

**The Impact of the World Bank's SAP and PRSP on  
Ghana: Neoliberal and Civil Society Participation Perspectives**

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## Abstract

Ghana's government implemented the following World Bank programmes: SAP and PRSP. This thesis shows that SAP and PRSP have impacted Ghana in different ways. Sometimes SAP and PRSP worked. Other times both SAP and PRSP had problems and they did not work. SAP created more negative impacts or problems in Ghana than PRSP. The influence of neoliberalism on Ghana's SAP cannot be ignored. This is because the tenets of neoliberalism include the withdrawal of government subsidies, high productivity, the cutting down of government expenditures or spending and privatization. The withdrawal of government subsidy was seen in the Education and Health sectors of Ghana. In the Education sector under SAP, the government cut down its subsidy to the Ghana Education Service. Then it introduced a programme called "Cost Sharing" in which students and their parents were asked to contribute to the payment of expenditures in providing education in Ghana. Many parents could not afford it, and this led to many school dropouts and a gap in the education of boys and girls. In the health sector, the Ghanaian government cut down its subsidy under SAP. It introduced the "Cash and Carry System," in which Ghanaians were asked to contribute to the cost of health delivery services. This became a problem for many. Healthcare services became inaccessible for many Ghanaians as well. In the manufacturing sector, under SAP, the rate of productivity fell. Ghana's products in the world market experienced volatility or fluctuations in prices. In the mining sector the influence of neoliberalism was on privatization. Based on this principle, the government privatized Ghana's mining sector. It put in place policies that attracted investments into Ghana to do mining. These mining activities contributed significantly to Ghana's economy. But these mining activities also caused the problem of dislocation of people, loss of farmlands, along with environmental and health problems. SAP had more negative impacts on Ghana. PRSP also impacted Ghana because it attempted to address the problems SAP created in many sectors, including Education, Health, mining, manufacturing sectors. I conclude by saying that although SAP made some contributions to Ghana's economy especially in the mining sector, it created more problems in the Education, Health, Mining and Manufacturing sectors. PRSP attempted to address them. Thus it cannot be said that both SAP and PRSP impacted Ghana equally in a more positive way. But rather it can be said that (1) SAP created more problems in Ghana and PRSP on the other hand attempted to address them. (2) The later developments taking place indicate that the civil society participation in PRSP is having an impact in Ghana.

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## **1.0 Chapter one – Introduction**

This thesis focuses on the West African country of Ghana to examine critically the impact of the World Bank's Structural Adjustment Program (SAP) and Poverty Reduction Strategy Papers (PRSP) on the country's economy. For over a quarter of a century the predominantly Western international donor community led by the two Bretton Woods Institutions (BWIS) –the World Bank and the International Monetary Fund (IMF), has influenced and shaped the economic and the development processes of countries in Sub-Saharan Africa and other developing countries. This dominance has been largely defined through the structural adjustment policies (SAPs) promoted from the late 1970's and early 1980's. The World Bank then made an important change in its development policy in the 1990's. Despite the shift in development policy by the World Bank, the concept of good governance continued to be a prominent factor underlying the development policy of SAP and PRSP, which are incorporated and fixed steadfastly in the neoliberal economic system. Thus theoretically, this thesis will explore the influence that neoliberalism has on SAP and it will also explore the notion of good governance as civil society participation. And it will seek to explain how neoliberalism and other theories play a role in development programs. For example modernization improvement policies which wrongly assume "trickle down" from profit-making elites to the rest often do little to help the poorest and the most vulnerable. And both dependency theory and modernization hold the view that development should begin from the state or the government down to the people. But neoliberalism conversely argues that what has been blocking or retarding development was an excessive focus on state intervention in the economy. For neoliberalism the private sector was to take a greater role in development than the state. Governments were part of the problem, not part of the solution. They were seen as a governing body of a nation that obtains its living from others

and generally causing harm, although the damage they cause ranges from mainly minor inconvenience to debilitating or fatal ones (parasites). They were also seen as open to bribery and corruption and not capable of working very well. They did not generate growth. The solution proposed by neoliberalism was to cut down the size and the amount of government subsidies, the money they spent, and the public sector. Then the part of the economy that consists of state-owned institutions, including nationalized industries and services provided by local authorities of government had to be privatized (Edelman and Hangerud, 2005:113).

Based on these debates this thesis will analyze the impacts of neoliberalism under SAP and good governance as civil society participation under PRSP of Ghana. It will seek to explain how SAP created problems in Ghana and how PRSP attempted to address them. It will show what happened under SAP in Ghana that was influenced by neoliberalism, what worked and what did not work. It will give evidence of the impacts of both SAP and PRSP in Ghana. Then it will also discuss the problems, failures, the critiques and gaps of SAP and PRSP. Before proceeding to this analysis, this thesis presents the main steps of the proposed research.

### **1.1 The History of World Bank SAP and PRSP**

The history of the Structural Adjustment Program (SAP) has developed through World Bank and IMF's activities, projects and principles which had involved market ideology, neoliberalism, Washington consensus, debt of countries, IMF conditionalities and how PRSP was derived from SAP. This section will explain all these above, including the definition of SAP and how Ghana comes into the historical context of SAP and PRSP.

SAP can be defined as economic and government policy solutions to the astonishing economic downturn that occurred both internally or externally, which were put in place to recover the course of growth in the national economy. For instance, the petroleum prices that

increased fourfold in 1973-74 and the depression or decline that the world economies experienced in 1974-75, represent the external shocks. Then when a government of a country applied extremely wide ranging unstable or out of place economic policies to stimulate the economy during the period of a decline in business activities. But it led to an increasing government spending, expenditures and consequently to a very large or huge government budget deficit. Such decline of the economy in the country is considered internal shock (Balassa, 1981:1). SAP is really an effort to bring about a major change to an economy, usually after an internal or external shock. The goal of this policy is to get the economy to go in the direction of growing once again, to improve its debt payments over the time period that lasts for some few years, usually within approximately 5 years (Rutherford, 1992:443). SAP is based on neoliberal good governance. It emphasizes on the following: (1) privatization which is the act of transferring to private ownership, industry operated by the government (2) liberalization, which means a relaxation of previous government restrictions, usually in such areas of social and economic policy, and (3) the effectiveness of the free market in developing countries of the world, whereby they have an economic system that the government does not interfere in their business activity in any way with regulations.

## **1.2 The History of World Bank SAP**

The policy approach of the World Bank has not been market-oriented or has not promoted free market since the time of its formation in 1944 to the last part of the 1970s. But rather its policies had been directed towards supporting the state-led development approach of the low-income countries of the world. Sixty percent of its financial assistance or funding was utilized to help governments of the developing countries to construct visible solid infrastructures or broad number of systems and facilities to serve the citizens of their countries, which included

hydroelectric power (dams) and the supply of electricity to the people, airports and highways. This was compatible with the Keynesian model of development of that period, in which the World Bank recognized the State as the most important instrument (or engine) for the growth and development of the economy. In the 1970s and 1980s, Robert McNamara was the president of the World Bank. He departed from granting financial assistance to support the infrastructural projects of the governments. Instead he made the World Bank to turn its attention to funding poverty reduction programs such as; assisting small scale-farmers to raise their farm produce. But the United States conservatives' strong response to McNamara's initiative was that economic growth and development must be the priority or target of the World Bank. (Taylor, 2009:159; Crawford, 2009:10). (Taylor, 2009:155; Crawford, 2009:10; Hague, 1999:75; Kobrin, 1980:65-88; Bienen. H. and Waterbury, 1989:617-632). The greatest policy change was made by the World Bank from state-led development approach to the market-led approach in the beginning of the 1980's, when Prime Minister Margaret Thatcher and President Reagan explained and advocated for the free market ideology in the United States and the United Kingdom during their time in office. In our contemporary era, the propagating organizations by means of which this policy was enforced on the developing countries which generally required financial assistants, were the IMF and the World Bank. Neoliberalism with its inclinations against the state was the policies that prevailed at this time (Berger and Beeson, 1998:490; Stiglitz, 2002:13). The World Bank went through the process of elimination and substitution at this period. President McNamara having been influenced by the poverty he observed in the developing countries turned the focus of the World Bank to the funding of poverty reduction programs. He chose Hollis Chenery as his economic consultant or adviser to implement this program. But William Clausen (1981-1986) the newly appointed World Bank president also

nominated Anne Krueger to be the new chief economist of the World Bank. It turned out that while the concentration of Chenery and his group of economists was on helping governments to bring improvements to the markets which had failed or declined in the developing countries, Anne Krueger perceived the government as an impediment, a problem and hindrances to development. Krueger and her group of economists held that free market was the way through which the problems and failures of developing countries could be remedied and solved. Thus a new market ideological enthusiasm began in the World Bank which became its policy approach in development programs (Stiglitz, 2002:12-13; Crawford, 2009: 110; Williamson, 1990).

### **1.3 Market Ideology**

Market based economy is characterized by: (1) manufacturers or producers producing goods and commodities, (2) the buying and selling of the products, and (3) the fixing of the prices of the products. As the demand for a product increases, prices go up. Manufacturers get motivated by the price increases; compete to produce bigger supplies of the product, spread the market with abundance of the product and thereby make prices to go down. This is the principle of supply and demand. The free market ideology is defined as markets system in which buyers and sellers determine and establish the prices of goods and services freely by consent through the supply and demand procedure with minimal or no government intervention (The American Heritage New Dictionary of Cultural Literacy (2005). The market ideology or market reforms that is undertaken by the World Bank's SAP, is aimed at bringing about free-trade, trade liberalization which is taking away barriers restricting the movements of goods and services, reducing government regulations on industry, business and economy, cutting down government spending, or subsidies and privatizing of state-owned enterprises. The distinctions or differences between market ideology and the state-led approach to development can be seen as follows. State-led

approach to development advocates for policies that includes: (i) the role of government in development such as, subsidizing or providing funding for companies and corporations that are collapsing due to poor or lack of capital or resources to keep them in business, fostering self-reliance, and cutting down or preventing foreign corporations and organizations to take over the control of the state-owned industries, businesses, and companies (ii) State- led approach to development also increases or extends the boundaries and the area of operation of the public sector by making the government to create more new state-owned industries, businesses and to regulate and control private companies, corporations and businesses (Hague, 1999:75-76; Kobrin, 1980:65-88; Bienen. H and Waterbury, 1989:617-632).

On the contrary the advocates of market ideology have a different view point. They champion and defend free market and give fewer roles to government in development. They uphold and promote the free movement of the capital of investors, corporations, companies and businesses across nations or countries. They give approval to group action or group of organizations and associations engaging in demonstrations or negotiations with the government to bring about improvements and solutions to their problems than an individual organization doing it all alone (Hague, 1999:77; Massey, 1993; Martin, 1993; Bashevkin, 1994:275-296).

They demand and call for the government involvement in development to be taken over by the market which will work through supply and demand to shape the economy. The main proponents of the traditions of market ideology are: (1) neo-conservatism (2) neoliberalism and (3) the “new right”. The neoconservatives stress on the limited role to be given to government in development and they maintain that free market must be put in place. The neoliberals demand and call for a cut in government expenditures, as they hold that government revenue must be taken good care of. The “new right” is a political movement that resists or opposes government’s control and

regulation of the market and emphasizes free market (Hague, 1999:77; Sargent, 1990:97-99). The argument is made by the advocates of market ideology that in comparison, market ideology is better than the state-led approach to development. But an evaluation of what is happening in the countries of Eastern Europe in recent times, show that market reforms have resulted in; fallen GDP, increases in inflation, and rising unemployment, instead of achieving the better things that it claims. Therefore, the assertion which holds market ideology to be superior is controversial or questionable. Furthermore, with regards to the development of the economy by capitalists, it is not the market ideology but rather the state-led approach to development with its government intervening policies which brought about economic development and progress in some countries like South Korea, Taiwan and other East Asian countries (Hague, 1999:78). In response to the arguments in this debate, Stiglitz maintains that, he rather favors or supports the economic policy and philosophy which considers the inter-relations between governments and the market as interdependent or complementary which will make them to work as partners to cooperate with each other (Stiglitz, 2002: xiii). As neoliberalism with all its tenets forms part of the market ideology tradition, we shall explain its historical aspects or origins below.

#### **1.4 Neoliberalism**

According to Hette (1995), those who have been accused or charged and blamed for the breakdown and collapse of the market are: (i) the welfare state, which is the system of the state whereby the government undertakes to protect the health and well-being of its citizens especially those in financial and social need, by giving them grants, pensions and other benefits, (ii) the power-structure of the state, which is the group of people who have control of a government or organization which includes (iii) the nation-based labor unions, which are organizations of wage earners in the nation that have been formed for the purpose of serving the members' interests

with respect to wages and working conditions, and (iv) state bureaucracy, which is a system of government in which most of the important decisions are taken by state officials rather than by elected representatives. The operations and activities of these groups cause the destruction and the failure of the market. Neoliberalism was started or brought about to provide a counteraction or a response to the activities of these groups. The means by which this conflict or intense difficulty and confrontation with the state on the deterioration of the market can be solved was to abolish or breakdown the welfare state in an orderly way. Then a move must be made to adopt and promote the market and the government must be given a minimal function to play in development. This was what the defenders of neoliberalism proposed. Milton Friedman gives the main points of these arguments. He maintains that the citizen or the natural member of the state sees the country as one that is made up of different group of people, professions, businesses and organizations. The domain of the government should be restricted or minimized to functions such as (a) putting in place strong measures to suppress and prevent crime, violence, bribery and corruption (b) to advocate and put in place safe environment for business parties or those involved in business operations to accomplish their negotiations, bargaining, and trade deals to bring competition and progress to the market (Friedman, 1962: 23; Hette, 1995: 113). Based on neoliberal policies, a process of recommendation or proposals regarding the best course of action to be taken were made during the latter part of the 1990s. They include the following principles: (a) reduction of government spending, which is the cutting down or downsizing the total amount of expenditures that government spends on goods and services, (b) removal of trade restrictions, or the removal of trade barriers such as imposing taxes on imports and exports goods. These and others were accepted at the Washington Consensus and became part of the officially well-established policies which are recognized by the International Financial Institutions (Williamson,

1990: 18; Peet and Hartwick, 1999: 52-53; 48-49). Neoliberalism will be discussed in details later in this thesis.

### **1.5 Washington Consensus**

In the mid-1980s a general agreement or consensus was established among the main development actors and the most important decision makers of the: World Bank, IMF, United States Treasury, Inter-American Development Bank, United States Executive, Think Tanks involved with economic policy and the those members of the United States congress who were interested in Latin American development. This agreement came to be called the Washington Consensus and was made to become part of the International Financial Institutions (Williamson, 1990:1; Babb, 2012:270; Stiglitz, 2002:16). The objective of the Washington Consensus was to foster or push for free market reforms and debt repayment in developing countries. It proposed to do this through the implementation of the neoliberal principles or tenets which included: the privatizing of problematic and unproductive state-owned industries and corporations, reforming of the tax system, enforcing free trade, creating suitable environments for foreign investments, promoting free movement of private capital, goods and services across nations and to help countries repay their debts (Peet and Hartwick, 1999:52; Babb, 2012:277; Babb, 2012:275; Stiglitz, 2002: 67; Williamson, 1990:1). In explaining the origins of the Washington Consensus, Stiglitz (2002) maintains that, in the period of the 1980s, Latin American countries ran into large debts and so initially the Washington Consensus policies were devised or formulated to solve their deficits problem. But as the years went by they were considered to be appropriate and relevant to all the countries in the world. However, after many years of implementing the Washington Consensus in the low-income countries, it was found that the policies were not well-suited for them (Stiglitz, 2002:16).

## **1.6 Debt of Countries**

The twofold problems which confronted the developing countries getting to the ending of the 1970s were: (i) the fall in the prices of their major exports products and (ii) the higher levels of oil prices. They had to find ways and means to deal successfully with their spending deficits. So they started to turn to the International banks to acquire loans. Consequently countries all over the developing world ended up owing large amounts of debts to the banks in the industrial wealthy nations as a result of the excessive acquisition of loans. By 1983 the sum total of the foreign debt of Latin American countries for example reached \$336, 230 million, which was a big increase as compared to their debt of 1976 which was \$100, 000 million (Taylor, 2009:158). Then when the United States in 1982 took an independent or unilateral conclusion that it will increase the interest rates the situation went from bad to worse. The stress that was laid on a great number of low-income countries to pay for their debt instantly intensified to a great extent. At that time Mexico had a deficit or debt arrears of \$180 billion that had not been paid. On the 12 August 1982, it took the first step to express the threat to the IMF, the World Bank and the United States government that, it will fail to fulfill its obligation of repaying its debts or loans. Efforts to change dates and times scheduled for the repayment of debts were also made by a number of 30 countries which had a sum total of \$239 billion deficit or arrears in the month of October 1983. Seventy four percent of these countries were from countries in Latin America. Many important or leading United States and foreign International banks were confronted with the certainty of breaking down, and the whole of the Western international Financial Institutions including the World Bank, IMF, World Trade Organization and others were faced with the fear of economic meltdown or depression. This was due to the huge amount of debts or the immensity of loans that remained as bad debt, which the low-income countries failed to repay.

Consequently, the low-income countries which owned large debts were provided with billions of dollars by the IMF and the World Bank to make it easier for them to keep repaying their deficits or arrears relentlessly and unceasingly. This was how IMF and the World Bank reacted instantly to the debt crisis of the developing countries (Taylor, 2009:159).

Another problem in the period after the Second World War was the restrictions on free trade, which was created by the state-led approach to development. This approach gave major functions to governments in developments, promoted state-owned industries, and prevented foreign or international corporations to compete with the government run industries. The World Bank and IMF recognized that there needs to be a change which will be a more radical one that will make the economies of the developing countries to produce commodities for export, a change that will create the accessibility or the openness to free trade, free movements of capital, goods and services across nations to help them pay their debts. Furthermore the change should be one that will make the market to play a major role in the allocation of the nation's natural resources or wealth throughout the economy, while the state or government minimizes its involvement in development. The World Bank and IMF concluded that the policy of structural adjustment was the program which could be all-embracing and efficient enough to bring about this radical change that was needed. In March 1980, Turkey was the first country to be given the funding or the structural adjustment loan which was the first of its kind. But as many developing countries fell into huge debts in the period of the debt crisis a great number of them adopted the structural adjustment program as well (Taylor, 2009: 159-160). Thus the IMF, the World Bank, the United States government, and the governments of the developing countries were the development actors involved in the promotion of the structural adjustment program.

## **1.7 Conditionalities**

The IMF and World Bank included many conditions to their loans or financial assistance in order to make sure that developing countries will take up the responsibility to implement the policies of SAP. Conditionality is defined as the specific prescriptions or terms about the reforms to be made which are imposed or laid upon developing countries that receive technical support or financial assistance from the World Bank, International Monetary Fund (IMF) and the bilateral aid agencies of the Organization for Economic Cooperation and Development (OECD). This means that, countries in the developing world are compelled or forced to undertake some changes in their national economies if they request for financial assistance from these international Financial Institutions or development actors. As Williamson put it “no statement about how to deal with the debt crisis in Latin America would be complete without a call for the debtors to fulfill their part of the proposed bargain on funding, by setting their houses in order, undertaking policy reforms, or submitting to strong conditionality reforms on the economy”

(Taylor, 2009:160; Bull, 2006:14; Babb, 2012:274; Williamson, 1990:7; Babb, 2008:16-17; Forsyth, 2005:111). Among the examples of the IMF and World Bank conditionalities include the market or neoliberal reform policies on: privatization, free trade, governance, deregulation, social policy, independent judicial systems free from coercion or intimidation, financial sector, civil service, and tax administration policy (Bernes, 2007:5-7, 12; Forsyth, 2005:iii; Koeberle, 2005:10-11). It also became too demanding, challenging and burdensome to fulfill the conditionalities because IMF incorporated or included a great number of reforms or changes to be implemented by borrowers involved in its programs (Babb, 2008:16, 19).

Some scholars insist that to some considerable degree, the IMF and the World Bank’s adjustment lending program with its attached conditionalities have been achieving some positive results or successes. For example they claim that, the group of developing countries which began

to implemented full, intense and comprehensive structural adjustment program with its conditions and loans granted to them by the middle of 1986, achieved a reduction in their budgetary or financial debts in the middle of the 1980s and obtained a rapid and speedy growth rate in their export productions and earnings (Summers et. Al., 1993:384-385; Lapeyre, 2004:9-10; Noorbakshs et al., 2006: 58 ; Babb, 2008:21; Kilby, 2005:328; Henisz et al., 2005:873; Corbo et. al., 1992:27). (Woods, 2001:83-100, Rawls, 1971:607; Stiglitz, 2002:47; Babb, 2008: 21; Gould, 2006:280). On the contrary, other studies also show that while the economies of Sub-Saharan African countries moved backwards and did not progress, those of the Latin American countries deteriorated when the World Bank and IMF implemented the neoliberal market reforms or changes with its attached conditionalities in the 1980s and 1990s. Some maintain that the conditionalities were not accurate or the right ones that was why they could not achieve good results (Stiglitz, 2002; Easterly, 2001; Easterly, 2006; Dreher, 2006; Babb, 2008:22). And still other scholars also showed from their research that the rate of poverty, inequalities, unemployment and hardships rose up sharply in countries of the developing world that installed or put in place the structural adjustment program with its attached conditionalities. Therefore the claim is that the IMF and World Bank conditionalities are not functioning or working out well to achieve its intended results efficiently (Vreeland, 2002; Ayelazuno 2011; Martin and Brady, 2007; Hilson 2004; Babb, 2008:22).

### **1.8 How Ghana comes into the Historical Context of SAP**

Ghana has come into the World Bank and IMF structural adjustment program under some historical conditions, occurrences and events which created problems for the country in the 1970s and 1980s. In this period, there were cases of social inequalities, that is, the existences of unequal opportunities and rewards for different social positions or statuses, were found to be

taking place in some of Ghana's state institutions and organizations. This problem continued to the 1980s. And by the time Dr. Hilla Limann and his PNP party were in power, there was disorganization among the state institution or organizations and their administrative officials. (Coffey International, 2011:22, 18; Hutchful, 2002: 31-33). The second problem concerns the creation of favorable environment for the motivation of civil society's involvement or participation in public affairs, such as the participation in political, social and economic policies of the government. This was very much suppressed by the following: (i) the dictatorial or autocratic way of doing things by the governments (ii) the blockage or closure which the leaders of governments imposed upon the opportunities or openings to debate government policies. This made it difficult for the civil society members to call upon the governments to account for their activities. The historical events of Ghana in the 1970s give evidence of this problem. That is, the Ghana Trade Union Congress (TUC), the military, the National Union of Ghanaian Students (NUGS), and the civil service of Ghana, recognized in 1972, that they were being left out or denied participation in Dr. K. A. Busia and his Progress party's administration of the state, that was a union or coalition government. They got involved or engaged in deliberations and debates with the government on its policies and expressed their disagreements. In response to these, the government made use of the Ghana military personnel or soldiers to imprison or put to jail all those who opposed or counteracted the policies of its regime, dominated and controlled the press, crushed or broke up students' demonstrations, then it suppressed and subdued workers who went on strikes. This was how Dr. K. A. Busia and his Progress Party government (PP) acted against the political activism or activities of the opposition groups and civil society members and organizations, who objected, criticized, disagreed and opposed his government and its policies (Darkwa et al., 2006:21).

