experience: The paradox of reform*. Geneva: Unrisd, 2002:233.
[176]Richard Peet. *Unholy trinity: the IMF, World Bank and WTO*. Zed Books, 2003:57.

claims by the international financial institutions are in direct conflict with the conditions accompanying the SAPs which demand a huge reduction in social services expenditures by the host governments. This is what precisely happened in case of Ghana as according to Watkins and Watkins[177], the Ghanaian government in a desperate attempt to secure the SAP related loans from the IMF, not only made abnormal cutbacks on the social services expenditures but also introduced charges for these services. This is in accordance with the opinion of Konadu-Agyemang[178], who mentions that as compared to the majority of developing nations, Ghana under the SAP, only spends US $6 on the social services including healthcare for each citizen.

It is also pertinent to mention another interesting but significant dimension of the lesser spending upon social services under the SAP as some academics believe that this is intentionally done to benefit west or the global North in terms of the brain drain out of the host countries. With regards to this brain drain, Manji and Burnett[179] are of a view that this is the direct result of insufficient investment as the professionals start feeling the adverse impact of low pay structures, lesser than required facilities and deficient infrastructure and thus either leaves the sector or the country, thereby creating a vacuum of skilled and professional workforce. Manji and Burnett highlight that this vacuum is readily exploited by the west who in order to fill the vacuum provide a highly trained workforce to the host country[180].

Thus from the discussion in this section, it can be concluded that quite opposite to what the international financial institutions claim with regards to the benefits associated with the implementation of the SAP in the host countries, such programmes have an adverse impact upon social welfare in terms of increasing the cost of social services manifold and thereby degrading the living standards. In other words, instead of alleviating poverty, the implementation of the SAP and the accompanying conditions of the IMF and the World Bank lead to an enhanced marginalization of the poorer segments of the society, thereby hinting at the dependency relationship between the global North and the global South.

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[177]Kevin Watkins and Kevin Watkins. "Back matter-The Oxfam Poverty Report."In *The Oxfam Poverty Report*, pp. 227-251. Oxfam Publishing, 1995: 83.
[178]Kwadwo Konadu-Agyemang, ed. *IMF and World Bank sponsored structural adjustment programs in Africa: Ghana's experience, 1983-1999*. Aldershot: Ashgate, 2001:30.
[179]Firoze Madatally Manji, and Patrick Burnett. *African voices on development and social justice: editorials from Pambazuka News 2004*. Vol. 1.Mkuki Na Nyota Publishers, 2005: 3.
[180]Ibid, 8.

## 5.3 Regional Inequalities in Healthcare

The international financial institutions i.e. both the World Bank and the IMF claim that the SAPs bring social development and poverty alleviation in the host countries; however, once these programmes are implemented without paying due consideration towards local, regional and geographical realities, the result is often large scale inequalities[181]. With regards to the implementation of the SAP in Ghana, these inequalities can be seen manifesting on regional basis, especially in the area of healthcare. In this context, it is pertinent to mention that poverty in Ghana can be observed on regional basis[182]. As far as the urban areas in Ghana are concerned, Anyinam[183] highlights that approximately 50% of the urban population was poor even after the implementation of the SAP; while with reference to the rural areas, most of the population failed to benefit from the employment opportunities and enhanced wage structures as recommended by the SAP[184]. This is also supported by Konadu-Agyemang[185], according to whom the rural Ghana accommodated almost 80% of the total poor in the country. A relevant example is that of the Upper East, Upper West and Northern Savannah regions which accommodated 12% of the total Ghanaian population, out of which 53% were living below the poverty line[186]. Watkins and Watkins[187] are of an opinion that the savannah regions of Ghana failed to benefit from the policies being introduced by the SAP as the population in these regions produced food only for local consumption and therefore constituted no part of the country's export market.

Manji and Burnett[188] highlight that in Ghana, the rural-urban divide is quite significant in terms of the allocation of the budget for healthcare as urban areas with only 36% of the total population in Ghana, consume a far bigger portion of the budget (approximately 42% in 1989 and 49% in 1999) as compared to the rural areas (with 66% of population and approximately 58% of healthcare budget allocation in 1989 and only 51% in 1999), despite

[181]Sudhanshu Handa, and Damien King. "Structural adjustment policies, income distribution and poverty: a review of the Jamaican experience." *World Development* 25, no. 6 (1997): 919.
[182]Charles Anyinam. "Spatial implications of structural adjustment programmes in Ghana." *Tijdschriftvooreconomischeensocialegeografie* 85, no. 5 (1994): 447.
[183]Ibid, 455.
[184]Ibid, 453.
[185]Kwadwo Konadu-Agyemang, ed. *IMF and World Bank sponsored structural adjustment programs in Africa: Ghana's experience, 1983-1999*. Aldershot: Ashgate, 2001:34.
[186]Ibid.
[187]Kevin Watkins and Kevin Watkins. "Back matter-The Oxfam Poverty Report."In *The Oxfam Poverty Report*, pp. 227-251. Oxfam Publishing, 1995:90.
[188]Firoze Madatally Manji, and Patrick Burnett. *African voices on development and social justice: editorials from Pambazuka News 2004*. Vol. 1.Mkuki Na Nyota Publishers, 2005: 8.

the severity of the healthcare problems in the latter regions. Manji and Burnett[189]also indicate that in 1999, "the top 20% of the population according to income enjoyed 33% of government spending on health care, while the poorest 20% received only 12%". This is also supported by Konadu-Agyemang[190], according to whom in 1999, while SAP was being implemented; approximately 8 million of the Ghanaian population were unable to access requisite healthcare because most of the healthcare facilities were located in urban areas.