The Third problem was “Kalabule”. Hug (1989) explains that in the 1970s, “Kalabule” was used in Ghana to stand for or to make reference to black market; which is any kind of practice of fraud and deceit which occurred in trade or business operations to make more profits. In its wider point of view or general meaning, the term Kalabule included: (i) tax evasion, which is an illegal practice where a person or an organization intentionally avoids paying taxes (ii) smuggling of cocoa, timber, and gold, which is done by importing and exporting cocoa, timber and gold without the payment of the legal duty or taxes (Huq, 1989:309; Hutchful, 2002:22). The fourth problem was inefficient, or mismanagement of the economy. During this period, Colonel Ignatius Acheampong was in power and his regime was conceived as entirely corrupt (Gary, 1996: 26). Under Acheampong’s government, there was a decline in Ghana’s economy. That is: (i) Ghana’s real per capita income, which is the measure of the amount of money that is being earned per person in an area, city, region, or country dropped remarkably (ii) income from Ghana’s export commodities decreased sharply (iii) Ghana’s GDP went down dramatically (iv) Living standards deteriorated (V) minimum wage for workers greatly decreased. As a result, there were huge demonstrations, rallies, opposing factions, protesters, and strikes of workers in Ghana on July 1977. These were organized by numerous and diverse groups which included: (a) workers unions (b) Associations in Ghana (c) the Ghana Bar Association, or the Association of Ghanaian lawyers. They all formed a collective voice and demanded that, by the time two years come to an end, the ruling Acheampong’s (SMC) military government should step down, and handover the governance of the country to a civilian or non-military government (Coffey International, 2011: 21-22; Hutchful, 2002:33). After Acheampong’s (SMC) government, the People’s National Party (PNP) of Dr. Hilla Limann came to power in September 1979. Under Limann’s government, the economy of Ghana experienced a downturn or a breakdown on every

perceivable dimension. This was as follows: (a) the rate of Ghana's production of cocoa for exports dropped down to a very great extent that has never been seen after the country's independence. As a result this increased or raised the debt that Ghana owed internationally (b) there was a continuous and intense scarcity or inadequate supply of food in Ghana (c) then in 1981, inflation rose to 116 percent. All these led to the military take-over of the regimes of: (1) General Acheampong in June 4<sup>th</sup> 1979 (2) the administration of Dr. Hilla Limann on December 31<sup>st</sup> 1981, by flight lieutenant John Jerry Rawlings, who put in place the Armed Forces revolutionary Council (AFRC) and Provisional National Defense Council (PNDC) governments (Coffey International, 2011: 18, 22; Hutchful, 2002:33). Rawlings and his PNDC government then carried out a strong or vigorous campaign, made up of a series of operations against "Kalabule practice," which made this illegal trade to be strongly destroyed and brought to an end. But in 1982 and 1983, all the benchmarks or indicators of the Ghanaian economy greatly broke down. That is, inflation rose to over 50% a year and the social structure of the country was being destroyed. Wages for government workers dropped by 74%, senior management wages dropped by 90% and motivation to work fell down. The production of major exports in gold, bauxite, timber, diamonds, manganese and cocoa all dropped. For example, in 1964-65, the production of cocoa was at almost 560,000 metric tons but fell to 100, 000 tons by 1983-84. Gold was at a high of just over 7 million ounces yet dropped to just over 280,000 ounces by 1983. By the early 1980's conditions in the economy were falling apart and approximately two thirds of the people of Ghana were in poverty (Weissman, 1990; Hudson, 2004: 57; Coffey International, 2011:22-23; Pandford, 1997; Gary, 1996: 26). The Ghanaian economy was in critical point of breaking down when Ft. Lt Jerry Rawlings military government, got into power in 1981. President Rawlings started a bargaining process with the World Bank and the IMF with

the goal of reaching an agreement for financial help. During these negotiations, the World Bank on its part demanded that SAP be introduced in Ghana. This is because SAP would generate growth and development of the economy and the citizens of Ghana would benefit from its good living conditions (Hilson, 2004; Gary, 1996). Thus through this process, SAP was established in Ghana. The implementation of SAP brought to the Ghana's mining sector, economic development, employments, and considerable improvements in productivity (Hilson, 2004: 57)

### **1.9 The Negative Impacts of SAP in Ghana**

Aside from the economic benefits gained from SAP, there were also negative impacts derived from SAP policies. For instance, the gold mines in Tarkwa lost 1000 workers and Nsuta Manganese Mine and other gold mines had to make cut backs because gold prices were very low. This led to relocation of families; family disorganization, drug use and prostitution (Hilson, 2004:69). There were also environmental problems, in which some rivers in Ghana were polluted. Under SAP, the mining system expanded but communities and local economies saw very little in the form of benefits from this expansion (Hilson, 2004:65). Furthermore, the liberalization, deregulation and privatization of the industry such as mining, have made it possible for foreign or outside corporations, businesses, companies and investors in developing countries, to achieve more benefits than creating national or local sustainable economic growth (Asad Ismi, 2003).

### **1.10 How PRSP was derived from SAP**

During the 1980's, the carrying out of the economic restructuring program through SAP, by the World Bank, failed to accomplish its desired goals. The major criticism against SAP was that it failed to eliminate poverty in Africa and other developing countries. Responding to these criticisms on the failures of its SAP programs, the World Bank and IMF, in the 1999, shifted or changed direction from SAP to a poverty reduction approach of PRSP. Furthermore the World

Bank carried out an investigation on SAP in Sub-Sahara Africa and discovered that the African people did not need less governance, but better governance. Good governance is when the political structure and organizations that surround the market-oriented development policies are efficient, responsible, inclusive, transparent, respond readily, sensitive, and accountable (Taylor, 2009:113; Crawford Gordon et al, 2009, pg. 84). Thus from these situations of the 1980s and 1990s, the World Bank made two separate, clear-cut and well-defined change of direction in its development policy. The first change was, the modification or shift from the promotion of a “minimal state,” (which is a state in which government responsibilities are limited) to an “effective state” (which is a strong, efficient and capable state that is successful in producing the intended result). It was in the article entitled “the State in a Changing World” which is found in the World Development Report of 1997, that this was brought up.

The World Bank declared the following in this report: (i) that, it has discovered anew or rediscovered the state and its role or functions in development, (ii) that the complementary relationship between the state and the market should be very much highlighted or stressed to help improve each other’s good qualities, (iii) that, what is most important and crucial for a country to develop socially and economically is to be a state which is strong, efficient, capable and successful in producing intended result (effective state) and not a state which has the least possible amount of powers or functions in development (minimal state), (iv) that the effective state should not be a controller, manager or a boss over the market, who directs, supervises and controls how the market should work but must be a facilitator or someone who makes the progress and development of the market to be easier. It must also be a partner or an ally, co-worker or a collaborator. The claim of the World Bank in its policies was that the state or the government must not take over the place of the market but in all its activities and programs, the

government or the state must work to compliment or make perfect the operations of the market (Crawford, 2009:84; Tirole. 2007:1) The World Bank's second policy change that it made was the shift or change from the structural adjustment program (SAP) to poverty reduction strategy papers (PRSP). This gives the understanding of how, the notion and conception of good or better governance has been changed or modified. It was in September 1999 that the IMF and World Bank created and brought this change into being. They clearly indicated that its general or overall objective or goal was to be absolutely committed and devoted to poverty reduction. The World Bank declared this change to be a dramatic modification in the logical model of development, and it was also to be a brand new paradigm of development. It will provide funding or financial assistance to low-income countries, and it is grounded on the general principles or truths of PRSP. The five most essential and fundamental truths that serve as the foundation for PRSP policy approach are: (i) country ownership or locally or country made (ii) focuses on achieving goals or purpose ( result oriented) (iii) comprehensive or all-embracing, wide in scope, and content (iv) long range plans or long term perspective (v) prioritized or rank goals in order of need (vi) partnership, which is forming association, alliance and coalitions (vii) participatory oriented, which is involving all the interest groups or stakeholders ( Crawford, 2009: 84-85; Chen, 2006: 356; Abrahamsen, 2004; International Monetary Fund and International development, 23003:3-4; World Bank, 2002a). Thus the World Bank's concern for good or better governance and state effectiveness which failed in the implementation of SAP program, made it to shift from the development paradigm or model of SAP to PRSP.

### **1.11 How Ghana comes into PRSP**

The history of Ghana's PRSP went through problems. The component of civil society participation was inadequate or lacking when Ghana created its first PRSP document from

January to June of 2000. This was meant to be for the period of 2000-2002. It was then submitted or presented to the World Bank after the government used it in the country as Ghana's official and legitimate PRSP document. Based on the argument or grounds that Ghana's first PRSP document had not incorporated or involved the people of Ghana's contributions, ideas, thoughts, views and suggestions, the World Bank returned it or sent it back to the Ghana's government. This means that, civil society's participation or involvement in the creation or formulation of Ghana's first PRSP was conceived as deficient or inadequate. Following this the National Development Planning Commission was created or formed and was given the responsibility of formulating and devising Ghana's Poverty Reduction Strategy Papers (PRSPs), by President Rawlings's government. By means of this process, Ghana's second Poverty Reduction Strategy Paper was created by this commission, and it came to be called Ghana's (GPRS-I) for the period of 2003-2005. Then as the PRSP process went on, Ghana produced or formulated its third Poverty Reduction Strategy Paper which came to be called Ghana's (PRSP-II), for the period of 2006-2009.

But the situation has changed for the better. There have been progress and development in the civil society participation in Ghana. In the country's national programs, the government of Ghana has been incorporating the civil society of Ghana immensely. That is, in 2000, when Ghana was creating or formulating its first PRSP, the government of Ghana put in place the Ghana second national economic forum. This conference or forum deliberated on making Ghana's economy which was experiencing a downturn during the structural adjustment to come to an end, and to move on entirely to implement the policy of PRSP. This was intended to make Ghana, a wealthy and prosperous nation for every one of its citizens. Based on this, the debates or the symposium of this forum were concentrated on (i) Ghana's Poverty Reduction Strategy

Paper (PRSP-I) and (ii) the Highly Indebted Poor Country Program (HIPC). The civil society of Ghana which is made up of the Civil Society Coordinating Council (CIVISOC) was officially requested or called upon to participate in this forum by the Ghana's government. The CIVISOC is an independent or autonomous Ghana's civil society organization. It is not a governmental organization. They took part in the SAPRI program and they contributed and participated immensely and remarkably in the second national economic forum (Vordzorgbe and Caiquo; 2001: 18-19; Whitfield, 2002: 48, Britwum et al., 2001: 11-12)

### **1.12 PRSP and its Impact on Ghana**

Good governance under PRSP can be seen in its propositions of country ownership, participation, and partnership components of PRSP, that all have meanings for governance. And with PRSP, this is something new. Example of this can be seen in the sustainable Community Empowerment Economic Development Programme (SEED), organized by the Ashanti Goldfield of Ghana and Ghana's government. The program concentrated on growth of the economy, creating wealth and increasing import and export volume. Partnership, community ownership and participation by civil society were all brought into the program when SEED enlisted the involvement of public and private groups such as NGO partners, donors, staff from local, regional District Assemblies, Government ministries, along with youth groups, men, women and traditional rulers each representing communities. The success of this program was that group formation and group dynamics were skills learned by 4,000 Ghanaians. They also used these newly gained skills and knowledge in their social networks and economic operations (Nyankson, 2010:359; GFG/OICI, 2009:11).

### **1.13 Comparisons of the Failures, Critiques, Gaps under SAP and PRSP**

Some evidence from official documents shows that PRSP is having positive results on Social welfare and economic growth. According to IMF estimates, GDP grew in PRSP countries, on the average of 5% annually from the middle of 1990's and beyond, which was a great progress compared to 1980 to 1995. But despite the achievements and success in productivity, both PRSP and SAP have failures and weaknesses. For example, the world trading system of the world market which forms a large part of the economic structure of the international community has major effects on the stimulation of growth of the African economies that would provide the needed capital or assets for reducing poverty in these developing countries. But PRSP does not talk about this at all. PRSP addressed poverty reduction with a financial scheme that was an aid structure instead of a world trading system. For instance the western countries have put in place policies to protect their farmers' crops and livestock. The United States government for example gave \$4billion to help its cotton farmers to produce more. The excess of cotton produced by these farmers led to the fall in the World market prices of cotton. The result of this was that Sub Saharan African farmers lost over \$300 million in 2001. This increased the poverty of these African countries. (Adejumobi, 2003; Mutune, 2003:3). For example in the current PRSP time period, 28.5% of Ghanaians live in poverty (World Bank, 1995:15). Then out of the 10 regions of Ghana, 5 of them had 40% of their citizens living in poverty stricken conditions in 1999 and if income standard is also considered, those living in poverty especially in the Savannah regions of the north (the Upper East, Upper West and the other 26 districts of Northern regions), had the biggest rate, which reached from 69% to 88% (Government of Ghana, 2003:15).

Similarly SAP has also been criticized for its negative impacts. That is, several studies have affirmed that SAP made the living conditions of those who were previously living in poverty to be worse, since it cut down employment and incomes, and brought in the user fees to reduce

expenditure for service to the public. A study done by UNICEF, called Adjustment with a Human Face indicated that SAP has the tendency or the inclination to expand the sum total of the people in poverty. That is, it increases the number of people including children falling below the poverty line. (UNECA, 1989a; Abrahamsen, 2000:40). Thus good governance under both SAP and PRSP had problems, failures and gaps. Neither program has been able to eliminate poverty in Ghana, Africa and the world. The amount of people in the world who lives in poverty or the percentage of those individuals in the world surviving on US\$1 a day rose from 184 million in 1989 to 216 million in 1990, which is an expansion of 47 %, and this direction of poverty is expected to keep growing into the 21st century (World Bank, 1992b; Abrahamsen, 2000:40). The above discussion on the overall picture of poverty in Ghana, the world, and the differences in the socio-economic conditions suggest that there will be a continuation of poverty. It is for these reasons that I am doing this research to find out about how neoliberalism under SAP and civil society participation under PRSP have influenced poverty in Ghana. The key question for this research is: to what extent has neoliberalism under SAP and good governance as civil society participation under PRSP impacted Ghana? Since this is the preliminary stage of my thesis, this research question will be explained more in the literature review. I will study this research question based on the neoliberalism inherent to SAP and civil society participation of PRSP in chapter two, and the effects both have had on Ghana's economy in chapter four, and five of my thesis.

## **2.0 Chapter Two – Literature Review**

### **2.1 Introduction**

The literature review of this thesis will provide two functions: (1) the theoretical framework or background, (2) the conceptual framework. The theoretical framework will discuss the general theories which form the background to my study, which are the theories of modernization, rationalism, naturalism, agency and stewardship theory. The conceptual framework will discuss the broad debate on good governance as civil society participation, with special emphasis on how civil society organizations, specifically NGOs participate and contribute positively and negatively to the good governance and to state developments. Secondly, I will also discuss the claims of neoliberalism and the structural adjustment programme. My objective will be to see how both neoliberalism and the structural adjustment programme, have generally contributed positively and negatively to development. This will in turn offer me the background to help me to assess how neoliberalism arguments have worked in Ghana in Chapter Four of this thesis.

### **2.2 Modernization Theory**

The most recent advocator of modernization theory is WW. Restow. Modernization theory is essentially evolutionary: Countries are seen as being at different stages of an evolutionary path, which essentially results in a society that has order, is urban and is industrialized. Being reasonable is stressed, morally and economically. Modern developed societies are looked upon as worldly, redistribute resources of the society for the common good of all, and motivated by profit. Whereas undeveloped societies are thought to be absorbed in tradition, permitting each state or minority in a federation, the right to further its own interests or retain its own laws, customs and traditions and not motivated by profit. The North is used as a model by the world as it has already experienced growth in a variety of ways. The economic systems of countries in the

world are placed at different stages of development, but all are thought to be going in the same direction. Traditional society is considered poor, unreasonable, simple, unsophisticated and has the characteristics of a country life. To get to the stage of going forth into industrialization needs advancement, founded on great amounts of investment and technology. Effective government, manufacturing and infrastructure such as: roads, transportation, bridges, communication, power lines, and public institutions including schools, hospitals, and others, needed for the functioning of the community and industrial economy, are the necessary conditions required before development takes place. When a society reaches the fully developed stage of self-sufficiency and independence, technology affects the entire economy. Consequently this produces an era of widespread economic expenditure on goods and services, big amount of material goods and services produced and an increased percentage of the population who lives in the cities and suburbs (Robertson, 1984:25). The statement which is presumed to be true and from which a conclusion can be drawn in modernization theory is the idea of “trickle-down effect.” This view means that the additional wealth gained by the growth of the economy will profit or benefit everybody in the society (Gardner and Lewis, 1996:7). On this view of development as economic growth, Escobar(1991) also holds that, in the process of bringing or introducing the less developed countries or low income countries to come to see the need to try to make their industries and economy to grow, to bring about large scale production of commercial goods and services, development has come to be a discussion, a way of reasoning, and the beginning of a system, method, custom, or an operation which has been formulated to be used for this purpose (Escobar, 1991:670). But Amartya Sen holds that development must be seen not only as economic growth but also as reducing poverty. The objective of development must be poverty reduction. Instead of seeing poverty as having less money or income due to lack of economic

development, poverty must be explained as depriving or denying people the opportunity to develop the important necessary competent abilities or skills that they need to end their poverty. He illustrated this argument of development as: (1) economic growth and (2) poverty reduction, with two scenarios of the provinces of Punjab and Kerala in India. He maintains that, in the case of Punjab, it brought down the rate of poverty by increasing greatly the growth of its economy. But on the other hand, Kerala brought down its high poverty rate by increasing tremendously its provision of the necessary education and health care services needed by the entire people to end their poverty. And this brought down the rate of poverty in Kerala (Amartya Sen, 1999: 87).

### **2.3 The Theory of Rationalism**

The person who put forward rationalism was the German Max Weber, an eminent sociologist and economist. He based development on the Calvinist, whose religious attitudes kept them ethically compelled, to maintain profits, through steady, persistence and structured business activity. They held themselves back from the instant pleasure of the fruits of their labors while striving for highest returns or wealth for their business. Thus they built up profit through continuous investment and suppressing of their feelings of interest in other fellow human beings. Rationalism and Modernization theories are alike with regards to rationality. Rationality views people as being motivated intellectually, instead of by habits or like Calvinists, any feelings, extending over a long time which has been planned to follow a certain trend or orientation. The Rationalist sees the world as not having deities behind natural events and therefore the universe is not possessed by spirits like an enchanted garden. The real world was distinct from God, no mystery, had no important or impressive symbolic meaning for abstract things and there was no evidence of magic or sorcery. Modernization theory holds that the more the traditional basic set up are broken down and separated, the more likely change can be incorporated and the special

liking for freedom, efficiency, and dependency on reason become the qualities of the features of modern societies (Peet and Hartwick, 2009: 76).

## **2.4 The Theory of Naturalism**

Herbert Spencer, a British evolutionary philosopher and sociologist, was the main proponent of the theory of Naturalism. Naturalism proposed that the differences in the physical features of developments and successes by humans in various regions of the world were due to diversities in the arrangement of natural features of the earth's surface, such as topography, climate, soil, vegetation, distribution of life and earth in different parts of the planet. (Peet and Hartwick, 2009: 13). This is because regions with abundant natural resources allowed a big amount of people to live there, that led to labor division and concentrated economic activity, and these consequently led to the formation of a strong army and a larger government size. Areas with normal birthrate and compact populations lead to close community involvement and communication. This social connection or communication leads to creation of ideas, introduction of new methods, and advancement. The most highly developed regions of the world had new ways introduced, progressive organizations, agencies and advance state of human society in which a high level of culture, science, technology, industry and government has been reached (Peet and Hartwick, 2009: 66). But, there is a problem with Naturalism in that how is it that some areas have abundant natural resources, yet the standard of living and development of the economy is low? For example, countries like Ghana have an abundance of natural resources, such as minerals, yet the growth and development of the economy and standard of living of many people is below the poverty line? The Poverty Reduction Strategy Papers (PRSP) program of the World Bank set out to bring down poverty through the growth of the economy and good functioning government. Ghana's present rate of poverty has been brought down to 28.5 % ( World Bank, 2002). The

theories of Naturalism, Rationalism and Modernization all emphasized change and progress from different directions. The transformations that occurred through creative ideas and methods, unique designs, and advancement in the areas with abundant natural resources, came about as a result of the point of view of the theory of Naturalism. The transition in modernization viewpoint is taken from a civilization or a culture's changes in development and growth and using its different levels of progress and modern elements to compare it with the ideal type of the up-to-date highly developed industrial countries of the world. And, in Rationalism, changes occurred through the Calvinists who were bound by principles of proper conduct based on religious manner and behavior to maintain the gains and profit of their business activities and to amass wealth.

## **2.5 Agency Theory**

Agency theory is the theory of Berle Means and Mirsch. An agent is a person who manages a business on behalf of another person. Agency theory holds that a reasonable manager or a high-ranking official who attends to, or transacts or oversees his master's business or affairs, tries to get the best out of the business for his or her personal benefit or profit (Jensen and Meckling, 1976). For example, today's businesses and companies have owners who own wealth in the form of money or property and the company's human resources or workforce. They form agreements (contracts) with managers (Executives, Agents) to run their business for them. If the return or personal seeking profits for the managers and owners works to their mutual benefit, they each gain and their personal usefulness goes up. Then there is no agency problem and the business grows, matures, improves, and moves forward. But negative results happen when the self-seeking interests of the agents go up. This brings agency cost. These negative agency costs result when the interests of the principals (the owners) and the agents (the managers, or executives)

conflict with each other, because the agents try to reasonably push their interests to the detriment of the owners when they get the chance. Then the two groups will have a clash of shared benefits. The business will have trouble growing and moving forward. However, this agency theory does not cover all elements of the behavior of humans. This is because everything people do cannot be solely motivated or seen as personal selfishness (Doucouliagos, 1994; Clark, 2004: 120). The World Bank has a definition of good governance which differs from that of Agency theory. This is because the Agency theory sees the agents as independent and solely seizing opportunities as they come up. In a way, with the possibility always there to seize opportunities, there need to be checks in place to regulate and restrain that. But, since these regulations and restrictions can have weakness, some snatching of opportunities will still occur (Demsetz and Lehn, 1985). If a manager (agent) can still take advantage by being selfish when it comes to opportunities, then good governance as mandated by the World Bank cannot be achieved. Any chance of misuse goes against what is seen as good governance by the World Bank. This is because good governance for the World Bank involves the government of a country and its ability to carry on the business of the nation to bring about solid, substantial state policies and utilize human and natural resources for the good of all (World Bank, 1994:68).

## **2.6 Stewardship Theory**

Davis Schoorman and Donaldson brought about the Stewardship Theory. A steward is the person who manages another person's property, finance or business affair. Stewardship theory proposes that agents (managers) of public and private companies do not act to serve their self-interests but they are good managers who behave for the highest benefit of the owners. This is because an agent guards and increases the capital investments of the shareholders in the performance of the company, business or corporation. In doing this, the agents' (stewards) services and value to the

firm are raised to the highest level of achievement. And taking into consideration the various and variety of goals that shareholders have for their investments in the organization, how the agent (steward) acts for the firm can be thought to be central to the goals of the firm. Agents of different public and private corporations, which has got variety of opposing shareholders and stakeholders with dissimilar interests, opinions and goals, will have the drive to decide on what they believe should be done for the greatest benefit of all the parties of the corporation. Stewards will do what is best for all parties, even in firms with difficult issues and stress involving public affairs of the state or the municipality. And this brings the process of growing and improving in the good governance of a state. (Clark, 2004: 9). This confirms the World Bank's definition of good governance which also stresses on the capable states putting in place effective policies and taking good care of their human and natural resources (World Bank Institute, 2009). This is what is being done by these good stewards in this theory. The differences between the stewardship theory and agency theory is that, unlike Agency theory, the stewardship theory holds that there are no conflicting interests between managers and owners. This is because there is a governing framework in the organization, with a board of directors, which control the selfish aims of stewards (managers). Unlike Agency theory, the stewards in the stewardship theory make decisions that are in the best interests of all stakeholders and shareholders to get the most out of their capital invested in the company (firm)(Clark, 2004: 9).

## **2.7 Neoliberalism argument and debate.**

The general view is that Washington consensus has the same meaning as the neoliberalism. Washington consensus was created from the meetings between the executive arm of the U.S government, the World Bank and the International Monetary Fund, which provided their consent on policies that developing countries needed to follow with regard to: the growth of the export of

goods and services, fewer government regulations, reducing restrictions on the economy, productivity, investments and common sense or caution on how to spend the total national income(Taylor, 2009:112; Mahat, 2012).The ideas and aims of neoliberalism which are equivalent to Washington consensus promote a plan for growth and development which makes structural adjustment to the economic system as the means to repair external and internal situations where governments' revenues and expenditures do not match, by minimizing the role of government in development, making public business and corporation private, and stressing on mutual economic and trade relations among nations in the world market as the machine that runs development and growth in the world (Mahat, 2012.65).Development has initially been perceived as the State led development and production has been made by machines, urban workers and large industries. These were the major driving forces of development that drove the economy and the government was its leader. However, neoliberalism is anti-government and views the market (trade and commerce) as the engine that runs growth and development. The discussions of globalization around the world strengthen the powerful influence of neoliberalism, that national governments were unimportant(Desai, 2009:61).Several of the elements or tenets of neoliberalism which seem to push nation states aside, includes: holding back and limiting labor rights, privatizing public enterprises, removing or reducing government regulations on industry, business and the economy, reducing the exchange rate of currency, and cutting down or eliminating spending by the government on welfare, private individuals and companies (Desai, 2009: 63). Neoliberalism is made up of a system that has a variety of opinions, beliefs, and policies for the economic development, social interaction, and different approaches for organizing activities in the economic and political arenas. The standard version of neoliberalism includes the following; (1) the reduced role of government responsibility to protect and promote

the economic and social well-being of all its citizens, including those members of the country who are unable to care for themselves or attain a minimum standard of living (2) levying taxes on citizens and businesses (3) putting in place programs to regulate companies and corporations (4) reducing and eliminating restrictions to external international investment of money into the country's economy (Mudge, 2008:703).

Neoliberalism is seen by its advocates as a process that organizes itself and should be left alone in order for development of the economy to grow, prosper and be innovative. They see economies as having a social structure, like a community, that can arrange itself to distribute the resources of the community in a manner that will lead to the highest levels of wealth and success. In their opinion the greatest way to guarantee the growth of the economy is to allow the economy to organize itself, and continue to grow to achieve greater amount of wealth. Everyone benefits from neoliberalism because of all the major elements within it, such as privatizing of public enterprises, free trade, trade liberalization which is the removal of barriers such as export and import duties that restricts the free flow of goods and services from one nation to another, removing or reducing state controls or regulations on business and industry, and opening up competition. All of these lead to better and effective results, productivity, quality and lower prices. This is great for the needs and wants of the consumer, as goods and services are lower priced, have good value and taxes are reduced. Everyone benefits (Harvey, 2005:64-65).

Furthermore neoliberalism under SAP advocates for the reduction of government spending on public services and the state's budget on healthcare and education. This shows that the process by which government's organizations, implement or put in place their policies, visions, strategies and plans for action in providing welfare, growth and development of the economy is not done for only one time, to last permanently. But rather as the state's expenses get bigger, governments

are pushed to look for an alternative which will cost them smaller amount than the system of operation that costs them huge expenditures. This pushes the governments to bring about deinstitutionalization, which is the process by which extremely well-established systems, structures or customary way of doing things are broken down, changed and replaced with new systems, policies, and ways of operation. The social and economic problems as well as the demand for qualified experts or skilled workers force governments and organizations to take on new policies, systems and course of actions directly opposed to the previously existing ones which had been held for a very long time (Ahmadjian and Robinson, 2001; 3-6). Given these conditions neoliberalism is thought of as worthwhile intellectual and political operations which favours or promotes the changing of the firmly rooted old practices or structures of the state run economies which are not working and replacing them with new ones which will lead to more progress and improvements (deinstitutionalization). This is the way governments steer their countries' economic growth and development to bring about great achievements and successes. The perspectives of these neoliberal policy strategies include: removing or abolishing regulations on the economy, giving way to the pressures from the international communities to allow investors to participate in the economy, by opening up a country's home-based markets, transferring ownership of property or business enterprises away from the government to privately owned companies or corporations, creating the environment to attract big Investments in the country, and cutting down on spending and taxes on all public economic plans. These neoliberal policy strategies are considered to be more desirable because the international markets are thought to be controlling their own affairs and organize themselves to reach the height of economic prosperity. Any ways and means, policies, structures and regulations put in place to hinder the markets are viewed as an effort to attack the normal development, growth and the

flow of the life of the economies of the world market. These interfering attacks cause negative results that lead the economy to fail. The consequence is that, there will be fewer investors, competitors and newer methods and ideas brought up. Then the following activities develop: (1) national governments put in place or impose taxes on imports to protect their industries from the harm of foreign competition (protectionism)(2)granting financial aid to assist crop farmers (patronage), (3) The authority of the state running the economy becomes risky. Political favors are brought in to support business, trade and friends. The Companies or organizations use their resources to get profits from others without returning any benefits back to society. They persuade the government to loan them money and protect their grants. These activities do not bring any benefit to the society; they just distribute the money of the tax payers in a different way to special interest groups (Rent-Seeking).The Wealth of Nations (1776) by Adam Smith was a book that put forth the idea that less involvement in the marketplace will generate more production for manufacturers and increase profits for individuals. Hayek (1944), Milton Friedman (1962), and many other scholars have added to his work (Cohen, 2007:3-7).Today, these ideas can be presented as follows: (1) a complete society is made up of independent people utilizing all resources, products and services to the maximum, using all good ideas, concepts and creativity to participate in the system of the unrestrained democracy of the world markets which works according to the give and take principle. (2) Democratically run governments have better competitive, capitalist markets. They work more effectively and smoothly, and (3) a society wastes no time or effort but becomes efficient economically and more desirable socially, when it connects with democratic state with an economy based on a free market. Based on the effects of the systems put in place in the society, independent individuals choose to use their personal freedoms, to join hands to work to bring economic progress, creativity and development, but the

preference for the beneficiary contributions of the economy for the well-being of the people is placed above politics. Free societies need to reduce the areas of government involvement in development, however democratic governance is needed for competitive markets to work smoothly, efficiently and freely. Democracy has the unique purpose of being the practical means of the right action, a useful system which provides the right activities and policies for protecting domestic state of peace or tranquility and personal freedom (Hayek, 1944; Friedman, 1962:82). The neoliberal argument promoted by the World Bank and the IMF under SAP, states that the state should withdraw from its involvement in development, and the state should diminish its active performance and engagement in economic activities, and restricts itself to the setting up of an effective national or regional income and productive system and a legal structure to encourage investment (World Bank, 1980, 1991, 1984). Neoliberal changes include; less strict market controls, removing or reducing state controls or regulations on industry, business and the economy, and privatization of public corporations and business. These are intended to bring about competition to take the government out of the position of having ownership of businesses and to remove those politicians who are involved in fraud and dishonest practices in the management of the resources, finance, income and expenditure of the country's economy (Mudge, 2008:704). In order for free market economies to function smoothly, the government has to sit on the side lines and put in place the legal structure for development to happen (Harvey, 2005:79).

This brings the debate on the argument on the state-led development. In this debate there are two different sides which have been taken. One is from East Asia where we have the developmentalism model and the second is from Latin America where we also have dependency theory. These two models are two counter points against neoliberalism's argument that the state

should withdraw from development. Instead both the Latin American dependency theory and the East Asian developmentalism model emphasize the state-led development approach. That is, the Latin American dependency theory sees the state as being overrun quite easily by the domination of international structures. Its perception of the politics in the world stage is that the Third World is permanently a subordinate of the First World. That is, the Northern States (which are the countries of the First World) are like international upper class, a core-group owning capital. They undertake the duties that make them the wealthy people or the capitalist who invest capital in large businesses at the international level (international state bourgeoisie). The rest of the countries (Third World countries) are considered the less developed (periphery), which make up the international proletariat or working class. With the rise of capitalism, the core had to take advantage of a group of less developed countries, the periphery. Products from periphery countries are moved to supply the core states industries. The Third World countries (the periphery) are kept extracting natural resources or engaged in agricultural production that has low profits. Meanwhile, the core states keep their power of exclusive control of producing and selling of commodities and services such as: heavy industrial products, services to final consumers and other businesses like transport, distribution and sales of goods. Semi-peripheral goods are a large market for core states. The core states maintain their dominance over the periphery and semi-periphery states as they depend on the core for their continuing development. This is dependent development (Kelly, 2008:69-72).

Radical perceptions of the state have been proposed by the Latin American dependency theory. This is because, they saw the state as one that was submissive without resistance to the multinational corporations and buyers who exploited it before the time of the Latin American revolutionary movement. This shows that, Latin American dependency theory views

neoliberalism as an ideology that hides the takeover by interest groups which is led by the wealthy and their foreign supporters. The picture they give here is that, the state is not neutral but one that is seized by force by the wealthy class and multinational corporations. However, the state became recaptured and revitalized following the Latin American revolutionary movement of dependency theorists. The argument of Latin American dependency theory is that foreign control and penetration is created by the liberalization of trade and transferring of businesses to the private sector following the neoliberal ideology. But the Dependency theorists, in gaining control of the state, made the state a super-agent, following the revolutionary movement. Neoliberalism wants to increase the welfare of the consumer and maximize growth, yet after the revolution, dependency theory views the state's role as; needing to renew the dignity of the state and restore independence. This is what the PRI in Mexico and Chavez in Venezuela did through radical self-sustainable living and nationalism. When the state is taken back following the revolutionary movement, according to dependency theory, it becomes an ardent defender of the self-government or the defender of the independence of other foreign nations who are being preyed upon by powerful countries, and not a neoliberal promoter of adjustment or transparency. Thus Dependency theory promotes as a national mission, development led by the state, national autonomy and reputation internationally (Kelly, 2008:72).

This view goes against how neoliberalism understands the state. This is because for neoliberalism the state should get out of the way of development. It should not claim the function of creating development. The actual actors of growth and development should be consumers and firms. The state should not be a major actor, and agent of growth. Rather it should be the ruler who decides or judges the legal frame of work to be put in place to facilitate development. But it often obstructs development. In reality the state should not be a major actor

of development. According to neoliberalism, the purpose of economic activity is to maximize consumer welfare, and not increase state power. Hence the state has no strong or nationalistic goal of creating development. The government prepares the economic climate and puts good economic policies in place to fix failures in the market. The obligation to achieve growth belongs to the firms and consumers. As seen by neoliberalism, development is mainly the job of the private-sector. Thus it suggests that the state should minimize its involvement in development (Minimalist welfare state)(Kelly, 2008:75).

East Asian developmentalism model is another viewpoint of development that is contrary to neoliberalism. Unlike neoliberalism which pushes the state to the back bench of development; in the East Asian Developmentalism model, development is seen as a national mission or an ideology which is run by semi-authoritarian officials who manage the economy very well so that it does not fall into recession or extended decline. The East Asian model includes the following elements: (1) independent politically and technically skilled high ranking officials make the rules while other politicians are put in charge to protect them from being held accountable for their activities (2) to ensure continuing growth, it promotes very close cooperation between the public and private sector to minimize the social disruption or displacements of people in the communities. (3) to keep society happy, distribution of wealth and the achievement of post-secondary education are provided for the people (Kelly, 2008:71).

The East Asian model has a strong developmental state. That is, it is when state or the country has put in place the needed institutions and political tranquility that the state can, with the leadership of the government, speed up development of business in the marketplace (Wade 1990:5).Participation needs to be held back or curbed because too much of gathering or rallying the people for action against the actions and programs of government hinders growth. Unlike

neoliberalism East Asian developmentalism believes that, to bring an ongoing economic growth, liberal politics needs to be kept apart from the economy and abandon democracy since it is too costly and also divides the people socially (Kelly, 2008:75).It is held that growth, internal consistency and national self-government are worth the price of losing democracy and liberalism. The liberal and neoliberal view of the state is vastly different from this position.

According to Kelly (2008), both the state led development approach of the Latin American dependency and the East Asian developmentalism model all see the state as a strong, forceful, progressive, major, and unique player of development. Other obligations that the state fulfills are: making development as a national mission statement, restoring the reputation of the state at the international stage, displaying national self-government, limiting internal foes through integrating and uniting them, and competing or striving against international dominating organizations. These are various roles both have. Both models reject the neoliberal position of putting the state at the back bench of development and instead they argue for their preferences of: state self-government, unity, and the state as the leader of development.(Kelly, 2008: 64, 73).

There is an issue that is a problem for the neoliberal states' approach to the labour markets. This can be seen from the fact that, internally, the neoliberal state is hostile to all forms of social solidarity that try to draw the state back from accumulating capital. Social movement, such as municipal socialism, and independent trade unions, which had built up a lot of power under liberalism need to be disciplined or destroyed. Though some individual labourers may gain, labour in general is at a disadvantage because of lack of easy and free movement of labour, especially across state borders. These hindrances to social movements lead to loss of job protection and benefits, increased job insecurity and low wages. The states that have adopted neoliberal principles, such as China, Indonesia, India, Mexico, and Bangladesh have had these

problems. Their labour organizations and labour rights have experienced violence and have depended mostly on disorganized labour force available to them. From the above then, it appears that neoliberalism sees labour maintenance and control, as well as labour exploitation as its main goals (Harvey, 2005:76).

Within these conditions of job insecurity, low wages and lessening personal resources arising from the job market, neoliberalism is determined to shift all the responsibilities for one's well-being back to each person. The effects of this are twofold. That is, with the state pulling back from providing welfare and reducing its subsidies and involvement in public education, health care and social services, which were once seen as so basic to liberalism, bigger and bigger numbers of the people in the country are left to become poor. The system that is preferred is one that stresses personal responsibility, while efforts have been made to reduce the social safety net to its lowest degree. The one who becomes a victim in these conditions is blamed, and his personal responses and reactions are seen as the causes of his failure. The results of all these conditions are that, a bigger and bigger part of the country's population are left in poverty (Harvey, 2005:76).

The change in the meaning of government (as the power of the state on its own) to governance (as meaning a combination of government and civil society) has been a particular characteristic of neoliberalism. In this perspective, the state and the practices of neoliberalism come together. Generally, the government creates legislation and regulations, but in most cases they become more advantageous to corporations and more beneficial to special interest groups such as agribusiness, pharmaceuticals and energy. Most often, when it comes to the public and the private sector operations, especially at the municipal level, the private sector gets most of the profit while the state has to deal with the various risks. Moreover, when the need

arises that, there are groups or movements opposing the corporate power, the state will utilize forceful legislation and policing tactics to prevent them from such activities. In addition, to be able to fulfill the duty of protecting corporate interest, neoliberal state arms, supports and increases its coercive parts to be able to crush its opposing groups (Harvey, 2005:77). What is regarded as the highest value of neoliberalism is competition between regional groupings, nations, regions, cities, as well as between individuals and firms. However, competition often leads to monopoly. But it is not sensible to have for instance, many competing water and sewage systems, gas pipe lines, and electrical power grids, between Washington and Boston. Thus unlike neoliberalism's deregulation, the state regulation of access, pricing and provision, for example, may be needed to allow competing producers to move trains along the same extended area, or provide electricity into the same power stations. Among other problems that also come up is that, complex machines may stay under-utilized when the whole of the hospitals in a region buy the same equipment. This will increase all the costs of the hospitals. Unlike neoliberalism which argues that the state must withdraw from development, the problem here shows that the state must take a strong initiative to check and restrict the expansion of costs through forced coordination, regulation and planning, in order to accomplish progress and developments in the hospitals (Harvey, 2005:67-68). In the case when financial institutions take wrong decisions, neoliberal state will not be able to accept the failure to perform their task and the consequence of the huge financial losses that it brings. In this situation, unlike neoliberalism's argument that the state must sit at the back bench of development, the money of the state will have to be used to replace the debt (money lost), in order to enable the financial organizations to continue to function. This has happened many times, where the state has used its power to prevent the failures of financial institutions or to bail out companies. This happened for example, when US

tax payers offered money or bailed out the US savings and loan business during its 1987-88 sudden change towards deterioration that amounted to approximately \$150 billion, which taxpayers had to pay(Harvey, 2005:73). Thus Harvey holds that the state should not sit at the back bench of development but it must be a development agent. Development needs to be a national mission of the government or the state.

## **2.8 The Structural Adjustment Argument**

The Structural Adjustment Programs are economic and social reforms endorsed by the World Bank and the IMF, after the debt crisis of 1982, with the goal to advocate for the growth and development of the economy by reducing the role of the government and opening up the markets in the country to multinationals, foreign investment and the private sector companies to operate business transactions with fewer government restrictions(Desai,2009: 60-63).SAP brings a movement away from the raising of a variety of food crops for local home use and shift to the concentration of the growing of crops for sale such as coffee, rubber, copper, cocoa or cotton, which are meant to be exported. To reduce the spending by government sector on key functions, such as national defense and education, government funding to food and agriculture is eliminated. The SAP also cuts down the government budgets of a variety of social programs, such as housing, health, education and reduces the civil service heavily. It advocates for reducing the exchange rate of a country's currency, which in turn leads to higher prices on imports and lowers the market price of locally and country-wide made commodities. SAP places importance on reducing or eliminating restrictions on investment and trade, and raises up high interest rates to entice investment from international businesses and corporations, and transferring of the ownership of property or businesses from the government to a privately owned entity

(Taylor, 2009; 45-63; Mahat 2012).The IMF and the World Bank took ideas from neoliberalism and implemented these practical notions in developing countries, which needed financial help, in Africa, Latin America and Asia.(Luigi Manzetti, 2009:9).Another argument was that, a macro-economic policy or principles of financial programming was established in 1957 by Jacques J. Polak to bring back a strong and stable financial grounds to the economies of countries in debt. SAP sprang from this formulation (Forsyth, 2005:66).There are essentially two separate kinds of the programs of adjustment: (1) Stabilization and (2) Structural Adjustment policies. Both are proposals of the World Bank and IMF. Stabilization is basically macroeconomic strategy which is enacted by government and central banks to keep their country's economic growth stable on a short period of time. It is proposed to have instant impacts on the performance of the country's business activities, including its assets, debts, and investments for a specific period. This is done through such course of action as: (1) reducing the value of a country's currency relative to that of foreign countries (2) reducing the general level of prices in an economy and (3) curbing the use of public revenue. In this case of stabilizing the economy, the prediction is that real income will be brought down with the additional belief that local, regional and country-wide demand for exports and imports will also go down. Programs dealing with stabilization concentrate on holding back demand, whereas the IMF and World Bank supervise structural adjustment programs come up with solutions for payment of loans and salaries by increasing the output of exports. SAPs are usually undertaken for relatively long period of time and they try to raise effectiveness and bring about growth in the amount of work produced in a unit of time using the factors of production such as land, labor, capital, technology and entrepreneurship (or business leaders). Resources are directed towards a greater number of efficient and fruitful activities or operations that produce better results. But they are moved away from trading on items with little

or no trading value, where goods and services are not readily exported or imported, such as; medical services, housing, massaging and haircuts. Instead resources are directed towards products which have excellent trading value, where goods and services are sold in another distant country than from where it was produced such as manufacturing, agriculture and energy products. SAPs and stabilization do not necessarily work in contradiction with each other, but usually they have elements of each other within their programs (Abrahamsen, 2000:37). SAPs were developed by the World Bank and IMF with the economic restructuring strategies and aims that will help to bring about the conditions for self-supporting growth of the economy with the market leading the way. This was very important because it was expected that this would happen among the developing countries whose economies were experiencing a prolong period of extreme slow growth rate to the point of entering recession (Kempe Hope 1997:13). SAPs were made with the major aim of helping developing countries who borrow or take on loans, to bring their financial obligations into healthy balance. In order to have economic growth and development for future generations in developing countries, SAPs were implemented to help them to obtain debt reduction and to get the means for repayment. However, there have been positive and negative effects of SAPs in developing countries. But the effects have usually been frustrating or a failure when it comes to growth of the economy, reducing debt, poverty reduction and the generating and development of inequalities.