The above highlighted misbalance in the distribution and allocation of healthcare resources is also supported by the statistical picture. For instance, Anyinam[191]views the variation in the mortality and malnutrition rates for the rural and urban Ghana, an important insight into the healthcare misbalance. With regards to the malnutrition rates for women, Brydon and Legge[192]indicate that while only 30% women are malnourished in the urban areas of Ghana, almost 45% are malnourished in the rural areas. The same variation can be observed in terms of pregnant women as their rate of malnourishment is 65% for the rural Ghana and 45% for the urban Ghana. Same is the case with the infant mortality rates as according to Anyinam[193], before the implementation of the SAP in Ghana, the average infant mortality rate for the complete country was around 13%; however after a passage of half a decade, the rate for rural Ghana was observed to be 8.7% as compared to the rate of 6.7% for urban Ghana. This though indicates a positive impact of the SAP on healthcare, but is also representative of the continuation of the misbalance in healthcare facilities and budget allocation between the rural and urban areas in Ghana.

The above highlighted regional inequalities in healthcare indicate towards another negative aspect of the SAP i.e. its inability to address the local or regional realities and the failure to address the needs of the complete host countries. The lack of requisite effectiveness of healthcare, being one of the most fundamental necessities of life for the impoverished population segments in Ghana, is the evidence of this failure and also the ineffectiveness of the SAP in Ghana.

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[189]Ibid.

[190]Kwadwo Konadu-Agyemang, ed. *IMF and World Bank sponsored structural adjustment programs in Africa: Ghana's experience, 1983-1999*. Aldershot: Ashgate, 2001: 31.

[191]Charles Anyinam. "Spatial implications of structural adjustment programmes in Ghana." *Tijdschriftvooreconomischeensocialegeografie* 85, no. 5 (1994): 456.

[192]Lynne Brydon, and Karen Legge. *Adjusting society: The World Bank, the IMF, and Ghana*.Vol. 5. IB Tauris, 1996:124.

[193]Charles Anyinam. "Spatial implications of structural adjustment programmes in Ghana." *Tijdschriftvooreconomischeensocialegeografie* 85, no. 5 (1994): 456.

## 5.4 Regional Inequalities In Access To Clean Drinking Water

Another important component of both healthcare and social services is access to clean drinking water, which falls in the category of basic living necessities. However, like healthcare and social services, the access to clean drinking water and distribution of drinkable water resources also fell victim to regional inequalities under the SAP in Ghana. Anyinam[194]highlights that the rural-urban divide in Ghana with respect to the access to clean drinking water is visible as against 27% population from the urban areas, only 1% population from the rural Ghana enjoys accessibility to clean water resources. Anyinam[195] also mentions that within the urban areas, only the population from high-income residential areas enjoy sufficient water facilities; whereas the populations from the low-income residential areas is dependent upon dysfunctional public water supply system and ultimately have to purchase water from the high-income neighbourhoods. This situation in Ghana also meant that the poor, who could not afford to pay for clean drinking water, were compelled to use water from ponds and rivers, which had adverse health related consequences. In this context, Manji and Burnett[196] highlight the outbreak of the guinea worm in the poor and rural communities of Ghana, after the disease's official eradication from the region, only because the bodies of unclean and infected water acted as the medium of propagation amongst the Ghanaian poor.

The failure of the SAP in Ghana with respect to the accessibility to clean drinking water is also visible from the user-pay adjustment policies as recommended by the IMF and the World Bank, because of which the public services are privatized and this accessibility was limited only to communities which could afford to pay for it[197]. This falls under the domain of the neo-liberal free market approach of the international financial institutions, which ultimately exact a toll on the poorest of the population segments. It is thus obvious in the light of observations of Manji and Burnett[198] that the international financial institutions i.e. both the IMF and the World Bank extended loans to the Government of Ghana for development of its water sector only if the government showed a willingness to hand over the facilities to the multinational bidders, thereby endangering the lives of the majority of

[194]Anyinam, Charles. "Spatial implications of structural adjustment programmes in Ghana." *Tijdschriftvooreconomischeensocialegeografie* 85, no. 5 (1994): 436.
[195]Ibid.
[196]Manji Firoze Madatally, and Patrick Burnett. *African voices on development and social justice: editorials from Pambazuka News 2004*. Vol. 1.Mkuki Na Nyota Publishers, 2005: 166.
[197]Ibid.
[198]Ibid.

Ghanaian citizens. Anyinam[199] adds on this and comments that the multinational corporations exercising control over the water resources of Ghana as the result of privatization were only responsible to their west-based shareholders and did not feel accountable towards the Ghanaian population. Furthermore, as these multinational corporations were operating for the sole reason of earning profit, therefore cost of the clean drinkable water became a forbidding obstacle for the Ghanaian poor.

The discussion in this section thus leads to the argument that the neo-liberal policies of the World Bank and the IMF increased the cost of living and social services manifold in Ghana under the SAP, thereby aggravating the poverty levels, instead of reducing it.

## 5.5 Agricultural Misbalances And Inequalities

Though there were some advantages of the SAP in Ghana in terms of trade liberalization, however, the programme also had an adverse impact upon many areas other than social services. One of these areas was the country's agriculture, which according to Anyinam[200], primarily suffered under the SAP because of insufficient funding. For example, out of the total planned amount for the SAP i.e. US $6 billion, the agriculture sector received only about 6% share and that too for the major part was devoted towards the rehabilitation of Ghana's cocoa industry. Anyinam[201] argued that this uneven distribution and misplaced emphasis by the SAP had an adverse impact over the country's upper and Northern non-cocoa producing regions in terms of employment prospects, despite the fact that in these regions the employment in the agriculture sector amounted to 65.3% to 71.7%. This overall resulted into a gradual increase in agriculture related unemployment rate in these regions, which ultimately led to extreme poverty levels. This also highlights that the policies advised by the SAP are not only faulty but are also inappropriate because of being disconnected from the ground realities in the host country.

Another important aspect related to the agricultural sector in Ghana was the faulty perceptions of the international financial institutions regarding the treatment of the rural-urban agriculture. Watkins and Watkins[202] are of a view that the World Bank and the IMF

[199]Anyinam, Charles. "Spatial implications of structural adjustment programmes in Ghana." *Tijdschriftvooreconomischeensocialegeografie* 85, no. 5 (1994): 436.
[200]Ibid, 453.
[201]Ibid.
[202]Watkins Kevin, and Kevin Watkins."Back matter-The Oxfam Poverty Report."In *The Oxfam Poverty Report*, pp. 227-251. Oxfam Publishing, 1995:91.

recommend concentrating upon the urban agriculture sector because of a perceived increase in the efficiency; however, in actual, the concentration on rural agriculture pays larger dividends. These dividends, according to Tacoli[203], primarily include a possible decrease in the vulnerability of smaller agriculturists. Highlighting the employment related advantages of the rural agricultural sector; Owusu[204] opines that concentrating on rural agriculture is more efficient because of the use of local labour, while the urban agriculture is more dependent upon capital-intensive production systems. Adding upon this, Braimoh[205] indicates that when the rural agriculture is concentrated upon by the SAPs in developing countries, the income increases, thereby increasing demand for locally manufactured goods and services and ultimately benefitting the national economy. However, in the case of Ghana, the SAP and its designers i.e. the World Bank and the IMF chose to ignore these advantages. The possible reason for this lapse can be found in the capital-intensive production systems being employed by the urban agricultural sector in Ghana, which created a demand for the western technology and professionals, which again strengthens the argument that the SAP is just a tool used by the international financial institutions to enforce the neo-liberal theory on the developing countries like Ghana.

With reference to the impact of the SAP upon the Ghanaian agriculture, it is also pertinent to discuss another claim by the IMF and the World Bank, which stated that the Ghanaian agriculturists benefitted greatly from the increase in cost of the agricultural products[206]. According to Anyinam[207], this claim was true to only a certain extent as only a few agriculturists from the cocoa sector benefited from the high cost of products, while the same cannot be held true for the rest of the non-cocoa regions. Anyinam[208] also highlights that from within the community of the cocoa farmers, only about 18% of the farmers benefitted from the increase in price of cocoa; while 94% of the total cocoa related income went into the hands of only 32% of farmers. Furthermore, there is also evidence that in the northern Ghana and other rural areas of the country, the prices of the agricultural products suffered a

[203]Cecilia Tacoli. "Rural-urban interactions; a guide to the literature."*Environment and urbanization* 10 (1998): 147-166.
[204]George Owusu. "The role of district capitals in regional development: Linking small towns, rural–urban linkages and decentralisation in Ghana." *International Development Planning Review* 27, no. 1 (2005): 59-89.
[205]Ademola K. Braimoh. "Agricultural land-use change during economic reforms in Ghana." *Land Use Policy* 26, no. 3 (2009): 763-771.
[206]Charles Anyinam. "Spatial implications of structural adjustment programmes in Ghana." *Tijdschriftvooreconomischeensocialegeografie* 85, no. 5 (1994): 454.
[207]Ibid.
[208]Ibid.

decline because the transportation of products to markets required high costs as the physical infrastructure was not developed to absorb this load[209].

The discussion in this section thus leads to the argument that the agricultural policies as recommended by the SAP in Ghana were faulty and misplaced. Though some of these can be seen as faults in policy making, others like the emphasis upon the urban agriculture instead of the rural one can be interpreted as a deliberate attempt on part of the international financial institutions to benefit the western economies and industries. This speaks of the neo-liberal outlook of the international financial institutions and the western economies also shed light on the dependency relationship between the global North and South where the former exploits the economy of the latter, thereby marginalizing the poor and increasing the poverty levels.

## 5.6 Lack Of Infrastructure Development Under The SAP

Once the implementation of the SAP in Ghana is examined and the regional inequalities are explored in detail, the lack of requisite physical infrastructure development emerges as yet another imbalance between the Northern and Southern regions of Ghana. Moreover, the review of academic literature in the field of the SAPs in developing countries makes it obvious that the international financial institutions claim that the development of the physical infrastructure is essential towards economic development and progress and also for poverty alleviation.