This is because during the 1980s the debt in developing countries including Sub-Saharan Africa went up. For instance in 1970, Sub Saharan Africa's total debt to GNP was 14.1%, while in South Asia it was 15.4% and Latin America was at 18.6%. But, by 1980, this figure had doubled in Sub-Saharan Africa, yet, only rose slightly in South Asia. By the end of 1989, the debt of Sub-Saharan Africa was 100% of the GNP or about US\$147 billion, more than triple

their export earnings. Then the debt in Latin America was US\$422billion- almost 3 times that of Africa in this period of time (Elbadawi et al, 1992:13). Yet despite these setbacks, SAP speeded up growth and development and reduced poverty in Asia (O'Hara, 1999:1117). From 1980 to 1989, apart from Botswana and some few others, the Sub-Saharan Africa's income per person dropped by 25%, while Asia and other developing countries saw income per person rise between 28 to 35% per person(Elbadawi et al, 1992:20).It can be noted that SAPs brought positive and negative changes to the countries they were introduced into. For example, East Asian countries, such as Hong Kong, South Korea and Taiwan had very high economic growth. They were Non-Adjustment lending countries (NAL) and grew annually at 6% during the 1970s. But during this same time, the Early Intensive Adjusting Lending countries (EIAL) and other Adjustment Lending countries (OAL), such as in Africa and Latin America, grew by 3.2 to 3.7% (Elbadawi et al, 1992:20).The Comparisons of (NAL) the non-adjusting lending countries with countries that implemented SAP in Sub-Saharan Africa, shows that, the results that SAP countries of Africa experienced were not pleasing. This was due to the following: (1) poor percentage of the current national economic growth annually and the slow speed at which the economy could produce and grow in the future (2) Lack of the ability to maintain a steady level of the money or finances obtained from outside investors and lenders, without exhausting natural resources or causing severe ecological damage, and the inability to provide strategy to manage foreign debts.(3) Lack of talented skilled workers or expertise needed to work to attain a balance within their countries by bringing about the situation whereby consumption in an economy will roughly be equal to production(Elbadawi et al, 1992:20). This confirms the argument of Taylor (2009) that, those nations, for example Taiwan, South Korea and Hongkong in East Asia which did not give in to the implementation of SAP obtained the biggest growth in their economies (East Asian

Miracle) than the Latin American and African countries that undertook the SAP (Taylor, 2009: 45-63; Mahat, 2012). In connection with the recovery of the economies of the developing nations, the World Bank and IMF try to highlight that SAP has been a success in countries where it has been introduced and that it is the best means of restoring those countries' economies. The fastest rates of economic growth on an annual basis have been seen in leading countries which have made improvements such as Nigeria, Ghana, Zambia, Zimbabwe and Tanzania. The World Bank openly praises the positive and favorable results of SAP principles and goals in those countries that have introduced macro-economic measures, declaring that their good policies reward these adjustments in these countries by bringing about an upward swing or increase in growth and development (Kempe Hope, 1997:28). Critics hold that any country that has pushed the SAP policies firmly has seen problems and failures (Riley, 1992; UNICEF, 1992). Export prices have fallen and the reforms to the economy have only provided cash flow to pay off debts to the World Bank and IMF. The size of the country's debt did not diminish or go down. Standards of living for the average worker fell and inequalities were rampant. SAP has created negative effects socially, made the country and its governmental departments ineffectual (Mosley, Subasat, and Weeks, 1995; Noula, 1995).

SAP, in Sudan, Somalia, Zambia, Nigeria and Tanzania, increased the economic crisis in these countries (Onimode, 1989). The World Bank praised SAP in Ghana as an immense success, yet a case study of Ghana has shown that the economic adjustment measures have (1) brought down real incomes (2) foreign debt which the country owes to its creditors outside Ghana has climbed sharply, (3) inequalities between rich and poor have grown and (4) the poor are suffering a great deal (Onimode, 1989). The growth of the economies in Africa had been blocked (Kempe Hope, 1997:28). These arguments above show that the structural adjustment was not working enough to

achieve the result that it was meant to accomplish. Under SAP many of the African nations and other low-income countries in the world were falling apart along with their economic and social welfare conditions. A report, from 1992, by UNICEF, indicated that Sub-Sahara of the African continent was slipping backward into a poorer state. The number of families which could not afford food, shelter and clothing doubled within 10 years. The income per person in a population for countries dropped by, one-third. The number of undernourished children went up substantially (UNICEFF, 1992:51).

The supporters of SAP made the efforts to use good governance and statistics to prove that SAP is successful and without good governance of the SAP, growth could not happen. They maintain that, It is only by minimizing the role or the involvement of the governments in the economies of developing countries, opening up import and export without restrictions or taxes, freeing exchange rates and making the economy open and accessible to investors from foreign shores, that a country would proceed forward with growth, development and investment(Kelly, 1999:539). The growth of the economies across Latin America had differences, with highs and lows. For example, within a period of ten years, Bolivia experienced only one year of growth, whereas Chile's economy grew annually, by 1.9%, for 8years and was the best in Latin America from 1980 to 1989(Kelly, 1999:539). There have been a great number of objections or counter-arguments that have been raised on the impacts of SAP. Attempt has been made to work very hard to justify the SAPs and its problems. But no sum total of manipulating, rubbing, and playing around with the statistics on how, when, and where these statistics had to be sent out, has made the SAP look like it is successful. This has been the work of institutions such as Bretton Woods, to calm the critics. For each positive judgment about the SAP it seems there has been just strong disapproval or negative putdowns of SAP impact. Based on a World Bank important review on

the adjustment impact, it took the decision that SAP programs were making positive progress on growth and development of the economy and that countries utilizing the SAP were doing better than countries with poor or no programming measures (World Bank/UNDP, 1989:30; Abrahamsen, 2000:38). The World Bank concluded that these were the positive developments that were brought about by SAP: (1) Agricultural measures for improvement, led 80% of the poorest people of Sub Saharan Africa, the farmers of small plots of land, to earn better wages. (2) Overall, the living conditions, especially of the poor, improved (Abrahamsen, 2000:38). However, critics see things differently than the World Bank. Critics hold that the SAP had very negative effects on agriculture which is the most important and confusing domain of the economies in many African countries. The policies of SAP on the system of international trade whereby measures were taken to open up the markets, such as removing restrictions or taxes on imports and exports, the withdrawal of the government funding on fertilizer, had a negative impact on the production of crops. Moreover, the measures on price changes, whether it was market forced reduction or the decision by the country's government (the central bank) to alter or lower the official value of its currency relative to that of the other countries (devaluation), benefited coffee and cocoa exports over crops usually grown for local consumption like grains, vegetables, cassava, and potatoes which were passed on from generation to generation (Stewart, 1994; Sahn et al, 1997:2). The conclusions that the World Bank made on its review of the impacts that SAP made on developing countries, brought controversies, particularly the World Bank's indication that in an overall view, SAP helped to improve the living conditions, especially that of the poor. These findings or decisions of the World Bank were disputed by the United Nations Economic Commission for Africa (UNECA). This is because (UNECA) analyzed the findings of the World Bank's review on the adjustment impact and noted that poor procedures, selective

processes in compiling, and misleading descriptions and persuasive accounting of the information collected was not the true indication of the growth of the SAPs policies(UNECA, 1989b). Using the same information as the World Bank, UNECA concluded that the developing countries that had implemented the SAPs most vigorously were performing most poorly economically, with yearly growth at about -0.53%. However, other countries with feeble adjustment measures, were experiencing economic growth at 2.0% a year, and countries without any SAPs, were growing at 3.5% annually (UNEC, 1989a; Abrahamsen, 2000:39).In a majority of cases, the outcome of SAPs turned out to be that the economy was performing more poorly. Through an examination of the same information collected by the World Bank, Ponte found that the assertion about the apparent positive and prosperous achievements made by SAPs was deceiving. This is because the report of 1994 showed that the World Bank had not been successful in choosing a satisfactory policy and a good enough plan to be utilized in Africa for a period extending over a long time (Ponte, 1995; Abrahamsen, 2000:39). With regard to growth and development of exports and foreign account, particularly obtained from marketing of exports, the investigations of Mosley, Harrigan and Toye found that, SAP was showing positive results. But incomes at local, regional and state levels had not gotten better, money from international investors was also poor and this affected national investment as a whole to go down. It was a disappointing outcome. Private investment had not happened even with the changes in the economy that SAP had created and kept going with Jerry Rawlings government in Ghana. The withdrawal or cancellation of investments plans became a course of action undertaken in Africa. Credit services and opportunities were deficient and with greater competition, local companies were shutting down and foreign companies were leaving Africa for better investment opportunities in other different places (Lancaster, 1993:Abrahamsen, 2000:39).

Latin America and Africa experienced more severe inequality and the conditions of the poor grew worse under SAP. In Brazil, Mexico and Chile, the rate of inequality and poverty was .50 which exceeded what was normal and was spread very uneven throughout these regions. Brazil recorded the biggest rate of inequality during the latter part of 1980. Several studies also reported similar results of poverty and inequality in Africa and in other Latin American countries. SAP brought these negative effects during the 1980s that saw the level of poverty shifting in 16 countries in Latin America. Those living below the poverty line included: (1) 3.54% of Venezuelans, (2) 60.36% in Bolivia (3) 65.13% in Nicaragua and (4) the highest at 71.35% in Guatemala (Kelly, 1999:542-546). Percentages or the proportions of Africa's population and some of the World's population that fell into poverty and went into complete poverty, that were dependent on the international communities during the ten year period of the SAPs became bigger. The poor rose in numbers from 47% in 1980 up to 48% of the total population of the World by 1990. This pattern is thought to keep going like this into the twenty-first century (World Bank, 1992b; Abrahamsen, 2000:40).

## **2.9 Good Governance as Civil Society Participation argument.**

When the World Bank talks about good governance in 1989, the World Bank meant more than participation. That is, in the period of 1989, good governance of the World Bank was part of SAP but not part of PRSP. And good governance in this period under SAP included other elements excluding participation. But in 1999 when the PRSP was introduced, civil society participation was added or became part of the good governance program of the World Bank. I want to focus on civil society participation as good governance in the PRSP and not to reduce good governance (with all its different elements or components) that it involves to participation. I will proceed or start with the argument on civil society participation. The claim has been made

by Lovan et al (2004) that good governance matters and good governance means civil society participation. This implies that, if a system in place increases the involvement of Civil Society participation, it helps in good governance. This is because, in the first place, the process of making decisions on public principles and issues generates interaction, give and take. And state and non-state NGOs depending on one another to discuss, get along, work together and come to a consensus on all manner of issues. This increases civil society participation and leads to good governance. Secondly the process of making decisions involves many stakeholders from the government, business divisions, civil society and their partners, associations and groups. Good governance stimulates these stakeholders to have discussions, debates, negotiations, stand united as a union or group with common interests and actions. And they agree to work together on many of the issues which have been caused by the public policies through proper and effective interactions, integration, teamwork and partnership. This is good governance (Lovan et al, 2004: 8-16).The question raised was: Should political organizations be counted among civil society associations or groups? Democracy in the 21<sup>st</sup> century needs political organizations to be incorporated as an important part of civil society elements. This is because, during the time of the Great Depression, some societies that had democracies survived, but those societies without it turned to fascist and nationalist states. Democratic governments will survive if social activists take part and activate civil society associations and groups to be involved with the government in the process of making political decisions(Almond and Verba 1963:147-179).The question then is;who do we include in the concept of civil society? What are the functions and purposes of civil society? How can civil society be defined? Civil society is a network of independent organization, business partners and supporters separate from the state, which through their real activities, could have impacts on public policies, since they bring together all people to discuss

issues of concern to everyone (Kligman, 1990:179). This viewpoint is shared by other academics and organizations. This is because some scholars (from the London School of Economics) propose that the shared goals, hopes, ideals, dreams, which are voluntarily pursued by a union of members, gathered together to work toward a common goal, is what defines civil society. The structure of civil society as an institution is very unique and different from the financial and business, market, family and the government. When put into action, however, the market, family, civil society and the state blend and cross borders in a relationship that is complicated, vague, and call for a settlement to be worked out. Groups which form civil society and support its course of action are: business partners and organizations, united parties and states social groups, interest groups, independent groups, commerce and exchange confederations, professional unions, religious associations, women's groups, local and regional groups, NGOs which are focused on growth and development, and official charity organizations are some of the members of civil society (Alqadhafi, 2007:39). Other scholars also assert that civil society engages in communication with the government and has effects on the government, but however it is separate from the state and not allied with any party (Fisher, 1997:146). The question is how do these civil society members, groups, organizations, associations, institutions, community, governmental and non-governmental organizations (NGOs, GOs) contribute to the good governance of the state. How do these civil society members, groups, organizations, associations and institutions tend to lead to the good governance of the country?

The rise of capitalism across the planet and the decreasing power of the state, has introduced an increasing number of non-governmental organizations (NGOs) which have been doing many activities usually forgotten or ignored or consigned to government management. These varieties of activities that the NGOs have gotten involved includes: helping to establish local business

and helping them to grow, being supportive of human rights, supporting justice for all groups and fighting the destruction of the environment.(Fisher, 1997:139).

International NGOs and development agencies throw their support behind community and regional NGOs for the following reasons: (1) because they are very effective in following and practicing neoliberal policies (2)they hold the opinion that NGOs provide local communities and individuals with the job skills and needed training to be competitive in the local, regional and international markets (3)They help the poor and the needy who have been put into the lower social class by the fallen prices in the market to get social welfare support.(4) they encourage and promote a strong, growing civil society and democracy. All of these are important to make policies on the economy to develop and helps the neoliberal thought to achieve its success.

(Fowler, 1991; Frantz, 1987).Other experts and critics claim that where the government withdraws its activities of development, NGOs stimulate growth and development that help government and the country. NGOs are not held back by a hierarchy of administrative structure and red tape or government procedures; are versatile, and open to new methods and ideas. They can, with greater speed, efficiency and effectiveness, put development projects into place, and when local and regional needs require to be met, they can recognize and react quickly to those needs. Developmental agencies approve of NGOs as the chosen ones they prefer, since they are the cure for all the unhealthy difficulties that have hit the development practice, especially as seen by the government's lack of success in the reforms based on SAP policies (Edwards and Hume, 1996a; Fisher, 1997:141-143).In some situations, NGOs are the major substitute to make development to progress instead of going through the way of government processes. For instance, developing countries have weak structural bases in dealing with crisis and problems in their countries. This can be seen in the case of the state of India, which was unable to provide

enough work, jobs and food for the community of Tamil Nadu. Thus the Tamil Nadu integrated Nutrition Project (TINP) was implemented by the World Bank and local NGOs. Development experts hold that when obstacles got in the way of development, local NGOs were the solution. International NGOs can be mediators and go-betweens to help make it easier for local NGOs to go about their work (Olsen, 1995; Fisher, 1997:143). NGO membership has gone up and has begun new roles, formed novel, complicated, and broad official and unofficial connections with each other, with state administration and management, with civic action groups, with world development organizations, with single INGOs (International NGOs) and with corporations. They are involved in communication and dealing with problems in several nations or nationalities (Carroll, 1988; Fisher, 1995b). All of these associational connections have deeply affected the global economy, regional and community lives. I will discuss this more in Chapter 4, of this thesis on the role of the civil society organizations and NGOs and their impact on the SAPRI (Structural Adjustment Participatory Review Initiative) in Ghana. Civil Society members, organizations and NGOs have also contributed to the processes of democracy and good governance in Ghana by their many activities. However in their contributions to state development, and to good governance the participation of NGOs and civil society organizations have led to challenging competitive and struggling disagreements and confrontations with the state. Civil society members composed of the citizens and NGOs, have in the last ten years, challenged the status quo of the state and had achieved success in Latin America and Eastern Europe. Democracy and democratic processes have definitely been increased with the continuing growth of civil society and its ability to challenge, connect and participate in policy activities with the government. According to development experts and analysts, when looking for different substitute to the present development modes, NGOs can be seen as a medium for change and

challenge in respect to the discussions on governance. Local and regional groups are in a competition for principle, and philosophical ideas on freedom from development organizations, bureaucracies, government and political parties. Local voluntary membership in associations, are viewed as important by political advocates and radical speculators, not just as a part of civil society that participates in policy debate with the government, but as part of the actions and progress that leads to the transformation of government and society(Friedman, 1992; Fisher, 1997:144-145). Reacting to these competing states of affairs, Governments in return perceive NGOs as weakening and wearing away government power and they put in place state agencies to control them.Ccompetitions for development funding from foreign organizations between NGOs and the state, lead to these challenges. Further struggles occur when NGOs supporting and working with human rights agencies, stand up for organizations and people in direct opposition to the customs of the state (Fowler, 1991; Fisher, 1997:151). Yet, many Third World governments in the last ten years have been compelled due to the demands of the economy and by organizations from other nations of the world, to accept the independence of civil society members and NGOs. Development agencies of the international community advocate for and encourage more participation in social activism and more involvement of NGOs and civil society. International development agencies also want governments to give rights and independence to civil society agencies and NGOs. But however, the developmentalism model of East Asia and Huntington (1968) take a different view. This is because they maintain that taking part in government activities, democratic parties, social activism, civil society agencies and NGOs requires rules of procedure and being under control in the East Asian countries. This position was taken mainly in response to the rise of the civil society participation in the political arena and social activism which took place in Latin America, Asia and Africa in the 1970s.

Political organizations were made worse as a direct consequence of the involvement of all these organizations. This occurred because, people in the developing countries had been uninvolved in policy change or politics in the past, but with government attempts to build up and modernize local and regional towns, cities and villages in the Third World, people had to be included and political and social activism needed to occur. But the problem that came up was that, once these members of the communities and social activists of the Third World were gathered to participate in democratic activities, many of them discovered that government agencies and bureaucracies were poorly structured, not fully developed, lacking in answers, and just not having enough politicians and administration to deal with and incorporate their political aims and activities (Kelly, 2008:68).

Huntington took a stand to this issue. He maintained that this problem can be fixed by creating more governmental institutions, administration and bureaucracy or by establishing a strong state. Social activism can be controlled by government institutions. A strong state with administrative bureaucracy and management, forces the combined aims of NGOs and civil society into limited structures that the government can deal with. Therefore, in any place in which the main goals of the theory of modernization is on developing the economy, and then the development of political policy was considered as subordinate, Huntington changed the pattern. He realized the meaning of the state. The following are what he proposed. Development and growth can only occur through a strong government and government organizations and their agencies. Thus he held that, for development based on modernization theory of the economy to take place, order in politics, government administration, management, and bureaucracy has to play a large part (Huntington, 1968:2, ch.7). Reasonable use of power by officials, specialized executive management, and controlled and directed participation needs to be in place before social activism

can occur. This is because, as social activism members of civil society, gather and move on with an issue, they can join up with a strong, existing structure and must not overcome or crush the system (Huntington, 1968: 53-5). But where social activism can surpass and overpower governmental structures and organizations, the defeat leads to the rule of the state by the common people in the society, which is also called “praetorian politics.” Yet politics controlled by society is not desired, but instead civic politics, whereby the political structure has the system to keep up with or outrun the social activists and their activities is the preferable one. Civic politics has the platform for the economy to grow, develop and become modern (Huntington, 1968: 68). The model of East Asian developmentalism like Huntington also took this same view against the participation of civil society and social activism. This model sees a strong administrative structure and holds that a bureaucratic state should be in place to stimulate the development of the economy. East Asia’s model and Huntington sees the management of political activities and the provision of direction, as an undertaking of the upper class citizens of the South. They do these by using government administration and agencies, authority, rules of procedure, political parties with unification goals for the country, controlled supply and demand actions, modifications in the marketplace, and punishing companies with disappointing sales and service (Kelly, 2008:72-73).Development led by the state is in trouble and threatened if social activism moves too swiftly and puts a great burden on administration and government agencies. Civic politics will be sustained if social activist movements are pushed down to a sufficient level under the control of state administration and bureaucracy as seen in the case of the apartheid South Africa. This was not the recommendation of Huntington. Instead he encourage the need for government administration and agencies to keep up with the involvement of the civil society members. But the East Asian leaders moved away from these democratic ideas to the state model

of their countries which had more controlling elements within it (Kelly, 2008:68). The Asian states partake in Huntington's view that, it is when political growth which is more important has first taken place, that the development of the economy can also follow. Japan, Taiwan and South Korea, for much of the post 1945 era, experienced growth in civic politics, whereby state administration and state agencies had the highest growth than social activism. They controlled the activities of the social action groups in their countries and increased state organizations. There is no evidence that Huntington recommended that The East Asian developmental model must apply the use of force and threats in controlling social activism. But in Singapore and in China, it is done by some political groups on the argument of development, growth and the economy. This is anti-democratic in comparison to the World Bank and IMF agencies modernist view of western freedom. The move away from the use of authority of these East Asian states to democracy is highly unlikely. The East Asian system sees democratic freedoms and social activism as harmful to growth. Holding back and restricting NGOs and social activist agencies are needed to keep them from defeating the governmental structures and organizations, and taking over the role of the state. Unlike the neoliberal and modernization theorists, the model of East Asian developmentalism keeps reform politics away from the economy and is wary of too much democracy. For it is too costly and divides the social fabric of a country. It slows or stops development and growth (Kelly, 2008:75).

Thus overall, from the discussions in the literature review and the introduction section, it has become clearer that good governance as civil society participation increases participation but it has also got problems, which includes: Civil society's involvement, leads to more members and organizations getting involved in social activism, but, there are also negative aspects. For example NGOs and civil society members can weaken the state and compete with the state for

development funding from international agencies. Problems are also brought in by too much social activism from civil society members and agencies. Too much of a burden is put on state administration and agencies and the state as the leader of economic growth and development is challenged. The rule of the people starts to take over and the model of developmentalism in East Asia, along with their leadership groups turned to rule by authoritarianism to squash democratic movement. This holds back the development of democracy. There were also gaps, failures and problems with neoliberalism, as put through SAP. The Latin American dependency theory looked at SAP and neoliberalism and found that, the idea of the state is not seen as free, self-determined and independent, but the government is held prisoner by multi-national organizations and the rich. Therefore, in the international view, the government would appear to be less worthy, lower rank status, and lacking influence. Neoliberalism and the SAP push the government backwards on development and growth internationally. The state needs to be retaken to gain back its freedom of self-determination and reputation. State withdrawal from welfare services and lesser roles in public education, healthcare and social services, leaves bigger and bigger portions of the society at the mercy of poverty and deprivation. The social welfare services provided by the communities and individuals at the state and local levels, geared toward eliminating poverty which includes: housing provisions, job placements, subsidies for household bills, and other cash equivalents for food, which form the social safety net are cut down to the smallest possible amount and this creates poverty. Under SAP, subsidies were completely removed on fertilizer and had negative effects on the amount of work that farmers can accomplish within every year. As discussed earlier in this paper, SAP was also found to have made poverty and inequality more severe in Latin America and Africa. During the course of SAP in the 1980s, the populations of Venezuela (35.4%), Bolivia (60.26%), Guatemala (71.35%) and

Nicaragua (65.13%), lived below the poverty line. It is on these issues and problems created by neoliberalism, the structural adjustment programme and the concept of good governance as civil society participation discussed above and earlier, that I am doing this research to find out in the chapters ahead, how these approaches are going to help Ghana to reduce poverty. In light of these theoretical debates, my research question will seek to evaluate the specific approaches and concepts of neoliberalism, the structural adjustment and good governance as civil society participation and their impacts on Ghana, in chapter four of this thesis.

### **3.0 Chapter Three – Methodology**

#### **3.1 Introduction**

The goal of social research is to find a solution or a clear reason for the emergence of certain events, and social phenomena which can include crime, relationships, civil war, money, values, teenage pregnancy, and the promotion of an idea (political, economic, social, and cultural). The aim is to collect facts about this specific social phenomenon or event to try to recognize: (i) how it reoccurs at some set times and (ii) how the consistent and recurring characteristics helps in the identification of the phenomenon or problem and serves as an indicator or model for predicting its future behavior (Mogalakwe, 2009:43). In this thesis, I will use official documents of the World Bank, Ghana's Government PRSP I and II official documents, and Ghana's Parliamentary official documents. To be able to accomplish the objectives of my research, this thesis will use documentary research method to find answers to my research questions. Thus this chapter will provide details about my research methodology. It will discuss documentary research method, the sources of documentary data, the types of documents and provide a case study of how documentary research is used. The strengths and the limitations of documentary research method will also be discussed. Secondly, this chapter will also explain the other possible strategy that I will use in my research, which is the historical-comparative research method. And thirdly, this chapter will discuss ethics or the ethical dimensions of my research, particularly the ethics of development. After all that, I will state the expected results of my research.