Asamoa[210] opines that if a developing country is not equipped with roads and railways for the transportation of raw materials to the factories or the transportation of agricultural products from fields to the ports for export, the idea of economic development remains just limited to the paper. Once examined in the Ghanaian context, it can be seen that geographical isolation was one of the reasons for the widespread poverty in the country[211]. For instance, Watkins and Watkins[212] in their Oxfam Poverty Report, highlight that the majority of poor population in Ghana have no access to market facilities and transport

[209]Ibid.
[210]Ansa Asamoa. *Socio-economic development strategies of independent African countries: the Ghanaian experience*. Ghana Universities Press, 1996.
[211]Arthur Peter. "Ghana: industrial development in the post-structural adjustment program (SAP) period." *Canadian Journal of Development Studies/Revue canadienned'études du développement* 23, no. 4 (2002): 717-742.
[212]Kevin Watkins and Kevin Watkins. "Back matter-The Oxfam Poverty Report."In *The Oxfam Poverty Report*, pp. 227-251. Oxfam Publishing, 1995: 91.

networks. This particular fact should have constituted the basis of the policies recommended by the SAP in Ghana; however, Anyinam[213] opines that instead of concentrating on the development of the physical infrastructure uniformly across the length and breadth of Ghana, the SAP advised development was limited to the Southern regions only. This is substantiated by Asamoa[214], according to whom though the 37.1% of the total SAP linked funding was designated for the development of physical infrastructure i.e. both rail and roads, most of these funds were invested in the South from where the major exports of Ghana were originating. On the other hand, the northern regions were neglected despite the visible requirement of such infrastructure for the sustenance of the non-cocoa agricultural products[215]. This neglect ultimately resulted into the complete collapse of the non-cocoa agricultural operations, thereby causing unemployment and widespread poverty.

The discussion in this section highlights the argument that the SAP in Ghana was implemented by the international financial institutions i.e. the World Bank and the IMF was greatly tilted in the favour of the western powers according to the dictates of the dependency theory. This has been obvious from the selected development of infrastructure in the country, which was favouring only the major exports destined for the west.

## 5.7 Deterioration Of The Human Rights Situation Under The SAP

Another important implication of the SAP in Ghana can be found in terms of the deterioration of the human rights situation in the country as the direct result of the programme. In this context, Konadu-Agyemang[216]is of the opinion that the primary human rights were violated once the implementation of the SAP in Ghana led to the increased cost of the basic necessities of life for the poor Ghanaian population. Basic facilities like water and healthcare became non-accessible to the poverty stricken population of the country who were already suffering as the result of the faulty economic policy making by the successive governments.

[213]Charles Anyinam. "Spatial implications of structural adjustment programmes in Ghana." *Tijdschriftvooreconomischeensocialegeografie* 85, no. 5 (1994): 452.
[214]Ansa Asamoa. *Socio-economic development strategies of independent African countries: the Ghanaian experience*. Ghana Universities Press, 1996.
[215]Charles Anyinam. "Spatial implications of structural adjustment programmes in Ghana." *Tijdschriftvooreconomischeensocialegeografie* 85, no. 5 (1994): 452.
[216]Kwadwo Konadu-Agyemang, ed. *IMF and World Bank sponsored structural adjustment programs in Africa: Ghana's experience, 1983-1999*. Aldershot: Ashgate, 2001: 25.

Another aspect of the human rights implications of the SAP in Ghana can be traced in its impact on the role of the government in the host country. With respect to this particular aspect, Ibhawoh[217]views the replacement of the traditional nature of the government's role with the liberal ideas of privatization and market deregulation, as the main instigator of human rights violations. According to Ibhawoh[218], the ideas associated with neo-liberal economic regimes gradually erode the legitimacy of the state governments in the host developing countries, thereby lessening their overall capacity to govern the countries. The erosion of this legitimacy can be explored in terms of the SAP led repressive policies which are considered essential towards the implementation of the adjustment advised reforms.

A pertinent example of the above scenario in case of Ghana was the regional inequality and region-specific developmental policies as recommended by the Bretton Woods institutions, which though were not readily accepted by the population, but were anyhow enforced. Another relevant example in Ghana can be seen as the SAP led conflict between the foreign investment and the local property rights, which was ultimately settled forcibly in favour of the former on the insistence of the World Bank and the IMF[219].Also, the SAP can be seen as an enforced authoritative mechanism to subdue the host government in to submission by the international financial institutions, which by virtue of their authoritative nature leads to the violation of the human rights of the population[220].

The discussion in this section highlights the argument that Bretton Woods' institutions deliberately implemented the SAP in Ghana in order to create an overall environment where the fundamental human rights could be violated by the state government. On the face of it, this argument appears to be merely coincidental and unintentional on the part of the international financial institutions and seems to be due to a fault in policymaking. However, once examined at a deeper level, it can be seen that such an arrangement ultimately benefits these institutions as the constant state of unrest in the host country delays development and keeps on compelling the host government to apply for loans. Both the neo-liberal and dependency theories are visible in this argument as on one hand the neo-liberal policies

[217]Bonny Ibhawoh."Structural adjustment, authoritarianism and human rights in Africa." *Comparative Studies of South Asia, Africa and the Middle East*19, no. 1 (1999): 160.
[218]Ibid.
[219]Ibid.
[220]Ibid.

help reduce the legitimacy of the host government, while the internal political unrest keeps the developing nations dependent upon the west and the Bretton Woods institutions.

## 5.8 Debt Servicing And Its Impact Upon Poverty In Ghana

As discussed in Chapter 2, the dependency theory presents a vicious cycle wherein the developing countries from the global South, secure loans from the international banks to sustain their economies, thereby benefitting the developed world i.e. the global North. Thereafter, the developing countries take more loans from the international financial institutions including the World Bank and the IMF to repay the interest on the original loans and also for economic and public/private sector development, thereby again benefitting the global North. This cyclic relationship also merits discussion in case of the SAP in Ghana.