#### **3.2 Documentary research method**

The investigation of the documents that contain information about the facts or events we wish to observe and critically examine is what documentary research method is all about (Bailey, 1994). This research method analyses and puts into categories the physical origins or the authors

in the world who wrote them and the usually written documents from public or private sources (Payne and Payne, 2004). It follows ethical research, and it is a scientific research method which is very much respected and used in social research. Social scientists must make use of it (Mogalakwe, 2009:44). It is not a new method as social theorist such as Emile Durkheim and Karl Marx have used it. Marx used documentary sources for reports he wrote on many areas, such as: factories, children's employment and census reports on Wales and England. The New Daily Tribune and The Times Economists were newspapers and periodicals also used by Marx (Harvey 1990). Emile Durkheim, who through his works has been recognized to be one of the founders of sociology, used documentary research method in his study of suicide. That is, he used official statistics from many countries in Europe to determine if suicide was caused by specific social conditions, based on occupation, economic, population, gender, class, marital status, race, age, group, and religious association (Mogalakwe, 2009:47).

### **3.3 Documentary sources and the Types of Documents**

Scholars have asked "What are documentary sources"? Documents are objects or something which are designed by human beings and they are created to serve a particular function or purpose, (artifacts) with a text written on them (Scott, 1990). This written text is made by a person or groups during their everyday activities and suitable to their own workable needs.

Postcards, coins, stamps and bus tickets, for example, are not thought of as documents. These items by nature, move around from place to place, are intended to make a profit, or broadcast ads, or capable of being sold for money. Yet, if the ruling of a president, a king or leader of a government is displayed, then these items are documents. In a roundabout way, we are told about the society and the communities of the people who created these documents and are not just for research purposes (Payne and Payne, 2004). Specific declarations or comments are thought to be,

or assumed beforehand to be factual, and are shown in specific forms. The researcher needs to consider for whom the documents were written in the beginning, the purpose of each document and must have knowledge of who wrote them, where they came from, and when they were written (Grix, 2001; Mogalakwe, 2009:45). The question then is how many kinds of documents are there? In documentary research method, there are two types of documents: primary and secondary. Primary documents give the descriptions and explanations of the individuals who were on the scene to witness to or saw the events unfold. And they can describe and explain at first-hand the behavior under study. Secondary documents however describe and explain the information of the people who were not there to witness the scene, event or behavior but have read the first-hand descriptions or they obtained the first-hand information and description from those people who were on the spot to witness the event or behavior and based on these reports or records they wrote out the documents (Mogalakwe, 2009:45-46). Primary sources give us first-hand information and include such things as employee's job satisfaction within a business or corporation, determining a worker or company's quality of services, discovering the feelings and opinions of a community about its health services and assessing the value of a social program (Kumar, 2005:118). Secondary sources provide us with second hand information, coming from publications from NGOs, the governments, (including Ghana's government), the World Bank and the United Nations. They also consist of registrations on vital statistics, authorized or official documents, along with periodicals, journals, book, magazines and articles (Kumar, 2005:118).

### **3.4 A case study of how to use documentary research method.**

A case study of how to use documentary research method can be seen in the voting trends in Botswana during SAP and PRSP from 1984 to 2004. The period of SAP and PRSP extended over a lengthy period of time in which some ruling governments were changed from one ruling

party to the other in elections. Mogalakwe (2009) analyzed the documents from the Botswana government office of the Supervisor of Elections (or Electoral Commission) in the period of 1969 to 2004. He found that during SAP in 1984, 68 percent of the people cast their votes for the ruling government, while 32 percent of the people cast their votes for the opposition parties. Then in 2004, during the PRSP, 51 percent of the people cast their vote for the ruling government while 49 percent cast their vote for the opposition parties. In the parliamentary elections the ruling party had 77 percent of the seats while the opposition parties had 23 percent of the seats. In using the documentary research method to analyze this election trends in Botswana, it could be seen that these are only figures, but if these numbers are closely scrutinized, they portray how the balance of power has changed between the political parties. The majority support for the ruling party has fallen from a high of 68 percent in 1984 to just fewer than 51 percent by the time the 2004 elections occurred. Meanwhile, the opposing party saw a voter turnout for them rise from 32 percent to 49 percent in the same time period. The statistics show that although the opposition got 49 percent and the ruling party got 51 percent, this does not show up in the representation within parliament. Parliamentary representation and the majority vote show no correlation. The astonishing 77 percent of the seats in parliament belong to the ruling party and it had 51 percent of the majority vote, whereas, the opposition had 23 percent of the parliamentary seats and 49 percent of the votes (Mogalakwe, 2009:51). In the situation where a documentary research method is used, the four criteria that must be used to deal with documentary sources are: authenticity, credibility, representation and meaning. During the course of Botswana's election, the handling of documentary sources followed these four criteria. The documents were proven genuine as they came from the Independent Electoral Commission or the Supervisor's office. They did not come from other sources. The documents

were prepared for a cabinet minister who was responsible for how elections were conducted but not with the intention of using it to the advantage of the researcher. They were made ready ahead of time and were independent. Regarding election patterns in Botswana, all reports showed that the documents represented the elections in Botswana since Independence. The reports were only about the general elections in Botswana and there were no other ones. The researcher is left with the task of determining the fairness of the elections as the results can only be taken at the face value. A variety of researchers have drawn different conclusions of what the election results mean for democracy in Botswana. The ruling party won several ridings with minority votes since the opposition parties broke up the opposition vote of parliamentary seats. More meaningful representation in parliament could occur if the opposition parties were united. This seems to be the conclusion that can be drawn here. Some commentators blame the opposition parties for failing to get themselves organized. Results indicate that the ruling BDP party could be defeated if the opposition parties united (Mogalakwe; 2009: 51, 52).

### **3.5 The four criteria in handling documentary sources**

The general principles that are used in other areas of social research are much the same as the basic principles, used in dealing with documentary sources. In all cases, when the data is being used, the methodology of science must be applied. In applying documentary sources, the four quality control criteria to be used are namely: (1) authenticity, (2) credibility, (3) representativeness and (4) meaning. If the evidence is from no strong feelings of hostility and suspicion but from genuine sources, you have authenticity. If the information is free of error and distortion or it is typical of its type, then you are referring to credibility. If the documents looked at representing the total of relevant documents, you have representativeness. Meaning pertains to whether the evidence being looked at is comprehensible and clear. Each of these criteria, in the

assessment of documentary quality, should not be seen as separate phases, or applied in a formalistic and rigid way. A researcher cannot exclude one from any of the others and should apply the criteria interdependently (Mogalakwe, 2009:52).

### **3.6 The strengths and limitations of documentary research method**

There are strengths and weaknesses to the documentary research method, which are found within the four criteria discussed above. I will discuss these strengths and weaknesses, one after the other.

### **3.7 Authenticity**

Authenticity refers to whether the evidence is of a dependable origin, is reliable and is genuine. The authenticity in documentary research is an important and a fundamental criterion in the evidence for analysis. For the researcher consulting these documents, it is his or her responsibility and a duty to ensure that the documents have integrity and are genuine.

The interviewer, in going to observe a “normal” activity, needs to be sure of the interviewee’s identity or, the observer must be sure that the activities he is watching are not stage managed for his benefit and that, he is in the right place. Mogalakwe (2009) however holds that there are many instances where documents can be fabricated, distorted or misattributed. The researcher must ensure that the documents are authentic. The researcher must be critical of the documents, when it has perceptible errors, inconsistencies, unrelated versions, unreliable secondary source, and has been possessed by someone who may alter the text. After the authenticity of the document has been proven, then the initiative must be taken to verify if the name written on the document is that of the author, to affirm that the claim of the authorship is true. The reason for doing this is that, the work of certain known personalities, such as the Hitler Diaries, have been

falsely presented as their work or authors have been incorrectly named (Scott, 1990, Mogalakwe, 2009:52). Thus, the need for authenticity is very important in research.

Despite these importance or strengths of authenticity, there are also problems or limitations with authenticity in documentary research method. The name of a minister on a government document or the name of a board chairman on the annual report of a company may suggest that they are the true authors of the documents but in fact might be false, and thus call for the question, what is a researcher supposed to do? When using the documentary method, this problem occurs frequently. In all likelihood, the chief executive officer, with his staff assisting him, wrote the annual report for the company. While civil servants probably wrote up the government document. When this happens it is best that the authors written on the documents be accepted without further doubts. For example, Botswana's original wages policy paper was created by a consultant, Professor Ghai. The government approved this paper as its policy document on wages and this endorsement made it the official Botswana's government document. The Household Income and Expenditure reports written by Central Statistics Office civil servants and, trade union proposals documented with the support of a consultant labour economist, are other examples of documents which were adopted and endorsed by the government, other companies and organizations (Mogalakwe, 2009:53).

### **3.8 Credibility**

What about activities which show the importance or strength of credibility in documentary research methods? If the evidence is free of distortion and error, you are referring to credibility. Is the observer truthful in the choice of point of view, and does he or she make the effort to record with accuracy on the account, from that chosen point of view? The researcher needs to ask some questions: Are the documents free of distortion? Were they prepared beforehand and

independently? Were the documents made for the researcher's advantage? Were they deliberately modified to deceive the researcher? Just as in survey methods, a respondent's credibility in an interview depends on whether the thoughts and opinions expressed are made in all honesty, even if an error in judgement or in fact was made by a respondent; it is in the same way that, it is equally important, to bring about credibility on stable basis, in documentary research.

Credibility is important, but, it has limitations. Errors and distortions have an effect on the credibility of documents. For example, some researchers use newspapers as source information. Although newspapers could be used as document sources, it is recommended that reporters' opinions and comments on occurrences and events which could contain distortions and errors should be disregarded. But instead attention must be focused on interviews or factual press statements. Another probability that is likely to occur is a document that has an incorrect entry. For example, labour Statistics Bulletin figures do not add up. This is not meant to mislead the public into being considered fraudulent but it is must however be seen as a true error.

(Mogalakwe, 2009:53).

### **3.9 Representativeness**

Does a document have the characteristic of the particular thing it is created for or if it not, to what extent does it not have the distinctive qualities of what it is meant for? This is representativeness. It applies to some documents more than to others. Professional statisticians, applying random selection procedures and generally accepted sampling frames, put together such documents as the Household Income and Expenditure Surveys. But the outcome of it was that, it gave the indication of authenticity and representativeness. And because of these characteristics of the documents the government was sometimes embarrassed by the findings.

There are limitations to representativeness. This can be seen from the fact that it is difficult to say whether a particular problem under systematic examination and the documents reviewed are representative of the completeness of the relevant documents wholly without exception. Government documents represent such cases. Keeping Secrets is what government bureaucrats are well-known for. This is because under the pretence that the government will be put to shame or the documents may include delicate information, they will not be made available to the researcher. Representativeness becomes a problem in this case because some speeches in the documents may not reflect the state's position on the issue under investigation (Mogalakwe, 2009:54-55).

### **3.10 Meaning**

Meaning exists if the evidence is clear and comprehensible. To have a comprehension of the meaning and importance of what the document stands for is the highest goal of examining this type of data. Documents consist of literal or face value meaning and an interpretative meaning. In the literal meaning, the document is taken word for word. In the interpretative meaning, the researcher compares the literal meaning to the contexts in which the documents were written to be able to understand what the text means (Mogalakwe, 2009:54). Problems or limitations presented by meaning in documentary research need to be considered. How does a research other than applying the truth in real positive statements decide which deduction to make from a document? The factual quantitative terms for instance, is seen as the face value of the information on Botswana's income per capita and economic growth. The researcher has to draw a conclusion on their denotation and connotation and move on from the face value to deduce their meaning since this statistical information is not self-evident. To make this point clear Mogalakwe (2009) maintains that, if we look at the statistical information on Botswana's

economic growth and income per capita for instance, we may falsely assume that the people of Botswana have good living conditions with a fair income distribution system. But this becomes more complicated once we combined this information with other facts on employment patterns, revenue distribution, and management of production. This complication comes about because statistics only provide us with the facts, and we must further investigate them to get their true meaning. In order to solve this problem, what is needed is a theoretical context, because it is based on this that the apparently disparate little, little information separated from the larger portions can be made sense of. Based on theory, we can make deductions and assign meaning to the unprocessed material of any kind, since the theory rearranges the smaller elements separated from its larger portion (Mogalakwe, 2009:55-56).

### **3.11 Comparison with other possible strategies**

Since the World Bank Structural Adjustment Program (SAP) and the Poverty Reduction Strategy Papers (PRSP) are different development programs in Ghana, from the 1980s to the present, the other possible strategy that I will use is the historical-comparative research. This method will allows us to discuss a lot of the big interesting questions and their patterns in entire societies over time. It will clear up some of the problems brought up in different research methods like the qualitative content analysis which study several situations that are involved in the making of documents, how they are spread and accepted in the society. These are some of the advantages of this method. (Neuman, 2006: 465).The historical and comparative method was used for example, by Max Weber, Karl Marx and Emile Durkheim to explain how pre-industrial society changed to a modern industrial society. By exposing and showing us the series of events or actions that take place over a period of time and throughout different societies, we can better comprehend why a complete society behaves in distinct and specific ways (Neuman, 2006: 465).

Like qualitative content analysis, which will enable me to look at the several aspects of a document, historical-comparative research also provides an ideal for investigating a number of different social factors that lead to a particular result. It is best for a comparison of whole social systems, to discover what is ordinary, widespread, unique, familiar, and frequent in different societies. It is also great for observing and investigating the changes that has taken place in society over a long period of time (Neuman, 2006: 143). For example some of the changes that have taken place in society for some time are the implementations of SAP and PRSP. And the IMF and the World Banks concept of good governance approaches in these programs (SAP and PRSPs) are firmly rooted in neoliberal principles across all the developing countries; yet, the PRSP is unique in its emphasis on country ownership, civil society participation and partnership. The most important thing that makes these unique characteristics and differences to be seen more clearly, are the key elements of SAP policies which are rooted in the neoliberal governing principles of; privatization of government business ventures, downsizing of the state sectors, lessening or eliminating trade and financial restrictions, financial austerity and tight control of money and the economy to bring inflation down. Developing countries could not create their own home-based policies for their economies because the World-Bank and the IMF felt SAP was a “one size fits all” deal (Hoogvelt, 2001). This happened in Ghana because the economy in the 1970s and 1980s was falling apart. Export prices in Ghana fell, government revenues were deteriorating and the economy was at a critical point. This led John Jerry Rawlings, the President Ghana to ask the World Bank for financial help. The World Bank responded and insisted that the Structural Adjustment Programme must be taken up in Ghana. Through this process, SAP was introduced in Ghana. However, there was a difference between good governance under SAP and PRSP. Country ownership, partnership and participation were the main elements of good

governance under PRSP. This new method of development attempts to focus anew the direction of international development on reducing poverty and guarantees a new procedure for giving loans for development programs. This is because; it changed aid relationships by placing countries receiving financial aid to be in charge of making their own policies on development (recipient countries in the driver's seat)(World Bank and IMF, 1999).In this case, developing countries were allowed to take the initiative in developing policies on development for their own countries. Through this, Ghana initiated its first PRSP from 2003 to 2005 and a second PRSP from 2006 to 2009. Good governance course of actions formed a large part of each PRSP (Crawford et al, 2009:84).Macroeconomic stability turned out to be in a big progress when Ghana introduced policies which were home grown for development, brought in by PRSP. That is, inflation reduced to 40.5% in December 2000 and was further brought down to 11.8% by December 2004.Interest rates went down, and the prime rate of 24% in 2003, fell to 15.5% by late summer/early fall 2005. The exchange rate stabilized, from 49.8% in 2000 to 2.2% versus the dollar in 2004. From 2001-2004, the GDP grew, on average by 5%, in contrast with the growth of 4.1 in the previous three years (Ghana's Growth and Poverty Reduction Strategy (GPRS-II), 2006-2009: 9-14; Ghana National Development Planning, 2005:14).Then, based on this rate of growth of the economy, Ghana's national poverty line, moved in 1992 from a headcount ratio of 51.7% during the SAP to 28.5% by 2006during the PRSP time period(World Bank Statistical Report, 2011).This shows that the historical-comparative research approach can also be used here to examine the combinations of social factors that produce specific outcomes and to find out what is common across societies and what is unique among them.

### **3.12 Ethical Issues**

#### **3.13 What are Ethics and Research Ethics?**

Ethics can be defined as what cannot be legitimately done, what is right, or for the researcher what moral research procedure requires from him to do (Neuman, 2006:143). When considering the right way to conduct research, ethical problems such as conflicts, dilemmas and any concerns need to be taken into account. There are possibilities of research problems and negative consequences which can take place as result of abuse and harm. In this respect, the main ethical problems are privacy and confidentiality. This comes about by utilizing something told or some facts another person has collected. A variety of conduct rules and regulations for going about research are a part of many organizations, departments, business units and many professions. Many research organizations have created and developed a variety of ethically codes of conduct specifically for research purposes. Thus social sciences, psychology, business, education, law, epidemiology and medicine have put in place distinct and separate ethical codes of conduct for the purposes of research (Kumar, 2005:210). The question then is what is research ethics? Research ethics are the codes of conduct directing and leading research, from the very beginning, right up to the finishing of the research and the publishing of the information gathered (Denscombe et al, 2009:306). The essential code of ethics for social research is that the independent researcher has a responsibility, ethically, not to take advantage of those involved in his/her research for personal profit. Consent is required or strongly desired with the knowledge of how, for what and why it is being given. Anonymity, confidentiality and privacy should always be respected and promised to all those involved in the research. (Neuman, 2006:155). As we have seen above, Kumar (2005) has argued that there are a variety of research ethics, such as those for law, education, medicine or psychology. However, this thesis is concerned with the

research ethics that pertains to my topic and my research question, which is the research ethics of development. Thus in the section below I will discuss the ethical dimension of my research, particularly the ethics of development.

### **3.14 Ethics of Development**

Scholars have asked the question, what are development ethics? According to the Encyclopedia of International Development, development ethics are “the right and wrong in the process of the creation, objectives, and putting into action or carrying out of development (Forsyth, 2005: 215). This has prompted debates on the ethics of development. The bottom line of this debate is that many individuals who want to make lives better for mankind focused on common interests and moral reasoning. The major problems of the ethics of development include inequality in the payment of wages or earning a living and how poverty has been spread out to people all over the world. Furthermore, eliminating poverty has not been accomplished through these various techniques, proposals, procedures and methods of development (Forsyth, 2005: 215-216). Several debates have been brought up about poverty and inequality by economists wanting to make the lives of human beings better. Some political economists believe promoting the buying and selling of goods, services, or the market is the most beneficial way to let people utilize their maximum freedom without restrictions to gain the wealth they want to have to get rid of poverty. Yet other economists like Corbridge (1998) feel that not enough development has been achieved through political economic proposals that have been put in place. Rather these political economic methods need to show how the members of the society have been affected by the negative impacts of development approaches through ethical and moral arguments. It is through this way, that how the growing of the economy affects the low income groups of individuals in society to live long or short lives will be discovered. Thus in the description and interpretation of

development ethics, what the researcher needs to concentrate on in the process of development are; who gains, who loses and how can we diminish or lower inequalities?(Forsyth, 2005:215).Some political economists believe the ideal way for individuals to achieve wealth is through development that is led by the market. Others like Friedman (1992) disagreed and put forward the argument that, this does not always work. This is because in Latin America, the market led approach provided benefits or wealth, but a large number of people were left out in the distribution of the wealth that was built up (Forsyth, 2005:215- 216).This is the view of modernization theory. This is because most advocators of modernization theory, some political economists, and SAP installed by the World Bank believed that when there is economic growth in the country, poverty will diminish. I partially agree and partially disagree with this. I agree in the sense that if the poverty rate is 65% and there is some economic growth in a country, then the poverty rate will go down a little bit. But, on the other hand, I disagree with it because the economic growth does not trickle down to many of the ordinary citizens, who are still living in poverty. Thus economic growth does not reduce poverty on an almost one-to-one basis. In this case, the idea that poverty depends on the income that is derived from the growth of the economy, leads to the perilous forecast that poverty drops at the same measure as growth in the economy goes up. This kind of thinking according to Vandermoortele (2002) perpetrates the error in reasoning which places the correct arguments in the wrong places, and this make the mistake of taking material things to be in existence when they are not really happening (fallacy of misplaced concreteness)(St. Clair, 2007:153).Developmental ethics has been led by L.J. Lebrer and Denis Goulet. Goulet felt that the process of development in which much of its activities that were emphasised ended up creating more inequalities, was misleading. This is because it did not bring home the full development needed by all the people in the society.

Rather development needs to recognize the importance of local traditional values such as: religious organizations and customs, knowledge of local issues and extended family units and their connections. These types of traditions stand for the effective unity or harmony among the interests and actions of the community groups. But Friedman (1992) responded that the role of community groups should not be stressed too much because they see circumstances from their own point of view. Rather more role to push for social justice should be given to the government or the state (Forsyth, 2005:216).

### **3.15 Ethical Strategies, Values and Goals**

Ethical values and strategies are very important elements, all over the world, in the establishment of development proposals and policies. The aims of development start out of the ethical values and plans that evolved from social environments, circumstances and the social nature of people (Goulet, 1976: 26). Development should try to accomplish the goals of freedom, sustaining life and improve a person's sense of self-worth. If people are accepted and respected by society, their self-esteem is raised. And this can be seen from the viewpoint of societies with technological progress and low income countries. This is because; success is seen today from the standpoint of material success. And due to achievement in material wealth, countries with technological advancement have a huge advantage over countries with low incomes. People can hold on to their sense of self-worth when they are poor or poverty stricken if their esteem is measured on other aspects outside of material gains. But, if material success is the basis of esteem, then poor members of society have a harder time being and feeling worthy of respect (Goulet, 1976: 26-27). A dimension of a good human life has the element of freedom. There is the freedom to pick the goods and services they want. For example, most people need security. If people can be free from the unforeseen harm, hazard and risks which form the obstacles to

development, then they have achieved security. Development in basic terms means working to free oneself from being a prisoner of a lack of knowledge, misery, hardships and being taken unfair advantage of by others (Goulet, 1976:28). This argument of Goulet (1976) that security needs to be regarded as freedom from unexpected dangers is a valid one. I agree with him because, this is consistent with people in war-torn countries, in which countless numbers are being murdered. People have to take security measures to save their lives.