Watkins and Watkins[221] highlight that though the international financial institutions claim that the implementation of the SAP in developing countries leads to economic growth and prosperity, this was not so in case of Ghana, where the SAP under the auspices of the IMF and the World Bank failed to relieve the national indebtedness, which was essential for economic development. Konadu-Agyemang[222]confirms this observation by indicating that towards the end of the implementation of the SAP, Ghana was the 41$^{st}$ most indebted country in the world with an external debt to the tune of US $7.51 billion, the major portion of which was accumulated during the SAP era during which Ghana frequently borrowed from the West. Campbell and Loxley[223] share the same opinion and comment that instead of relieving national debt, the implementation of the SAP in Ghana witnessed a yearly increase in debt by about 7% from 1987 onwards. The implementation of the SAP in Ghana also led to an enormous increase in the domestic debt as before the introduction of the adjustment programme, this debt was just 2.8% of the GDP[224]; however, within the first decade of implementation, it increased by over 13%. It is also pertinent to highlight that during the SAP era, almost 20% of the major government expenditure consisted of

[221]Kevin Watkins, and Kevin Watkins. "Back matter-The Oxfam Poverty Report."In *The Oxfam Poverty Report*, pp. 227-251. Oxfam Publishing, 1995:79.
[222]Kwadwo Konadu-Agyemang, ed. *IMF and World Bank sponsored structural adjustment programs in Africa: Ghana's experience, 1983-1999*. Aldershot: Ashgate, 2001:25.
[223]Bonnie K. Campbell, and John Loxley, eds. *Structural adjustment in Africa*. London: Macmillan, 1989: 119.
[224]Kwadwo Konadu-Agyemang, ed. *IMF and World Bank sponsored structural adjustment programs in Africa: Ghana's experience, 1983-1999*. Aldershot: Ashgate, 2001:27.

domestic debt servicing[225]. This also means that precious government funding which could be used for public welfare was being diverted towards debt servicing, thereby contributing towards the rising poverty levels.

In the context of the inability of the Ghanaian government to divert funds towards public welfare, it is pertinent to mention that as part of the SAP, the Government of Ghana was bound by the Bretton Woods institutions to employ its export revenues towards debt servicing. Konadu-Agyemang[226] believes that this was the major reason why the Ghanaian government was unable to use the export revenues towards making long–term investments or initiate programmes for socio-economic development for the poor segments of the society. Konadu-Agyemang[227] also highlights that because of its commitment to the Bretton Woods institutions, all through the implementation of the SAP, the Ghanaian government was spending far more on debt payment than healthcare, which was a basic social service.

The above highlighted situation indicates at an intimate and mutually supportive relationship between the developed West and the Bretton Woods institutions, which was primarily aimed at exploiting the debt situation of Ghana through the implementation of the SAP. This is thus a classical example of the global North exploiting the global South and in the process marginalizing the poor population of Ghana. It is also considered necessary here to explore the give and take relationship between the two poles from the global North i.e. the Bretton Woods and the developed western countries. Peet[228] is of the view that the West depended upon the Bretton Woods to ensure the continuity in the payment of loan or debt servicing. In return, the Bretton Woods institutions expected these countries to support the Bretton Woods by placing more funds at their disposal. This was a win-win situation for both these entities; however, the only sufferer was the poverty stricken population of Ghana, which was suffering because of a promise of economic progress and prosperity.

Debt can thus be seen as a form of colonialism enforced through the instrument of the SAPs for the developing countries and also lies at the heart of the biased relationship between the global North and South. The significance of this relationship can be determined by the fact that in 2002 alone, approximately US $200 billion were transferred from the global south to

[225]Ibid.
[226]Ibid, 28.
[227]Ibid.
[228]Richard Peet. *Unholy trinity: the IMF, World Bank and WTO*. Zed Books, 2003: 75.

the global North as compared to US $120 billion in 1998[229]. This quantum and direction of the global North-South relationship can also be seen in terms of debt being used as an instrument to enforce the neo-liberal economic policies upon the countries from the South, which are though disastrous for the economies of the global South, but are highly beneficial for the global North.

The above discussion though highlights the loan or debt arrangement between the global North's and south, does not complete the viscous cycle. In order to complete the cycle, it is necessary to examine as to why and how Ghana was compelled to obtain more loans from the west. Campbell and Loxley[230]and also Cavanagh, Wysham and Arruda[231]opine that Ghana was compelled to restructure its economy because of the priority accorded to debt servicing as the SAP caused the country to excessively borrow and thereafter service this debt through the export revenues. Cavanagh, Wysham and Arruda[232]are of a view that though the country concentrated on its exports; however, the resultant revenues were insufficient towards the payment of interest on debt. This led to the possibility of Ghana becoming a defaulter or declaring bankruptcy, which was neither acceptable to the West nor the Bretton Woods institutions and therefore the latter arranged a new loan for Ghana which was primarily meant for the repayment of debt but was subject to Ghana's willingness to abide by the dictates of the SAP. Thus here the cycle completes as Ghana reached a point where it was perpetually indebted to both the West and the Bretton Woods institutions. The manifestation of the dependency theory in the Ghana's debt situation becomes clearer once the statistics provided by Cavanagh, Wysham and Arruda[233]and also Konadu-Agyemang[234]are examined, according to which approximately 70% of the external debt payments by Ghana ended up with the Bretton Woods institutions, while the remaining 30% ended up with the G-7 countries i.e. the developed countries from the West.

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[229]Firoze Madatally Manji, and Patrick Burnett. *African voices on development and social justice: editorials from Pambazuka News 2004*. Vol. 1.Mkuki Na Nyota Publishers, 2005: 10.
[230]Bonnie K. Campbell, and John Loxley, eds. *Structural adjustment in Africa*. London: Macmillan, 1989: 119.
[231]John Cavanagh, Daphne Wysham, and Marcos Arruda. "Beyond Bretton Woods: alternatives to the global economic order." (1994):135.
[232]Ibid.
[233]John Cavanagh, Daphne Wysham, and Marcos Arruda. "Beyond Bretton Woods: alternatives to the global economic order." (1994): 136.
[234]Kwadwo Konadu-Agyemang, ed. *IMF and World Bank sponsored structural adjustment programs in Africa: Ghana's experience, 1983-1999*. Aldershot: Ashgate, 2001: 27.

This was the main chapter of this dissertation as it encompassed a detailed analysis of unemployment, cost of social services, healthcare, accessibility to drinking water, the rural-urban divide and the impact upon agriculture, infrastructure development, human rights and the impact of debt servicing upon the poverty of the Ghanaian population; towards determining if the implementation of the SAP in Ghana caused a rise in poverty levels instead of leading the country to economic prosperity and progress. Overall it can be concluded that the SAP proved to be of little or no value to Ghana in general and the poverty stricken population in particular. Though, the proponents of the SAP term it as success in terms of the improvement in the macroeconomic indicators, the reality was quite different as the SAP led to an abnormal increase in the cost of living and the social services. The SAP in Ghana also made the country's government unable to undertake any worthwhile public service or social development project as the export revenues were primarily being utilized towards debt servicing. Another important impact of the SAP has been found in terms of the deterioration in the human rights situation in the country, which badly suffered because of the authoritarian policies imposed by the Bretton Woods institutions. It has also been found that the dependency theory is fully applicable to the situation in Ghana under the SAP as debt was used as a tool by both the Bretton Woods and the developed West to maintain their grip on Ghana's resources. The major conclusions from this chapter will be outlined in detail while presenting recommendations in the next chapter.

# CHAPTER 6: RECOMMENDATIONS

The recommendations presented in this chapter are primarily based upon the major conclusions drawn from the previous chapter, while deriving pertinent guidance from the literature.

## 6.1 Emphasis Upon The Country-Specific Context

During the analysis of the SAP in Ghana in the previous chapter it can be seen how the SAP was in conflict with the ground realities especially with reference to the geographical inequalities. This conflict was first observed in case of the SAP's adverse impact upon the healthcare services and facilities as the reformation failed to address the needs of the impoverished population segments in the North, thereby increasing poverty manifold. The second evidence of this conflict was found in the case of the misplaced emphasis of the agriculture related policies which were more focused on the cocoa-producing South as compared to the North. This error or deliberate strategy on the part of the Bretton Woods led to large scale unemployment in the North thereby leading to a rise in poverty. The third evidence of the external-domestic conflict can be found in case of the selective development of physical infrastructure in Ghana's South in order to support the transport of export products from fields to the ports. The lack of emphasis on the development of infrastructure in Ghana's north thus led to an enhanced inaccessibility of the local population to social services and also the collapse of agricultural activities, both of which resulted into increased poverty levels.

Basing upon the severity of these consequences and also in the light of studies by Walt and Gilson[235], UlHaque and Khan[236] and Khan[237], it is recommended that the implementation of the SAP in a developing country must be preceded by a detailed analysis of the country-specific context and ground realities which then can establish guidelines for designing of relevant policy measures. For instance, in the case of Ghana, disregarding the possibility of an attempt by the Bretton Woods institutions to deliberately keep Ghana's population

[235]Gill Walt, and Lucy Gilson. "Reforming the health sector in developing countries: the central role of policy analysis." *Health policy and planning* 9, no. 4 (1994): 353-370.
[236]Nadeem UlHaque, and Mohsin S. Khan. "Do IMF-supported programs work? A survey of the cross-country empirical evidence." (1998): 1-28.
[237]Mohsin S. Khan. "The macroeconomic effects of fund-supported adjustment programs." *Staff Papers-International Monetary Fund* (1990): 195-231.

impoverished, such an analysis could have helped towards designing more comprehensive health, infrastructure and agricultural policies.

## 6.2 Local Ownership Of The Reforms Under The SAP

The discussion in the previous chapter has highlighted the limited role played by the Government of Ghana under the implementation of the SAP as most of the policies recommended by the Bretton Woods institutions were applied in a forcible manner. This has been ascribed to the authoritarian control being exercised by the international financial institutions upon the governments of the developing countries whereby the latter lose the legitimacy to govern their countries. This also indirectly refers to the aspect of the policies imposed by the Bretton Woods being in direct conflict with the local priorities. If these realities and priorities were considered by these institutions before the implementation of the SAP, the outcome of the SAP could have been positive and also could have been in favour of the local impoverished population. However, once again this conclusion is being outlined while disregarding the possibility that the Bretton Woods institutions were deliberately designing such policies to keep the host countries in turmoil and continuously being in need of aid.

Keeping the above conclusion and also the findings by Konadu-Agyemang[238], Marquette[239] and McAfee[240] in view, it is thus recommended that the implementation of the SAP must be preceded by the precise identification of social developmental priorities, emerging from a democratic process in the host country. Such identification if in accordance with the time-based, cultural and local realities is likely to ensure an enhanced participation in reform by the local population and also an increased ownership of the reform process by the host government, thereby helping alleviate poverty.