### **3.16 The Ethical Dimension of My Research**

From both Neuman (2006) and Forsyth (2005) in the discussions above, we see that ethics is about right and wrong and the procedures to be followed in research. This can be seen in the four standards that are to be followed in using Documentary Research Method, which are authenticity, credibility, representativeness and meaning. Authenticity is concerned with if the evidence is real, valid, true, honest, reliable and from a dependable source. A researcher has a moral obligation to make sure that the document or the written paper he is reviewing is real, trustworthy, truthful, complete, and is unimpaired (Mogalakwe, 2009:52). This raises some questions and concerns about the authenticity of some of the information I found, within documents in my research, concerning the contributions of the mining companies, to the national economy and the environmental impacts they also had. This is because the official and authentic document from the Bank of Ghana's Report on the Mining Sector (2003), states that, following the decline of Ghana's economy in the 1980s, the Ghanaian government initiated SAP and its Economic Recovery Programme (ERP). Mining and minerals were a specific and essential part of the ERP. The Bank of Ghana report states that between 1983 to 1989 total exports averaged \$700 million per year, of which gold's contribution alone average \$127 million annually. The report also indicated that the mining companies pay more in annual royalties than they do in

corporate taxes to the government. And the total payments of \$618,8 billion in royalties and \$168.9 billion in taxes were made between 1990 and 2002. Statistics on the balance of payments shows that private investment during this same time period amounted to \$20 billion into Ghana's economy (Bank of Ghana Report, 2003:16-20). In looking at employment, the report indicates that between 1994 to 1998, over 21,000 people were working and 16000 people worked each year from 1999-2002, with the companies which were doing large scale mining. About 40,000 to 50,000 were employed with the small scale mines. Thus Youth that normally would have been unemployed had lots of work opportunities with the mining industry (Bank of Ghana Report, 2003:18). These are the data from the official documents of the Bank of Ghana, and they are reliable, authentic and the government of Ghana depends on them for its development planning and projects. However, environmental damage has also been documented. For example, Ghanaian rivers such as the Owen, Offin, Brim and Ankobra were polluted, containing concentrations of Zinc, iron, arsenic, copper, cyanide, as well as suspended solids (wastewater treatment particles from plants, animals, and rocks used in the laboratory) were all placed in there by the large mines (Hilson, 2004:70). Then the local economies and communities of Ghana have not gained many benefits as a result of mining sectors expansion under SAP (Hilson, 2004:65). While the putting in place of fewer restrictions, removal of regulations and the privatizing of the mining sector has made it possible for international corporations which operate in more than one country or nation to make more gains which are over and above that of just creating and maintaining economic growth in local or national economies of the developing countries in which they operate (Asad Ismi, 2003). These are issues of authenticity. The fundamental standard or criterion in any research analysis is the authenticity of the evidence. The researcher, therefore, has a duty and a responsibility to ensure that the documents he is

consulting are genuine and have integrity. This is because there have been many occasions where documents may not have been what they claim to be or appear to be. In the light of this, my questions on the mining environmental impacts in Ghana are: who is reporting this? Is it the mining company? Or is it the people on the ground? What is the validity of this? What is the source of this journal document? Is the source of this document true, sound and valid? Then looking at the overall total impacts of mining in Ghana, how do we know mining in Ghana is ethically good or bad? Then secondly, concerning the claim of the insufficient contributions of the mining companies to the national economies of the developing countries including Ghana, my questions are; what is the proof or evidence of the figures and data for this case? Who is saying this? Is it from the mining company executives, or the people on the ground? What is the source of the information in this document? Is it a true, genuine, valid and a sound source? These are some of the ethical issues of my research that need to be considered. Furthermore, in my research, the documents that I have used include the documents from: the World Bank, IMF, Ghana's PRSP I and II, United Nations reports on Ghana's Millennium Development Goals and Human Development, Bank of Ghana report, and many other documents from the secondary sources on governments' activities on poverty reduction taking place in other countries. The question then is: Is poverty reduction ethical? Yes I realized from my research that poverty reduction is ethical, because in these documents, I found that because of poverty, cost of education became expensive and some children and students could not afford and were compelled to drop out of the education system. Provision of health services became expensive and many people could not afford to pay. Then some in the mining areas were compelled to make car parks and railway stations as their places of abode, while still others were led to drug use and prostitution. In view of these the government and the mining companies were trying to

find solutions to the problems of poverty. And the World Bank was also trying to help low-income countries to make a break-through in reducing poverty to its minimum levels.

### **3.17 Expected Results**

I am expecting the outcomes of my research to show that Ghana's implementation of PRSP, particularly in its Education, Health, Mining and Manufacturing sectors, has had more positive effects on Ghanaians than SAP did. I am expecting that in PRSP, the attendance of school children will be increased, unlike during SAP where there school dropouts. It is my hope that my research will provide additional evidence contributing to the scientific and empirical knowledge held by policy makers and experts who hold that: (1) privatizing the mining sector was the way to solve the problems or difficulties of growth, and to bring progress to the economy of Ghana (ii) the problems created by SAP will be addressed by PRSP(iii) Good governance in Ghana under PRSP will mean civil society participation to help Ghana in its development path to reduce poverty. The analysts of SAP in Ghana argued that there is the need to bring in civil society participation into the political institutions, organizations and their operations (Whitfield, 2005: 653).

## **4.0 Chapter Four – Evidence of the Impacts of SAP in Ghana**

### **4.1 Introduction of SAP in Ghana.**

SAP was introduced in Ghana in 1983, following the decline in the economy that made President Rawlings turn to the World Bank and IMF for financial assistance. The World Bank and IMF demanded that Ghana should implement SAP. Ghana's government Economic Recovery Program, Phases I and II included SAP. The goal of these programs was to turn around the serious decline, the stand still, and deterioration of the economy. Loans from the IMF and the World Bank were used to support SAP in its goals of increasing the production price of cocoa, generating tax revenues, putting an exchange rate in place, liberalization of industry, reducing the deficit in the budget, restricting wage for civil servants, transferring ownership of state-owned businesses, corporations, and public property or investments from the government to the private sector, raising efficiency, eliminating price controls, bringing down payments to outside business and countries and to generate growth and rehabilitation, creating local, regional and national programmes of investment(Loxley, 1988: vii).

SAP program in Ghana had some positive results. Considering Ghana's past history, the economy recovered very strongly in monetary aspect under SAP. This is because, state revenue, as a share of GDP, rose from 5.3% in 1983 to 14.4% in 1986, averaging 14.5% annually before falling to 12% by 1992. With international grants and other sources of intake, revenue went up to over 16% of GDP in 1986, averaging 15.7% from 1988 to 1992(Hutchful, 2002:58).Utilizing the effectiveness and impacts of international investors, gross national investment as a part of the GDP, rose to 16% in 1990, from a low of 3.7% in 1983. Investment by the public was about 1% of GDP from 1983 to 1987 and rose to 7% by 1990. Then private investment was at 4% from 1978 to 1987 and did not grow from 1988 and 1989. But it rose to 9% by 1990.Many studies

have also shown that all subdivisions, along with external and domestic divisions, had changing and different performance and output of results (Hutchful, 2002:58). The study of Britwum et al (2001) shows that the policies under SAP that the government of Ghana put in place, created more problems in some sectors than others. For example the policies under SAP created more problems in the education, and health sectors. However in the mining sector there were significant achievements and growth. Yet the mining activities also created other problems.

In the light of these discussions, this chapter will give evidence of some of the impact of SAP implementation policies in Ghana. To do so, (1) it will discuss and explain four policies that were implemented in SAP in Ghana. (2) It will discuss the successes of these four policies. (3) It will also discuss the failures and the problems created by these four policies (4) Furthermore, it will show what happened under SAP in Ghana influenced by neoliberalism. What worked and what did not work.

#### **4.2 Four Policies of the Structural Adjustment Program**

Four of the policies that the government of Ghana put in place under SAP were (1) Trade reform Policy, (2) Policy Changes in the mining sector, (3) Policy changes in the Ghanaian Education System, and (4) Ghana Health Related Structural Adjustment policy

#### **4.3 Trade Policy Reforms under SAP, 1983-1998**

Ghana's trade and industrial growth is outlined by the United Nations Industrial Review Series. The gross national product between 1960 to 1970 grew at an annual rate of 2.5 percent. Price manufacturing value grew at 8.8 percent, while manufacturing output went up from 10 percent in 1960 to 13 percent from 1963 to 1970. There was growth in total industry processing and its manufacturing branch increased production from 10 percent in 1960 to 14 percent by 1970. Furthermore the manufacturing field saw employment rise by almost 90 percent from 1962 to

1970. Domestic manufacturing and trade growth did not keep this up after 1970. This lack of growth and the downward movement in the area of trade and domestic manufacturing were due to the following distinctive features: (a) major under-use of actual output capacity (b) Out-of-date machinery that worked ineffectively (c) too high a dependence on raw materials, which were imported to help run operations in industry (d) products were too highly priced and non-competitive (e) labour productivity was low (f) Quality of products were not very good (g) Any value put into a product was poor (h) gross domestic product or the market value of all officially recognized consumer goods and services which are produced to be consumed by the consumers within the country were low. (i) random manner of locating industries, such that only some urban areas such as Accra and Kumasi had many of them. (j) the various branches of the industrial ministry had no coordination to promote intensive development (Britwum et al, 2001:20-21). Looking back to the 1960's a variety of governments created economic policies which were unsuitable for industry to develop and grow as a whole. These economic principles or policies made it impossible for the economy of Ghana to deal with changes in the outside world's market surroundings and the interconnected problematic issues, concerning; the maximum productivity of the systems within economy, unit high prices, poor production, extensive ineffectiveness and having non-competitive status or rank in the world market. These conditions prevailed in Ghana's trade and industry sector before SAP called for reforms to be made. Thus from 1983 to 1998, under the direction of SAP, the Ghanaian government implemented trade policy reforms. These reforms were created by the state to simplify and add motivation to the reward system and to increase the desire to compete among the country's manufacturing producers. The following policy changes were implemented: (1) the removal of widespread quantitative limitations or trade restrictions placed on the amount of an item or service that can be imported into Ghana and

price controls (2) the floating of the exchange rate, or the changes in the Ghanaian currency's value relative to other foreign countries' currencies found in the market (3) by 1980, protective duties and tariffs which are taxes levied by the government on imports, were lowered and eventually limited (4) export licensing and duties were removed by 1990. (5) to increase exports, incentive were instituted that included importing of machinery on duty free bases, and rebates on income taxes, which were related to the sales of exported goods (Britwum et al, 2001:20-21).

#### **4.4 The Success of the Ghana Trade Policy Reform**

Ghana's manufacturing and trade sectors were influenced by the trade reforms begun by the government. Under SAP, the manufacturing sector's contribution to Ghana's economy rose from 1.8 percent in 1995, to 3 percent in 1996 and to 5.4 percent in 1997. Then it had a downturn of 3 percent in 1998, which was due to the long term fluctuating activities of the world market. Due to the trade policy reform incentives that were put in place, exports of manufactured goods and materials rose to \$14.7million (US) by 1991 from that of \$3.5million (US) in 1986. The local industries situated in Ghana which were the leaders of growth had the following characteristics: (1) they had all the valuable and useful resources at their disposal (2) they had their own established markets (3) they had established their own prevailing prices in their usual course of trade between buyers and sellers (4) they were free to bargain. Among this group, those that were at the forefront which made the highest contributions to the economy were the aluminum and wood companies that had many experiences in matters concerning trade at the world market (Britwum et al, 2001:21).

#### **4.5 Failures and Problems of Trade Reform Policies**

The trade reform policies had failures. Though some achievements were made, policies in trade reform did not always improve the manufacturing sector. This is because after 1983, there was a

fall back in its performance. The internal manufacturing contributed 9.4 percent of GDP by 1987, but then productivity of the industries, the share of GDP and growth performance was lacking after that time. Productive capacity rose from 18 percent in 1984 to 40 percent in 1988, which is considered too low, but it further went down to the level of 38 percent in 1989. Growth went down to 25 percent in 1985, and then to 0.6 percent in 1989. Exports in manufacturing were not even meeting goals targeted by the Ghana Export Promotion Council. The domestic companies of Ghana did not see the need to get into the new business of producing exports commodities based on the Ghana's local resources. Under the structural adjustment manufactured goods exported, was very poor in Ghana. Several factors which caused these restrictions of the export trade, were: (1) Infrastructure difficulties), (2) conducting business and dealing with international markets came at a high cost. (3) technical skills, knowledge and experience in a competitive market place were not very strong (4) getting financial support for export was extremely hard (Britwum et al, 2001:21). Thus the trade policy under SAP impacted Ghana to achieve some economic growth in the trade and industry sector but, some things were also not achieved, so there were failures too.

#### **4.6 The Policy Changes in the Mining Sector under SAP in Ghana.**

Even before SAP was brought into existence in 1983, Ghana's mining sector was facing problems. Between 1957 to 1986, the British and other foreign countries who were the previous colonial masters of Ghana had taken over the mining sector. But exploration and investment became deficient, unavailable or non-existent after the government of Ghana took charge of the mining sector. Mines owned by the state started to become out-dated or old-fashioned because capital was not spent to improve them. Mines could not compete in the marketplace because maintaining, modernizing, and investing capital in its operations were poor. The Ghana National

Manganese Corporation (GNMC) and Ashanti Goldfields Corporation (AGC) were making profits, whereas, losses accumulated for the State Gold Mining Corporation (SGMC) and Bauxite Company (BAC) in their mining activities. This led the SMGC to close the Konongo and Bibiani mines because of their huge operating losses. All mining branches saw their production fall. 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 336,562 carats from a high of 1,968,176 carats (Britwum et al, 2001:36). The situation in the Ghana mining industry before SAP in 1983 therefore needed changes to be made. Thus with the policy reforms set out by the government following the guidelines of SAP, the mining industry took on the following changes: (1) to attract international investment, legislative changes were made (2) financial liberalization was increased, or the restrictions on financial markets and financial institutions were eliminated, for example banks were given the complete freedom to pursue profits and were not hindered by government directives (3) the government readjusted and gave its backing to the institutions that supported the mining industry (4) government mining properties were privatized (5) legislative changes to the mining industry and environmental laws were put in place (Britwum et al, 2001:36). Multilateral and bilateral financial institutions helped raise the value of current mines by providing loans that were used for the restoration of the mines in the early years the reforms. Reforms later on took up government owned mines for privatization. The state sold off all their government owned mining ownership (shares) which entitled the state to have an equal claim on the company's profits and losses and kept only 19% of the wealthy Ashanti Goldfields Corporation, and 20 percent of the Ghana Bauxite Company. Originally the state had 55 percent in both of them. For other mines held by the state, 10 percent

of its shares with the mining companies were retained. To generate changes in the mining industry since the beginning of 1983, legislations were either altered or put into effect. Examples of these pieces of legislation that were put in place included: (1) Minerals Commission established law PNDC 154 (1986) (2) Mineral and Mining Law PNDC 153 (1986) (3) Minerals and Royalty regulations L.I. 1349 (1987) (4) Small Scale Mining Law PNDC 218 (1989) (Britwum et al, 2001:36).

#### **4.7 Successes of the Mining Policy Changes in Ghana**

When mining industry changes were put in place in Ghana, direct investment by foreigners rose. In 1998, of the 237 companies prospecting for gold, 154 were from Ghana and 83 were foreign, and apart from that 22 mining leases were also handed out. In 1986, 7 mines existed, yet by 1998, there were other 14 mines which were functioning. Traditional minerals in Ghana, such as manganese, diamonds, bauxite and gold, saw huge increases in production. Gold production, reached 2,382,339 ounces in 1998, from a low of 342,904 ounces in 1980. Bauxite, with a low of 82,310 metric tons, in 1983 rose to 341,118 metric tons by 1998. Manganese had fallen to a low of 175,288 metric tons of production in 1983 but rose to 584,400 metric tons by 1998. And diamond production had fallen to 336,309 carats in 1983 but had also risen to 822,619 carats in 1998 (Minerals commission, 1994a; Aryee, 2001:654). Others such as Britwum et al, (2001) also claim that the expansion in mining production due to the policy changes in the mining industry was astounding. For example, the production of gold, which had fallen, in 1984, to a low of 282,299 ounces from a high of 915,317 ounces in 1960, recovered and rose to 998,195 ounces in 1992. And by 1995 it achieved its production peak of 1,706,229 ounces. Furthermore the production in other minerals also increased as well (Britwum et al, 20001:37). Government revenue also gained with the mining sector reforms. According to the minerals and mining law

(1986), 3 percent of gross revenues or royalties, had to be deposited with the Ghanaian government. From 1990 to 2002, the state collected 618.8 billion cedis in royalties and 168.9 billion Ghanaian cedis in company income tax or the tax that must be paid by a company based on the amount of profit it generated. The Internal Revenue Service of Ghana saw that the contributions that came in as an income from the mining industry were 12.1 percent or 1,174.34 billion Ghanaian cedis (Minerals Commission, 1994a; Bank of Ghana Report, 2003: 15). From 1994 to 1998, 21,000 people per year were working in the mining industry. On average, the large scale mining operations, had 16, 000 people per year working for them from 1999-2002. During this same period, small scale mines had hired 40-50,000 people. Youth, who would have been unemployed, gained employment in the mining sector. Thus, the mining sector policy reforms, put in place under SAP, provided meaningful employment for many people in Ghana (Bank of Ghana Report, 2003:15, 18).

#### **4.8 Failures of the Ghana Mining Reform Policy under SAP**

There were negative effects, failures and difficulties that came with the mining industry policy reform under SAP. For example, in the western region of Ghana, Tarkwa experienced negative effects which were seen in the environmental, economic, housing, health and social aspects of people's lives. Socially, family members were dislocated from their settlements and farmlands. Investment in mining in the Tarkwa region caused 14 residential areas, which were over 30,000 people, to be forced out of their settlements in the period of 1990 to 1998. This had consequences: for example, youth were not qualified for land compensations or the money given as recompense to those who lost their settlements and farmlands, so they moved into the Tarkwa region looking for work. Housing became a major problem as there were the questions of where would these young people live. Accommodations or spaces of living became filled up. Rents

went up and a lot of these migrating youth took to the car parks and railway station as places to live (Britwum et al, 2001:38). Towns and villages had mining activities taking place on their lands which displaced many families. The need arose for the resettlement of their communities. In doing this, the family as a social group in the area, was thrown into disorder with the movement and recompensation of the new accommodations that the mining companies provided. This was because in many cases, the spaces, or the enclosed areas given to the buildings and the sizes of the homes to house the families were very small and poor. The Tarkwa region experienced high levels of unemployment as a consequence of mining activity. The major form of mining activity, in this area which is surface mining, encompassed large areas of land that made many farmers displaced. For these people in agriculture who were pushed out of farming due to mining activities, the mines on other hand did not give them the jobs they needed to do. Another issue was the economic effect, which was quite negative on the communities that were close to the mines. Living expenses, such as food, places to live, water and medical needs were too expensive for the ordinary person. The explanation for these was that, staffs working for the mining company were paid a good wage in dollar equivalence not in the Ghanaian cedis currency. As well, in taking over farmlands, mining companies took people away from farming and other agricultural activities that had provided them with ways of earning a living (Britwum et al, 2001:38-39). The environment also was impacted negatively as a result of large scale surface mining. Deterioration of the land, plant life, pollution of the water and pollution from chemicals were major negative factors from mining activities. The devastation of the vegetation in particular diminished the existence of a wide variety of plant and animals species in their natural environments. To make room for surface mining work, large areas of land and plant life were cleared off. In Tarkwa, 70 percent of the land has been cleared away by mining activities.

Mines have turned away water channels from their original courses from where the mining was taking place or brought down the water level and the amount of water available. As a result surface and ground water was polluted because of the mining activities. When ore is processed, mercury and cyanide are used and these chemicals pollute the water. Heavy metals polluted the water and if this goes beyond acceptable levels, it harms humans and marine life. Furthermore, when explosives that are needed in mining activities, are not stored properly or incorrectly used, they also pollute the water (Britwum et al, 2001:39).The environment was not only disturbed, but also the accidents and pollution of the mining activities led to diseases. Cyanide effects showed quickly but mercury poisoning took longer to surface in the health of the mine workers. For example, in gold mining and processing, accidents and diseases were seen over the years particularly in Tarkwa, which included: (1) onchocerciasis, schistomiasis and malaria, which were caused by polluted water (2) silicosis and tuberculosis, which attacked the respiratory system (3) accidents due to illegal mining(4) eye diseases such as acute conjunctivitis (5) diseases of the skin (6) mental disturbances(Britwum et al, 2001:40).Thus the discussion above indicates that the mining policies which were put in place by the government of Ghana accomplished some success in the mining sector. But at the same time these policies also created problems on health, social, economic and on the environment, that must be solved.

#### **4.9 Policy Changes in the Ghanaian Education System under SAP**

Before SAP was introduced, the educational system in Ghana from 1970 into the 1980s was experiencing problems. These difficulties occurred because government revenue saw a downturn, leading to a cut back on educational financing. For example, the education budget, in 1985, 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% in 1976 (Britwum et al, 2001:47). In 1975 \$41(US) was allocated to each pupil, yet, by 1983, it was \$16(US) per pupil. Payment of salaries and educational allowances in 1986, accounted for 88% of the educational sector's funding, leaving 12% for other items, such as teacher support, materials for instruction, equipment, classrooms and school buildings. Teachers moved on to other places because they were not given good conditions of service. About half of the teachers in primary and secondary were not even trained. There was a gender gap that was in school and the gap got worse after age 11. Enrolment of girls was 10% lower than for boys in primary school. It got worse when one moved out from the primary school to the secondary schools and was found to be the worst in the university levels. In the northern regions, fewer girls were enrolled in school than in the south. The economy of Ghana was in sad shape in the 1970s and 1980s. The university sector was also in very bad shape. Universities had an unsatisfactory relationship with the government, due to poor financing and the physical structure of classrooms, buildings and campus grounds which were falling apart (Britwum et al, 2001:40). 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 (Britwum et al, 2001:40). These matters affected the Ghanaian system of education and reforms had to be done in the 1980s. By 1987, under SAP, the government of Ghana implemented the following changes to the education system (1) during the first three years of school, local language would be employed (2) The

means by which instruction will be given from the fourth year of primary school onwards would be English and it would be taught as a subject as well.(3)academic knowledge would not just be taught. The structure of learning and teaching will be done through the practice of encouraging school children to develop manipulative skills, creativity and inquiry(4) to make the number of the schooldropouts to be smaller, a national state wide campaign on lliteracy skills would be created.(5) non-formal education programs would be made available for adult dropouts (6) an increase in the school year, from 33 weeks to 40 weeks, would be put in place at all schools, for the basic and secondary levels (7) ccontinuous assessment method would be used to measure progress throughout the basic learning levels. The completion of the basic level learning would be done by the West African Examinations Council (WAEC) through the term examination. The final mark would be composed of a 60% external grade and a 40% continuous assessment(8) private citizens, community education committees, Churches, voluntary organizations would be encouraged and counted upon as partners by the national government to support in providing infrastructure and other educational contributions. (9) the community, other stakeholders and the government would assume the joint obligation for providing educational resources and supplies. Efforts would be made to stop more funding to secondary and university level programs and partially reclaim costs. The cost of food and housing at secondary and university institutes would be withdrawn.(10)bringing together evaluation, budgeting, monitoring and planning would increase the quality of management of all sectors and improve budgeting procedures(11) school supervision and school visits would be greater at the district and local levels to reduce much of it that is done at the regional level (Britwum et al, 2001:48).