## 6.3 Social Justice And Economic Efficiency

The examination of the literature in the last chapter made it obvious that the Bretton Woods institutions implement the SAP towards enabling the host government to attain economic

[238]Kwadwo Konadu-Agyemang. "The best of times and the worst of times: structural adjustment programs and uneven development in Africa: the case of Ghana." *The Professional Geographer* 52, no. 3 (2000): 469-483.
[239]Marquette, Catherine M. "Current poverty, structural adjustment, and drought in Zimbabwe." *World Development* 25, no. 7 (1997): 1141-1149.
[240]McAfee, Kathy. *Storm signals: Structural adjustment and development alternatives in the Caribbean*. Zed books, 1991.

efficiency at the cost of social justice and social inclusion. However, in the case of Ghana it has been seen that neither any worthwhile economic efficiency was achieved nor any social development took place. Rather, the Ghanaian populace suffered from constantly increasing poverty levels, which were the result of both the economic inefficiency as in case of rising rates of unemployment and also the neglect of social justice as in case of the lack of accessibility to basic necessities of life. Healthcare and access to clean drinking water are the two pertinent examples, where the rising cost of services as a result of privatization, made it practically impossible for the poor segments of the Ghanaian population to access these services. Furthermore, the economic policies were also not socially inclusive as all the pay-charge policies were designed with the rich in mind while completely ignoring the poor population in both the rural and urban regions of Ghana.

Considering the above conclusion and also keeping the suggestions by Bond and Manyanya[241], Goldman[242] and Loewenson[243] in view, it is therefore recommended that towards achieving a mutually benefitting relationship of efficiency and equity, the SAPs should develop an appropriate institutional framework based upon both social justice and economic efficiency. This means simply that the SAPs should not individually treat the social and economic issues but rather combine them within an integrated and dynamic strategy. If such a strategy was adopted in case of Ghana for instance, towards integrating the policies for agricultural efficiency and healthcare, the impoverished population in Ghana's North could have been better off.

## 6.4 Human Resource Developmental Approach

The analysis of the poverty related factors under the SAP in Ghana in the last chapter leads to the conclusion that while implementing this programme, the Bretton Woods institutions were concentrating on economic growth and not the human capital. It is obvious from the capital-intensive development in the urban agriculture sector which led to unemployment. Also the neglect of agricultural development in Ghana's northern regions led to a complete collapse of the system, thereby again resulting into wide scale unemployment. Same has

[241]Patrick Bond, and Masimba Manyanya. *Zimbabwe's plunge: exhausted nationalism, neoliberalism, and the search for social justice*. University of natal Press, 2003.
[242]Michael Goldman. *Imperial nature: The World Bank and struggles for social justice in the age of globalization*. Yale University Press, 2006.
[243]Rene Loewenson. "Structural adjustment and health policy in Africa."*International Journal of Health Services* 23, no. 4 (1993): 717-730.

been observed in the healthcare sector where the rising cost of social services, lack of motivation and absence of requisite facilities, especially in the rural areas, led to a brain drain from the sector and also from the country. Keeping aside the possibility of the Bretton Woods institutions deliberately creating a human resource vacuum in Ghana in favour of the West, if the approach was more human-centric than growth-centric, the resultant situation could have been in the benefit of the poor, primarily through the creation of employment opportunities, instead of ending into social exclusion, polarization and fragmentation.

Keeping the above conclusion in mind and in addition to the opinions of Geo-Jaja and Mangum[244], Hamer and Morrison[245] and Reimers[246], it is thus recommended that the Bretton Woods institutions while designing the SAPs must maintain a human resource developmental orientation through an empowerment of the poorer segments of society. Such an orientation is capable of leading to growth if based upon the policies of need orientation, labour-intensiveness and redistributive justice.

## 6.5 Enhanced Emphasis Upon Employment

The analysis of the implementation of the SAP in Ghana in the previous chapter has highlighted unemployment as the principle cause of wide scale poverty in the country. This unemployment was mainly the result of the shedding away of the labour force in both the public and private sectors and also because of the faulty and misplaced agricultural policies. The result was a situation where the poor, due to the lack of any viable source of income were not only devoid of sustenance but were also rendered unable to access the costly social services like healthcare and clean drinking water. Unfortunately, the unemployment in Ghana was witnessed more in the already deprived northern regions, which led to poverty being converted into extreme poverty. It can be thus concluded that if the SAP in Ghana introduced more labour-intensive policies instead of an emphasis upon capital-intensiveness, the implementation of this programme could have led to an alleviation of poverty instead of aggravating it.

[244]Macleans A. Geo-Jaja, and Garth Mangum. "Structural adjustment as an inadvertent enemy of human development in Africa." *Journal of Black Studies* 32, no. 1 (2001): 30-49.
[245]Andrew Marshall Hamer, and Andrew R. Morrison. *Beyond urban bias in Africa: Urbanization in an era of structural adjustment*. Heinemann Educational Publishers, 1994.
[246]Fernando Reimers. "Education and structural adjustment in Latin America and sub-Saharan Africa." *International Journal of Educational Development*14, no. 2 (1994): 119-129.

Basing upon the above conclusion and also the observations by Chossudovsky[247], Konadu-Agyemang[248] and Peabody[249] in view, it is thus recommended that creation of job opportunities should constitute the basis of the SAPs for implementation in the developing countries. This is because employment is the principle process which leads to the citizens' active participation and inclusion in society and also because it alleviates poverty in the most effective manner. Also once coupled with the factor of human resource development, employment means work in both skilled and unskilled categories thereby acting as an effective barrier against brain drain.

## 6.6 Enhanced Emphasis Upon Sustainability Of Restructuring

The evaluation of the implementation of the SAP in Ghana with respect to the condition of poverty has led to the conclusion that the Bretton Woods institutions concentrated their policies on a quick economic recovery through an emphasis upon increasing the export products and earning export revenues. Disregarding the success or failure of this aim, it can be seen that such an approach caused a neglect of many important social developmental and poverty related aspects such as development of the physical infrastructure, creation of employment opportunities and provision of social services. It can thus be stated that if the policies were implemented in a gradual and deliberate manner, the results could have been better, especially for the poor population of Ghana.

Keeping in view the above conclusion and also in accordance with the views of Thomas, Chhibber and Dailami[250], Çağatay and Özler[251] and Faini et al.[252], it is thus recommended that the SAPs must be based upon long term social and economic transformation, with each policy directed at achieving sustained and long term results. Moreover, the SAP policies must be dynamic and flexible to evolve with the emerging needs of the host country.

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[247]Michel Chossudovsky. *The globalization of poverty*.London, 1996.
[248]Kwadwo Konadu-Agyemang. "The best of times and the worst of times: structural adjustment programs and uneven development in Africa: the case of Ghana." *The Professional Geographer* 52, no. 3 (2000): 469-483.
[249]John W. Peabody. "Economic reform and health sector policy: lessons from structural adjustment programs." *Social Science & Medicine* 43, no. 5 (1996): 823-835.
[250]Vinod Thomas, Ajay Chhibber, and Mansoor Dailami, eds. *Restructuring economies in distress: Policy reform and the World Bank*. World Bank Publications, 1995.
[251]Nilüfer Çağatay, and Şule Özler. "Feminization of the labor force: The effects of long-term development and structural adjustment." *World development* 23, no. 11 (1995): 1883-1894.
[252]Riccardo Faini, Jaime De Melo, Abdelhak Senhadji, and Julie Stanton. "Growth-oriented adjustment programs: A statistical analysis." *World Development* 19, no. 8 (1991): 957-967.

## CONCLUSION

The principle argument driving this research was that the manner in which SAP was implemented in Ghana, contributed towards higher poverty levels in the country. The aim of this research therefore was to examine the implementation and effectiveness of SAP in Ghana from 1983 to 1998. In order to achieve this aim, the dissertation questioned: the significant features and conditions of SAP with special reference to Ghana; the economic socio-economic factors which compelled Ghana to apply for the SAP; and the results of SAP in terms of poverty reduction. The research was primarily based upon the review of academic literature, while the principle argument was examined through an exploration of the secondary sources, mostly African in origin.

It has been concluded that the implementation of the SAP in Ghana not only failed to alleviate poverty but instead acted as an active agent of poverty towards the increased plight of the poor people in the country. The principle reason of this failure was found in the dictates of both the neo-liberal and dependency theories, where the former defines the adverse impact of the conditions attached with the loans from the IMF and the World Bank, while the latter defines the debt servicing and the resultant marginalization of the poorer classes. It has also been concluded that the claims of the Bretton Woods institutions with reference to the benefits associated with the implementation of the SAP in the host countries, are completely wrong as the implementation of the SAP in Ghana had an adverse impact upon social welfare in terms of increasing the cost of social services manifold and thereby degrading the living standards. The lack of policy consideration towards the regional inequalities in Ghana has also been found as the principle cause of failure of the SAP as most of the social services including healthcare policies failed to address the needs of the impoverished population. Similarly, in case of the agricultural sector too, the lack of consideration towards the geographical inequalities in Ghana has been found evident as the emphasis of the policies was upon the urban agriculture instead of the rural agriculture. It can also be concluded that instead of being in favour of the host country, the SAP in Ghana was implemented by the World Bank and the IMF in accordance with the economic interests of the western powers as seen the selected development of infrastructure in the Ghanaian South only, which was the centre of exports destined for the west.

It has also been found that the Bretton Woods institutions deliberately implemented the SAP in Ghana in order to create an atmosphere of failure indicating at the lack of legitimacy on part of the host government. This was done to create a constant state of unrest in the host country in order to maintain its dependence upon the west and the Bretton Woods institutions. In case of Ghana and in accordance with dictates of the dependency theory, debt has been found to be a form of colonialism enforced through the instrument of the SAP, which ultimately harms the host country but greatly benefits the western world.

In accordance with the conclusions from the analysis of the implementation of the SAP in Ghana, it has been recommended that a detailed and comprehensive analysis of the country-specific context and ground realities must precede the implementation of the SAP in a developing country, while in order to enhance the ownership of the reform by all the stakeholders, the social developmental priorities must be correctly identified. It has also been recommended that the SAPs should develop an appropriate and dynamic institutional framework based upon both economic efficiency and social justice towards an enhanced synergy between efficiency and equity. Also that such a framework should be based upon a human resource developmental orientation and empowerment through adhering to the policies of need orientation, labour-intensiveness and redistributive justice. Employment, being identified as the principle agent towards enhanced social participation and inclusion, has also been recommended as the principle objective of the SAP. Finally, it has also been recommended that the SAPs must be aimed at long term social and economic transformation through a dynamic and flexible policy framework.

It is also pertinent to mention that this research though successful in confirming the argument, has been limited by some significant factors. The primary factor has been the relative inexperience and lack of requisite maturity of the researcher. The complexity of the subject and the difficulty associated with identifying, sifting and analysing the relevant content, are some of the other important limitations.

During the course of this research, it has been felt that the analysis of the SAP in Ghana and evaluating its impact upon the poverty situation in the country, could have been made more effective and useful if another country, for example Jamaica was used as a case study. Such a comparative analysis could have borne more pertinent results and could also have assisted the researcher towards identifying the strengths and weaknesses of the SAP. Therefore, it is

recommended that future research on the subject of relationship between the SAP and poverty should be based upon the comparative analysis of a minimum of two case studies.

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