#### **4.10 Failures of the Policy Changes in the Ghanaian Education Sector**

Problems and failures happened in the educational system with the policy reforms brought in by the Ghanaian government. The deprivation of human and material resources, shortcomings of supervision and the insufficiency of funding and planning which was poorly carried out, hindered putting into effect the changes wanted for university education. Criticism of the reforms occurred, centering on the recovery of costs. Poor students would be forced out of university institutions if food and housing cost was turned over to students' guardians and parents. Higher educational reforms were perceived as very controversial and viewed by students as an arranged and planned attempt to lower instead of raise university education. Many times the universities were closed down because of student demonstrations against any attempts to put in place any part of the policy changes (Britwum et al, 2001: 51). A study found a majority of the people of Ghana did not accept the cost sharing policy. They felt parents were unable to pay fees for students at the university level. The students and their parents or guardians were stopped from getting an education at the university institutions because of the cost sharing policy brought in under SAP. Ghanaians could not pay the fees for school. And in this regard the educational policy did not work for many Ghanaians. Another problem was that, after the 1991 education reforms, students enrolled in huge numbers. The admissions of the thousands who enrolled in university or those who even had the required grades and were eligible for university, did not work because of the following : (1) universities had not expanded facilities and equipment (2) the cost of a single student was high at the university (3) the state could not afford to keep up steady financial support for students (4) the life of students on campus could not be sustained well because their student loans were not enough to cater for their needs (Britwum et al, 2001; 52). Student hotels were also packed to the full beyond the usual capacity, which put a lot of pressure on facilities on university campus. Campuses were poorly kept up or preserved due to

insufficient funding support. University institutions lacked running waters, many power outages and very poor sanitary conditions. City students and student with strong city connections were favoured more and gained many advantages than rural dwellers in the implementation of the non-resident policy. Education costs rose for country students as they had high rents and terrible transportation to deal with city centre. Finding a place to live was also extremely challenging. Towns and cities where most universities were located had major housing problems for students. The transportation systems in the towns and cities were terrible, so, staying in places off the campus grounds was not reasonable (Britwum et al, 2001:53). Thus the above discussion indicates that the educational policy reform under SAP had negative impacts on Ghana. And owing to the major reductions in government financial allocation to educational sector, SAP created more problems and failures for the Ghana Educational system.

#### **4.11 The Health Sector Reform Policy under SAP**

The withdrawal of subsidies was one of the policy changes within the health system. It began with the Economic Recovery Program (ERP) which was brought in by SAP, from 1983-1986. The Hospital Fee Act, brought in by the Ghanaian government led to heightened collection of fees for health services. There were “user fees” charged, recovery of the full expenses for drugs, reassignment of staff, and renovation of health facilities. Consultation fees and the charges for hospital beds went up significantly in 1985. There was a push, in health and other social services to charge user fees. Establishing a user-financial, rotating drug supply, which was a program of full cost recovery, was meant to make better and keep up the accessibility of necessary drugs. Public health facilities would be furnished with satisfactory and secure drugs at reasonable prices. A list of fundamental drugs needed by the general public was approved by the Ministry of Health (MOH). The difficulties in obtaining drugs and unjust dispensing of drugs to health

centres and clinics influenced the MOH (Ministry of Health) to put the “cash and carry” program into place 1992. It was called the Revolving Drug Fund (Britwum et al, 2001:60).The major health system changes brought in by SAP were : (1) charging user fees (2) district health services were increased, developed, stimulated and reinforced (3) resources were moved from the regional to the local level.(4)hospital feeding cost were gradually reduced and removed to reduce cost (5) non-technical staff were decreased (6) necessary or required drugs became a policy that was put into place (7) the management of drugs was enhanced (8) district teams in health management registered new members (Britwum et al, 2001:60).

#### **4.12 Progress or Success made on Ghana’s Health Policy under SAP**

Collection of fees for health services and removal of subsidies were elements of the Hospital Fee Act under the umbrella of the Economic Recovery Program. The government introduced the Program of Actions to Mitigate the Social Cost of Adjustment (PAMSCARD) as the politicians were concerned about the negative effects of the ERP and the shock of the program in communities and individual homes. There was a health unit of PAMSCARD, working in the Pharmaceutical Companies system, which provided needed drugs. Supplying drugs to patients, at full cost, were part of the changes made, in 1988, to the Hospital Fee Act. Arrangements were set up with health facilities to help them keep bigger shares of their incomes. In addition, surgical and medical treatments, accommodation and catering at hospitals and outpatients were charged separate fees. There was a sliding price structure which saw lower level health centres and clinics charge lower prices and while higher prices were to be paid at the teaching hospitals. Charges were different for kids and adults. A Policy of Exemption was set up by the government for a variety of people including: (1) kids under 5 years of age (2) pregnant women (3) the poor (4) refugees (5) the disabled (6) the elderly-aged 70 or more (7) the destitute (who are not able to

pay. (8) patients with transmittable illnesses such as tuberculosis and leprosy (9) health employees and those training at health facilities such as teaching hospitals. Full or partial exemptions were legislated in the regulations of Hospital Fees, in 1985, under reform L.I. 1313. Another category of people for full exemption were psychiatric patients. Treatment in the child welfare clinics, services for antenatal and post natal care and immunization were to be given as free services (Britwum et al, 2001:62).

#### **4.13 Failures and Problems of the Ghana Health Related Policies under SAP**

Problems still remain, even though a lot of improvement has occurred with the health system under SAP. Data shows that there are huge differences in the death rate throughout a variety of rural and urban areas in Ghana which has existed over a prolonged period of time. There has been very little that has changed in the health system. Although 65% of the people can obtain modern health facilities, still there are huge differences that are found among the regions.

According to 1987 figures, use of health clinics, centres, hospitals and outpatient facilities or facilities for people who were admitted to hospital for treatment which did not require an overnight stay, had an estimate of approximately 0.35% per person a year. Crucial problems facing the health system, based on a review entitled “Health Sector 5-year program of work” were as follows: (1) uneven and disproportionate allocation of health workers (2) chronic or enduring of non-communicable diseases (3) reproductive health of the population was poor (4) management of health services had weaknesses everywhere (5) malnutrition persisted (6) infectious diseases were an extremely important concern. Research on health system social services and reform policy change, indicate that, immigrants were discouraged by the huge price of health or medical care. Some other researchers also discovered that patients tended to self-medicate because health care centres, clinics and hospitals charged huge fees. And still, other

studies showed that these same facilities were financially and even more significantly, socially unattainable. This was because, potential patients were kept at a distance socially due to the reason that, health workers had unpleasant dispositions or tendencies and were largely displeased with patients. Furthermore the cost of using health facilities showed that when there was sickness in a family, more money was spent on care than the expenses of the whole house combined. Financing of health care was very significant. It cost \$12.44 compared to the citizens' contribution of \$4-5. Even though the health system, during SAP, got 8-10% per year of the whole state budget, the usage of the main health facilities and the good standards of care were reduced. This discussion shows that health care policies, under SAP, did have some effects on Ghana. Some progress and positive results were made. But problems occurred with the removal of subsidies and the institution of user fees for the delivery of health services called "cash and carry system". This prohibited many of the people of Ghana from using the health services available. The health policy reforms were not effective for some of the people in Ghana (Britwum et al, 2001:63).

#### **4.14. What happened under SAP in Ghana influenced by neoliberalism. What worked and what did not work**

The neoliberal argument promoted by the World Bank and the International Monetary Fund (IMF) in the Structural Adjustments Programme (SAP), declared that the state should withdraw its activities from the economic sphere, and the state must reduce its involvement in development and just limit itself to supplying and preparing stable and thorough macroeconomic and legal structure for investment (World Bank, 1989, 1991, 1994). Good governance according to neoliberalism is that the state should not interfere in any markets that can prosper with even reasonable or satisfactory results (World Bank, 1994a:183). To take the place of the state,

neoliberalism expects NGOs, a system of entrepreneurs founded on markets and competition to perform the public services originally provided by the state (Bevil, 2007:365). Neoliberalism calls for the reduction of state activity in development and the NGOs are to take the place of where the state has withdrawn (World Bank, 1994; Gary 1996:150). Did this happen in Ghana?

According to the formal documentation and records available on how the SAP was carried out and put in place in Ghana, all the work, preparation, strategies, efforts and mechanisms were done by the government, which is contrary to the tenets of neoliberalism. This is because in Ghana, neoliberalism reforms were accepted eagerly, in 1983, by President J.J. Rawlings and his PNDC military government, after the economic crisis in the country. Ghana's GDP per capita, real export earnings, investments, national savings, cocoa exports, volumes on imported goods and services, all fell dramatically, along with an annual inflation rate of 50%, between 1973 to 1982 (Aryeetey and Harrigan, 2000:11). After all this deterioration in the economy, President Rawlings asked the World Bank for financial aid. Through the recommendations of the World Bank, SAP and its neoliberal policies were adopted eagerly in 1983. Based on the neoliberal theories of building a sound economy, Ghana began putting the free market policies into place.

According to Joseph Stiglitz, a former Senior Vice-President and Chief Economist of the World Bank, neoliberal reform on the economy try to do these 3 things: (1) Striving to make steady national income, production and investment by installing inflation controls and lowering financial expenditures and liabilities, (2) opening up the economy to international markets via trade and capital from direct foreign investments, and (3) privatizing and removing regulations and controls on national products and related markets (Gore, 2002, pg. 789). To accomplish the macroeconomic aims just mentioned, the Provisional National Defense Council (PNDC) of President Rawlings based themselves on the conditions in Ghana and installed SAP and ERP

(Economic Recovery Programme). The ERP-Phase I and II consisted of the adjustment and stabilization policies such as controlling inflation. Stabilization policies are a set of measures introduced to make stable the economy. They are undertaken by governments to check and balance the fluctuations in business activities and to prevent high rates of unemployment and inflation. The people in the country experience inflation when generally the prices of goods and services in the economy continuously and steadily move up. After some time as the cost of goods and services keep on increasing, the value of the dollar falls, because a person would not be able to purchase as much goods with that dollar as he or she previously could do. Thus the adjustment and stabilization policies were directed to achieve these series of economic reform goals in the country. The Phase I of the ERP introduced import and export trade, interest rates, opening up the market for foreign exchange and to reduce the value of the cedi, to stabilize the economy. ERP II brought in institutional and structural changes to the civil service, financial, government business ventures and education divisions. Creating Ghana's Stock Exchange, reducing the civil service, pulling the state out of previously owned business and opening up the banking system by removing strict controls were some policy changes that were made(Hutchful, 2002:56; Leith & Soderling, 2003:42-66; Ayelazuno, 2011: 397; Aryeetey & Harrigan, 2000:15).

President Rawlings military government was in charge of carrying out these policy changes of the ERP and SAP. Under his leadership, the PNDC began to reconstruct state institutions that were to manage, organize and supervise the policy changes. That is, an Independent Macroeconomic Management Team (MET), led by the secretary for finance and Economic Planning, Dr. Kwesi Botchwey, was created to supervise the programme for economic reform (Hutchful, 2002:140; Chazan, 1992:131-132; Robinson, 1996:109; Ayelazuno, 2011: 388). This team was made up of technical experts, civil servants from the central bank and the Ministry of Financial

and Economic Planning (MFEP) and political appointees like Dr. Kwesi Botchwey, Dr. Joseph Abbey and Paa-Kwesi Amissah-Arthur. Devising, balancing, integrating and putting into action the economic policies of reform was a unique challenge for these liberal and Marxist economists and civil servants who held different opinions, ideals and convictions, yet, they worked together very well (Hutchful, 2002: 142). In order for the MET to work effectively, executive management, protection and safeguarding support was provided by Kojo Tsikata and P.V. Obeng through the interconnection of state bureaucracies and security (Hutchful, 2002: 142). And the government had another hand in rearranging its involvement. It created SAP Team and the Economic Management Committee, and joined them to make the Economic Management Team (EMT) (Hutchful, 2002:149; Ayelazuno, 2011: 395). Public administration experienced institutional changes, with the major element being the re-arrangement and reduction in size of the civil service. All these changes were part of the World Bank/IMF funded Structural Adjustment Institutional Support Programme (SAIS) and the National Institutional Renewal Programme undertaken by the government of Ghana (Hutchful, 2002; Ayelazuno, 2011: 396). This shows a different situation. This is because, instead of the reduction of intervention of state activity in development, as advocated by neoliberalism, my research findings show that the push of all institutional reforms in Ghana was done by a noticeable exercise of the authority of the state through the rule, the operations, and supervision of the government of Ghana. Thus my research findings contradict the position of neoliberalism that the state must withdraw from development. In looking at Ghana's experiences, my research findings also contradict the argument of Friedman (1962) that, to promote development and economic growth, the state should only play the role of creating laws to protect trade and commerce from unlawful restrictions and trade practices. The state should only put in place organizations established to

prevent and discourage contract violations by business groups who are gaining huge profits based on misleading and deliberately deceitful activities. The private sector could deal with all other matters of development (Luigi Manzetti, 2009:8). This is contrary to the case of Ghana where all the reforms and its system of operation, components, action plan, implementation, the formation of the committees and the inclusion of the enforcements organizations, were all done by the government and not the private sector. Based on this experience of Ghana, I think the state must not be taken out of development but, must be made to play more of a role in development of the country, since its role is vital. If we look at the literature on the failure of SAP, the World Bank blamed SAP's failure in Africa on bad African governments with terrible, corrupt leadership. Ghana's leadership in SAP shows a different story. This is because, the developments in Ghana were being closely watched by liberal observers who idolize or glorify ideal notions of good policy structures, changes, and establishment of organizations. With a careful tendency or disposition to look on the favorable side of events and to expect the most favorable outcome, Rawlings' military government was praised for (1) restoring the fallen rate of mineral production (2) bringing about a restrained and management efficiency of the Ghanaian government. Rawlings was lauded for his style of leadership and dedicated involvement to the reforms, which was seen to some extent as honest or free from corruption, errors or faults (Sandbrook & Oelbaum, 1997:612; Ayelazuno, 2011: 410; Gyimah-Boadi & van de Walle, 1996; Robinson, 1996; Gyimah-Boadi & Jeffries, 2000). This shows that even though the World Bank blamed SAPs failure on bad African governments, not all of them were corrupt.

#### **4.15 The Importance of Neoliberalism in Ghana**

An important and significant fact about Ghana's economy is that SAP and PRSP are incorporated or fixed steadfastly and deeply in the neoliberal economic system or structure.

Underlying SAP are the features of: (i) trade liberalization which is the removal of barriers such as export and import duties that restricts the free flow of goods and services from one nation to another (liberalization), (ii) transferring ownership of state-owned businesses, corporations, and public property or investments from the government to the private sector (privatization), and (iii) removing or reducing government regulations on industry, business and the economy,(deregulation). These features are also the main parts of the PRSP (Razafindrakoto et al, 2002: 58; Adejumobi, 2006: 110). This conforms to the case of Ghana. This is because in Ghana when President Rawlings began the neoliberal reforms, it was continued by President John Kufuor who took over from him in the 2000 national elections, and continued with PRSP programme in Ghana. The important implication of these neoliberalism principles on my research can be seen in the positive effects that neoliberalism had on Ghana. Unlike the period of economic crisis when Ghana's GDP and economic growth declined, the implementation of SAP however, brought an increase in GDP and economic growth. This is because, in the initial stage of installation, SAP brought stability to the whole of Ghana's economy. That is, in 1984, GDP went up by 8.6% and per capita income, which is the measure of the amount of income that is being earned per person in city, region or country, grew by 4.65. This income per capita, was that which was also used as means to evaluate the living conditions and quality of life in the different areas of the country. It showed signs of improvement. This general outstanding progress kept going on to the end of 1989, with GDP growth of 5.1% and per capital growth of 2.4%. A rise in per capita GDP gives the sign that there is a growth in the economy and this tends to come about as a result of an increase in productivity. Furthermore inflation fell from a high of 123% in 1983 to 40% in 1990 and down to 10% by 1992. The cocoa sector also experienced success with production prices improving by four times in market worth from 1983 to 1988. As a result, the

volume of cocoa produced rose from 155,000 tons in 1983 to 220,000 tons by 1986. Tax income collected also went up from 5.6 in 1983 to 14.4 in 1986, and kept going up to 15.2% of GDPs (Clendinning, 2007:61).

The production of minerals saw a striking and impressive growth. From 1983 to 1997, production of gold went up 7 times, diamonds and manganese doubled, and bauxite saw production multiply 8 times. The mining industry contributed greatly to increasing Ghana's tax revenue and the rate of employment. From these facts, I argue that neoliberal arguments emphasising growth and productivity can be found to be true in Ghana and its mining sector, and offered Ghana, a greater promise of development. Here my research findings on neoliberal principles, of Hayek (1944) and Friedman (1962) have been confirmed. This is because they both argued that the best means to integrate everyone's economic activity is to advocate and publicize free markets and then encourage and promote competition whenever possible. The essential or necessary component of economic growth is competition as it works as a deliberate or intentional control strategy of society, which allows independent people to chase their own self-interests. Thus an economy improves because competition comes to be the plan which is more effectively and efficiently used to organize it (Luigi Mazetti, 2009:7). This is what happened in Ghana. This is because based on the free market privatization reforms brought in by SAP, the government of Ghana set up mining regulations, which were attractive to 154 local and 83 foreign mining companies, including several major international mining companies (Bank of Ghana Report, 2003:10). This brought about competition which led to a great increase in mineral production. And these played an important part in bringing about economic growth and development during the time of SAP and PRSP. Thus my research findings on productivity and growth in Ghana's mining sector confirm the neoliberal principles of Frederick Hayek and Milton Friedman.

Factors affecting Ghana's economic growth in the mining and agricultural sectors, which are: the present up and down price changes in the global situation of the world market, and weather conditions, lead to uncertainties on Ghana's future economic growth. This is because, the African Development Bank/OECD hold that though the present pattern of growth shows a definite improvement in the economy, some concerns linger. The current economic growth has been generated by better market and favorable weather conditions but because of the general up and down price changes in the global situation of the world market, it is hard to foretell how long this growth can continue. Thus, it continues to be a challenge for Ghana to diversify its economy. Furthermore, manufacturing industries have been the slowest growing sector of the economy since 2002. Though manufacturing grew by 5% in 2005, but it was focused on just a few money making products such as the refining of oil and petroleum, cements, non-iron base metals and non-metallic mineral products. Labor intensive products did not see growth in their industry and the jobs that were lost when SAPs were introduced were not restored and there were no new jobs to succeed them (African Development Bank/OECD, Ghana, African Economic Outlook, 2006:83; Clendinning, 2007:63). Thus these uncertainties and challenges about Ghana's future economic growth due to the general up and down price changes in the global situation of the world market makes it difficult to predict how long the economic growth can be sustained, and it is a problem for Ghana. This calls for Ghana to diversify its economy. I will take up this issue in the chapters ahead.

#### **4.16. Criticisms, Gaps, and failures of the Neoliberalism argument in Ghana**

Another important implication of the effects of neoliberalism in my research can be seen in the negative effects that the policies it inspires had on Ghana. That is, despite the positive effects that neoliberalism had, neoliberalism has also been criticized for its negative impacts on Ghana. This

is because; it is argued that, the implementation of the neoliberalism in SAP of Ghana brought reductions in the public service sectors. That is, about 300,000 public sector workers were laid off. Furthermore because of cheap imports from East Asia, manufacturing sector reduced its workers from 78,700 in 1987 to 28,000 workers by 1993. Unemployment rose and social service spending fell, a disturbing trend in Ghana. Then there were significant reduction in the access to education and health care when user fees were introduced. The cost of school supplies, drugs, improved machinery or better and upgraded technological equipment and other essential items rose when the currency was devalued. Since 1983, trade deficits also rose because the cost of imports rose while the return on exports fell (Clendinning, 2007:62; Konadu-Agyeman, 2003). Given the hope and optimism about the success of neoliberalism on the growth of per capita income, did the living conditions of the citizens and the poor get better?

The response of the World Bank was that in spite of the growth in per capita income of 2% per year the average poor person would not rise above the poverty line for fifty years (World Bank, 1993, p. ix). The neoliberal reforms put into place have made life very comfortable for the business, political and bureaucratic elites along with top academics in the NGO divisions, but this hasn't happened for everyone. Neoliberalism has made life more difficult for the unemployed living in the urban centers, trying to earn a living by working on the street and sidewalks doing casual and temporary jobs such as being small traders, barbers, and shoeshine boys. This is because, the neoliberal reforms, with its withdrawal of the government financial assistance to education and health sectors made life tough for these people, since many of these workers were paid hourly, and had no fixed hours, no contracts, no employment benefits such as sick pay, paid holidays, and no maternity leave. And they were less secure and stable in their work because they were not protected by government laws. Neoliberalism also made life more

difficult for the agricultural workers in rural sectors of the country (Ayelazuno, 2011:403). There were many people deprived of the basics of life and greater numbers of people were living in poor conditions and poverty. Even with the implementation of the ERP, 1990 surveys highlighted that approximately half of all Ghanaians lived under the national line of poverty. At the turn of the century, 2/5<sup>th</sup> were living below the poverty line. Furthermore, even with the installation of neoliberal policy changes, the people of Ghana felt that not much was different in their lives (Ayelazuno, 2011:31). Marginalizing people socially and economically or excluding them due to inequality in earning income, gender, age, geographical location, became serious and was really seen everywhere, even though reports indicated that poverty has been reduced in Ghana (UNDP, 2007; Adjasi & Osei, 2007). Thus some professionals held that, even though coming out of the economic crisis of 20 years, Ghana has shown recovery in the last fifteen years, yet, there was a widely held view that bringing about better standards of living for the people has failed due to the shortcomings in the roles performed by the political and economic sectors (Aryeetey & Kanbur, 2008:17). According to the UNDP, the statistics of Ghana showed that the percentages of poverty rate in all the Northern part of the country were bigger and severe than all other areas; with the Northern region having 57.4 %, Upper West 68.3 and Upper East 79.6. Even though marginalizing the people socially and economically or excluding people due to inequality in earning income, and geographical location was really seen everywhere it became more in the Northern parts (Adjasi & Osei, 2007:459; UNDP Ghana, 2007:25). In the Western region, although areas with mining, like Tarkwa, Bogoso / Prestea and Wassa, have promoted and attracted the flow of a huge amounts of direct investment from foreign sources, due to the reforms of neoliberalism under SAP of Ghana, yet, their records of inequality, poverty, health and unemployment are not praiseworthy; but below standard, inadequate, and unsatisfactory.

What is happening in these areas is that, the mining companies have not yet provided even barely acceptable compensation in the form of job for displacing the peasants (or small farmers) from the farms they use to labor on (Aryeetey, Osei, & Twerefou, 2004; Hilson, 2004; Hilson & Potter, 2005; Akabzaa & Daramani, 2001). It was said by a political scientist that the society of Ghana was separating more and more in terms of its severe inequality in the sharing or spreading out of income and wealth, with a small percentage becoming wealthier while most of the people grew poorer (Ninsin, 2007:97). While all this growth was occurring, over half of the people went, for some of the time, without medical care, while almost 40% did not get medical help as a normal custom in their everyday lives (Gyrmah-Boadi & Awuah Mensah, 2003: V). A UNICEF study called *Adjustment with A Human Face* reported a rise in poverty due to SAPs. Other studies have also shown that the welfare of the people, investment and growth have been exploited or sacrificed in several countries that gained a little macroeconomic stability. Reducing incomes, employment, and the standards of living of the poor became worse when SAP was installed. Access to education and health also went down, when in order to minimize the expenses of public services, user fees were brought in. Thus unemployment goes up, social inequality grows wider and poverty worsens when we use the list of ingredients, directions, and methods that adjustment provides in development (Abrahamsen, 2000:40).

## **5.0 Chapter Five – Evidence of Civil Society Participation in the PRSP of Ghana.**

### **5.1 Introduction- PRSP in Ghana**

In December 1999, with the approval and recommendation of the governors of IMF and the World Bank, the PRSP, based on ownership by countries as strategies for poverty reduction, was presented to low-income countries, as a unique, varied and distinct development procedure for dealing with the disputes and the challenges involved in reducing poverty. PRSP should have as its foundation, a locally made or country-grown strategy for reducing poverty, which should be brought about through the process of participation between the local, regional, national Stakeholders and the international development partners who are located outside the country (Cheru, 2006:335; International Monetary Fund and International Development, 2002:3).The five most essential general truths or rule for action of the PRSP method are: (1) locally or country-made strategies, (Country ownership or country-driven strategies) (2) focuses on achieving goals/ purpose (result oriented) (3) all- embracing, wide in scope, content and long range plans (comprehensive and long-term in perspective) (4) rank goals in order of need (prioritized) (5) forming associations, alliances and working as partners to achieve goals (partnership) (Cheru, 2006:356).

In Ghana, PRSP has had three Phases of implementation. Between January and June 2000, Ghana developed its PRSP-1 for the period of 2000-2002. But it was inadequate according to the World Bank. The second Poverty Reduction Strategy Paper was developed which became Ghana's (GPRS-I) for the period of 2003 – 2005. Then the third Poverty Reduction Strategy Paper was developed which became Ghana's (GPRS-II) for the period of 2006-2009).There have been successes and problems with Ghana's PRSP. Some of the problems can be seen in the formulation of Ghana's PRSP. This is because, in order to meet the necessary conditions that

must exist before Ghana can keep on getting the loans from the World Bank which are provided to poorest countries with lower interest rates and longer repayment periods than the loans given by the market and the international corporations, the government of Ghana between January and June 2000 put together the first PRSP for the period 2000-2002 and submitted it to the World Bank. The problem was that civil society was not included in this process but instead it turned out that the World Bank was made to be involved considerably in the devising and creating of Ghana's First (Provisional) PRSP Paper. This then was used by the government as the Ghana's Official Strategy on poverty reduction and was sent to be considered for the World Bank's Country Assistance Strategy program of 2000-2003 (Killick and Abugre 2001: 57; Whitfield, 2005:649; Debt-For Development Unit (DDU) of Switzerland, 2003:3).The requirement of participation was not present in this paper and it was not publish or made know to the general public of Ghana.The World Bank returned this paper to the Ghana's government as it had not been presented to the people of Ghana to receive their input. The government had to allow the people of Ghana to participate in the preparation of the poverty reduction strategy paper in accordance with the World Bank policy of PRSP (Whitfield, 2005:649). Following this, President Rawlings' and his government, the National Democratic Congress (NDC) assigned the National Development Planning Commission with the duty of creating Ghana's Poverty Reduction Strategy Paper. They also set up a Task Force to bring about this objective. To accomplish this, the Task Force began with assessments on poverty in sample participating local and regional communities, to find out what people thought caused poverty and what possible answers they had to help bring an end to poverty. Furthermore, important or core teams were put together to evaluate the results and create a structure for a course of action. This could not be completed because national elections took place in December 2000, and President Kufour and

his National Patriotic Party (NPP) came to power. This new government applied for debt relief. They had to draft a new PRSP; therefore the new government selected new members to lead the National Development Planning Commission. The commission's new leaders took the work from the previous core teams, various ministries and other essential documents, to write up a preliminary plan that led to the general physical appearance, organization, and style of the Ghana's Poverty Reduction Strategy paper. This was utilized for public and donor conferences and official meetings, discussions, advice, dialogue, and recommendations by the government (Whitfield, 2005:650). The Task Force responsible for the creation of the Ghana's PRSP set up a one day workshop to consult several organizations of different classifications with different principles and goals. They included religious organizations, civil society, women's groups, the media, NGOs, think tanks and advocacy groups on policy goals. This further led the Task Force to ask for inputs, in the form of written documents from associations of the private sector and other organizations. Workshops at the regional levels saw and listened to the draft proposals. The Local people showed up in large numbers and the general agreement among those who were interviewed was that many people have been able to participate more in the development approach of the poverty reduction strategy papers. The entire PRSP process was more in the public eye and has attracted much attention and publicity than methods of development that has been used in the past (Whitfield, 2005:651-652). This shows that PRSP of Ghana has had some successes.

However, PRSP of Ghana has also had problems. Discussions and consultations with civil society organizations were inadequate. Urban centered NGOs were sought for their input over and above the rural areas. Civil society groups did not get the opportunity to discuss matters with their communities to get their votes or support and most women's groups were not even involved

in the discussions, the consultations and the workshops (Crawford and Abdul-Gafaru Abdulai, 2009:102). The development of PRSP draft saw or heard very little from government representatives. Established organization like parliament, from where all the elected representatives of all the districts and regions work to serve all the communities of the country were not given the opportunity to reflect, discuss, debate or play a role in the creation of the PRSP. The general consensus or opinion of these elected members of parliament was that they were excluded in the devising and the creation of the PRSP. Only a select few members of parliament and political party representatives were presented with a draft of PRSP at a retreat, to get their thoughts on the paper. That was the only way members of parliament were consulted and participated in the formulation of the PRSP. Thus these parliamentarians felt they were not given enough time to discuss the pros and cons of the draft. However, according to Whitfield (2005) the government of Ghana was not required by law to put the PRSP document before Ghana's parliament. It is a document that is only required by the policies of the donor or the organization funding it and it is not a document that is based on the laws, charter and policies of Ghana that must be debated upon according to the constitution of the country (Whitfield, 2005:651-652).

Here I argue that although in the initial implementation of Ghana's PRSP, civil society participation was inadequate, the later developments in PRSP of Ghana indicate that there have been further improvements on the situation, which has brought many positive results. The government of Ghana has been involving civil society's participation through the Civil Society Coordinated Council of Ghana (CIVISOC) in its national programs. That is, in this same period of the PRSP, when Ghana was writing its PRSP-1 for the period of 2000-2002, the government organized the Ghana Second National Economic forum in 2001 based on the theme: moving

away from the decline of structural adjustment to poverty reduction, wealth creation, and prosperity for all. The civil society, through the Civil Society Coordinated Council of Ghana (CIVISOC) were invited and participated tremendously. In this second forum the stakeholders or all the interests groups who were invited, discussed the new Ghana's Poverty Reduction Strategy Paper (PRSP-1), and the Highly Indebted Poor Country Program (HIPC) (Vordzorgbe and Caiquo, 2001: 18-19). It was a move towards poverty reduction. Here it should be noted that

The Civil Society Coordinated Council of Ghana (CIVISOC) is not a government run organization. It is an independent civil society organization that exists on its own, which could be invited to assist, to take part, and to contribute to different occasions and programs. According to Whitfield (2002), there were many beneficiary ways in which the Civil Society Coordinated Council of Ghana (CIVISOC) were made used of. (1) they were used for the SAPRI activities (2) they were used to provide the inputs needed to promote the Country Assistance Strategy (CAS) when the World Bank was looking for people's advice, and ideas across Ghana for that program and (3) they were used to inform the President Kufour's New Patriotic party (NPP) about the: programs, ideas, hopes, opinions of the civil society, when it first came to power in the PRSP era (Whitfield, 2002:48). Then the government of Ghana also invited them to participate in its second national economic forum in PRSP era, which was based on reducing poverty. This national forum allowed the civil society to debate with the Ghanaian government and the World Bank on themes such as: agriculture, micro-economic policies, health, education, administration, and government and other policy issues affecting men and women, As a result policy making on the economy improved in Ghana and decision making became a more participatory process, more inclusive and more transparent.

In the light of these discussions this chapter will discuss PRSP in Ghana with reference to

civil society participation in the second national economic forum which took place in the PRSP era of Ghana. It will also show how good governance as civil society participation has impacted Ghana. Here, since PRSP came into existence at a particular point in time, this chapter will talk about two different things. (1) It will discuss the period in the past where the government of Ghana invited the civil society through the Civil Society Coordinated Council of Ghana (CIVISOC) which was involved in the SAPRI exercise to take part in its first national economic forum and (2) it will also discuss the period of the PRSP where the government invited the civil society through the CIVISOC to participate in its second national economic program based on reducing poverty. It will give the successes and failures or problems of the civil society participation in Ghana. Finally this chapter will also explain that Ghana's PRSP was put in place to address the problems that SAP created.

## **5.2 The PRSP of Ghana Addresses the Problems Created by SAP**

The first Ghana Poverty Reduction Strategy Paper (GPRS-1) had five key elements. They were: stabilization of the total national income, production and investment, gainful employment; development of human resources, programs for the vulnerable and rejected of society; and governance. When GPRS – II was written, these were broken down into three themes, which were: competitiveness in the private sector; development of human resources; and civil responsibility and good governance (Crawford and Abdul-Gafaru Abdulai, 2009:111; Ghana Poverty Reduction Strategy Paper I-2330-2005 and Ghana PRESP-II 2006-2009).

## **5.3 Mining Sector**

What happened in PRSP of Ghana was that programs were undertaken that addressed the problems that SAP created in many areas including mining, manufacturing, education and health.

In the mining industry some of the problems that were created as a result of the mass flow of investments into the country for mining purposes were that communities were displaced, people were put out of place and productive farmlands belonging to the peasants could no longer be used or reached. Programs were implemented by mining communities, government district assemblies, the Ministry of Food and Agriculture, and mining companies, who all worked together to solve these problems. For example, mining companies along with government district assemblies set up alternative employment programs to assist the displaced individuals and communities that lost their farmlands in the region of Tarkwa. This demonstrates that PRSP is a development method with the element of participation which is different from SAP. As a procedure to provide these alternative employment choices for dislocated communities, the mining companies looked to the displaced regions for suggestions or to bring answers to their displacement, because they had lost the use of their fertile farmland. They asked the farmers, laborers and peasants for their thoughts, opinions, collaboration and participation in solving this displacement problem. They passed out a questionnaire. The people were asked if any individuals had been pushed off farms because of the activities of the mines and which mining company was the cause of the displacement? Over 175 answered the questionnaire with 42 indicating that “yes” they had been displaced from their farmland. The results appeared as if this was not as big a problem as first thought. Yet, 21 of the 42 connected or tied their displacement from their farmlands to Gold Fields Ghana Ltd, and the mining activities of the Aboso Gold Fields Ltd (Nandita Singh et al, 2007:375).

Gold fields Ghana Ltd, taking into account the information participants had provided began to publicize and to advocate for alternative employment options in the region. They created the Damang Mine Community Consultative Committee (DMCCC) in 2001, to make certain that the

options put in place were a reflection of the hopes and prospects of the displaced people of the regions. The DMCCC were to work as a group of advisers and go-betweeners to ensure that adequate and competent conversation and correspondence took place between the company and the surrounding communities (consultation group). Representatives of the company management team, leaders from youth groups, traditional leaders (chiefs, queens and kings) and government district Assembly members or regional legislative members all participated in the programs and the periodical quarterly meetings of the DMCCC. Problems were talked about, issues of concern were brought up and plans of action were drawn up. Many of the alternative employment projects that sprang up from the meetings of the DMCCC were installed by Gold Fields Ghana Ltd. And some of the land settlements affected by mining operations had such projects as cultivating palm oil and fish farming that were put into place. Areas of Aboso, Amoanda, Bompieso, Damang, Huni Valley and Nyamebikyere were a few of the communities that have had much to gain from these employment options. There were contributions of input, agricultural seeds and other farm supplies that were made by the Ghana Ministry of Food and Agriculture. And the joint communication, partnership, work efforts, and the cooperation of the Ministry of Food and Agriculture, and the Goldfields Ghana Ltd also helped to bring about these alternative employment projects (Nandita Singh et al, 2007:376).

#### **5.4 Manufacturing Sector**

Ghana faced problems in the manufacturing sector in that it fell backwards from the economic reforms introduced by SAP after 1983. By 1987, 9.4% of real GDP was generated by private manufacturing. But, after that, industrial output, GDP shares and growth was insignificant. The measure of economic growth rate or development in 1985 was 25% but had fallen to 0.6% by 1989. Contributions to output nationally was that prices were unstable or

changing and moved toward a higher direction, shifting from 1.8% in 1995 to 3% in 1996, up to 5.4% in 1997, then dropping to 3% in 1998 (Britwum et al, 2001:21). Ghana's product prices continued to rise and fall substantially and in 2000 and 2001, mineral goods dropped in the prices in the international world market. As a consequence, mining system mineral production also went down (Bank of Ghana Report, 2003:12). To tackle this problem of world market price fluctuations of Ghanaian products and to help diversify Ghana's economy, a development strategy known as Information and Communication Technology (ICT) was introduced by Ghana's PRSP-II, to be an Agent of Connectivity. It was as well meant to be a main instrument to increase transparency, accountability, administration, governance, develop the abilities that are dormant or unrealized in human resources, and fortify community harmony. Public service effectiveness and transparency would be promoted and reinforced by the ICT in the following; it will open the way for citizens to use them by putting services for the public online. Low income members of the public would be able to gain entry to internet use through public outreach programming. It will develop new jobs for women and youth in particular, stimulate the economy through diversification programs, support information processing, and encourage companies or corporations to engage in creating jobs, which involves buying and selling of products. It will bring all the networks together to reduce individual unit costs or the cost that a company incurs to produce a particular product and raise the profits from the work with other international development organizations in the world. These were all being endorsed by ICT (Ghana PRSP-II document, 2006-2009:38). Ghana's economy benefitted from this program. For example an American company of software computers, called ACS, started to work in Ghana. In one site alone, it provided more computers than anywhere else in Ghana. It also brought in a new price-rate payment system, new ways of working and a new type of job. The business grew or

increased in size from 30 to 700 workers in just one year. ACS has its head office in the United States and it electronically scans medicals claim forms to Ghana. Then its 700 clerks take the scanned document and write down the information into a computerized database by hand. The company has the intention to open three more locations and hire 3000 more workers. Finding skilled workers is a problem and plans have been made to train and employ the students from polytechnic schools and community universities. Secretarial colleges in Ghana are already being taught how to use the ACS software (Ghana PRSP-II document, 2006-2009:38).

### **5.5 Educational Sector**

SAP policies and reforms brought forth some problems in the Ghana Education System, such as the high expenses of education, unequal enrolment of males and females in schools and a large dropout rate or quitters. The “cost sharing” program instituted by the state of Ghana caused these problems. Under this program parents and students who were the right recipients of education were supposed to pay 10% of the cost of college and university education. Many students quitted from school since their parents could not finance their education. There was a huge difference in the male and female population in school too (Britwum et al, 2001:49).

A new Education Reform policy was introduced in 2004 to tackle these problems and to be much more sensitive to present day demands. This policy takes on challenges relating to deficiencies and growth, in the delivery of education, Information and Communication technology (ICT), financing and management of the education system, professional growth and development, distance education and admission into the various stages of the educational hierarchy. The specific aspects of this policy reform were as follows: (1) the Basic Education System was redesigned to give complete basic education which was compulsory, consisting of 2years of Kindergarten, 6 years of Primary School, 3 years of Junior high classes and 4 years of Senior

High School courses. (2) as an option to general education courses for most youth, specifically those 15 to 19 years of age, education courses were geared to vocational, Agricultural and Technical elements (3) to gain competent skills for the job market, school dropouts or quitters would be given the opportunity to learn local based community sponsored skills / apprenticeship training, (4) to strengthen teacher education to be better, teacher development courses would be provided at all the stages of education (5) schools for special needs children would be made to become better (Ghana PRSP-II document, 2006-2009:42). Primary School dropouts stood at 20% for boys and 30% for girls. Northern Ghana saw higher gender differences and low enrolment. (Economic Commission for Africa, 2002:3). In 2005, with funding from the World Bank, the Ghanaian government set up the program called the “Capitation Grant System” based on the PRSPs Strategy Plan for Education for 2003-2015.

“Capitation” was the official name which was used for Ghana’s 2003-2015 Educational Strategy Plan in PRSP. This program was meant to resolve the problem of school dropouts created by SAP and to help children to go back to school. To accomplish this, a grant of \$3.30 per student each year was issued to each and every Kindergarten, primary and junior secondary school. Schools were not allowed to charge fees to parents. UNICEF noted, in 2007, that the capitation grants were beneficial and its positive effects were that total school enrolment went up almost 20%. Primary enrolment was up to 92.5% across the country. Girls’ enrolment went up to 18.1 over that of boys which was 15.3% (Darko Osei et al, 2009:4-5). This confirms Sen’s (1999) position that development must not only be seen as economic growth but also as reducing poverty. The province of Kerala in India reduced poverty, by increasing tremendously the provision of the necessary education and healthcare services to its entire people which were needed to end their poverty. And this made poverty in Kerala to go down (Sen, 1999:87).

## **5.6 Health Sector**

The government of Ghana, during SAP withdrew the subsidy to the health system. In 1980, the spending on health fell from 0.95% of the GDP and 6.46% of the national budget to 0.35% of the GDP and 4.38% of the national budget by 1983. Bringing in the “Cash and Carry System” to get the people of Ghana to help pay for health service delivery was another negative strike against the health sector. Health services for the public declined greatly and the health of citizens was desperately affected. Patients were compelled to purchase prescription drugs from individual drugstores due to a short supply of drugs at state health centres, clinics and hospitals. Health workers were not motivated, needed materials and important equipment were not available and in poor shape. Vehicle upkeep was poor, and there were insufficient facilities to transport staffs to supervise health facilities or clinics which were situated far away from the main or central hospitals. All these demonstrated that the delivery system in the health sector and the basic underlying framework of the social system of Ghana were ineffective and had preferential or unjust practices. For example, state health clinics and centres, were able to provide health care for only 30-40 % of the people of Ghana, out of the total calculation of 70% of the people who were scheduled to have received medical treatments in 1990 (UNICEF, 1991; Britwum et al, 2001:58). To resolve these problems the government of Ghana in PRSP program put in place the National Health Insurance Scheme (NHIS). Its aim was to provide a solution to the financial difficulties encountered by Ghanaians in the health sector. This was because the Out-of-pocket cash to be paid for healthcare which was the only means through which health services were discharged as proposed by the “Cash and Carry System,” was a financial obstacle that had to be taken care of. In addition District Mutual Health Insurance Schemes (DMHIS) were also developed to be service delivery models for policy that was to be pro-poor and designed for the

sections of populace who were disadvantaged and under privileged or impoverished. All regions got start up financing of 250 million cedis to install a DMHIS. There are 138 regions, and among them 123 have already been provided with a DMHIS. Managers to run each district DMHIS were hired too. The payment made by the government of Ghana for the public assistance program (called the benefit package) provides for the total cost of 95% of the sicknesses in Ghana. Hypertension, asthma, skin diseases, upper respiratory tract infections, diarrhea, tuberculosis and malaria are some of the sicknesses paid for by this public assistance program (or the package of benefits). In spite of these, there are difficulties to be eliminated in putting the National Health Insurance Scheme (NHIS) into place favourably. These include: (1) how will more members be encouraged to participate in the regional programs? (2) what plans will the NHIC put in place to improve membership education about the NHIS district schemes? (3) in order to establish the salaries or the cost of healthcare suppliers, the various points of delivery in the healthcare system and the accompanying kinds of services need to be priced out. In order for this national programme to be successful, the NHIC, Local Government, Rural Development and Information and the Ministries of Health need to step up their work efforts (Ghana PRSP-II 2006-2009:46). The above discussions indicate that PRSP was created to tackle the issues that were made when the SAP was introduced. Drop outs in schools, the constant price shifting of Ghanaian products in the world market, the “Cash and Carry System” and the enrolment of regional health personnel are some of the difficulties that are being resolved.

### **5.7 Civil society participation under PRSP**

PRSP is special or distinct not solely on its targets of reducing poverty but because of the procedure, or the course of action, the manner, the technique (the means) which it employs to do

it. The active participation required by PRSP in dealing with the management and administration or governance will have extensive effects and will be its novel or new aspect.

The participation of stakeholders particularly the involvement of the civil society to determine the agenda for poverty reduction is an extremely important element that is stressed by PRSP. The people are given the power and voice as well as the support of the nation to determine how to improve their lives. This is an essential and exceptional aspect of PRSPs (Adejumobi, 2006:16).

The participation element is significant for government involvement and administration. Poverty reduction strategies moved from the planning and discussion of technical experts to the platform of politicians, who can express their ideas and opinions and put them into development policies.

In this way governance will be democratic as the voice of the people is heard and civil Society is given the chance to take part in the procedures (Adejumobi, 2006:17). Civil society participation

signifies good governance. What makes good governance to increase participation is that branches of the government and non-government bodies of society, would depend on each other

to make decisions on policies for the public good. Many steps in the making of decisions are taken with the public administration, and planning is done in the form of a two way

Communications which are made between the players in the development field and the stakeholders from the government, business segments, associations, groups, and organizations of

civil society. When public policies are being worked on with the intention of establishing good governance or good management for the state and society, it brings the stakeholders together for

negotiation. It makes them to work together for the same goals and actions, and unite them to deal with problems brought about by the public policy. They do these through discussions,

mutual agreements, teamwork, cooperation, interaction, integration, dialogue, coordination, give-

and-take, harmonious adjustment, partnership and forming of alliances and associations (Lovan et al, 2004: 65). The question then is: did this happen in Ghana?

I argue that this took place in Ghana during the PRSP era when the government of Ghana invited the civil society Coordinating Council (CIVISOC) to participate in the Second National Economic Forum in 2001. But as has been mentioned earlier, since the PRSP came into existence at a particular point in time, here is the place where I will like to discuss the two different things about: (1) the period in the past where the government of Ghana invited the civil society through the civil society Coordinating Council of Ghana (CIVISOC) which was involved in the SAPRI exercise to take part in the First National Economic Forum. (2) the period of PRSP of Ghana where the government invited the civil society through the CIVISOC to participate in the Second National Economic Forum based on reducing poverty. The idea here is to give us some understanding of how the government of Ghana has been involving the CIVISOC to participate in its national programs in the past and in the period of PRSP.

To do this, I will begin with the period in past where the government of Ghana invited the civil society through the civil society Coordinating Council of Ghana (CIVISOC) which was involved in the SAPRI exercise to take part in the First National Economic Forum, by discussing: (1) the formation of SAPRI and how it operated in Ghana, (2) the formation of CIVISOC as an organization or institution (3) the Ghana's government objectives and how it invited the CIVISOC to participate in its First National Economic Forum and then finally (4) the Ghana's government objectives and how it invited the CIVISOC to participate in its Second National Economic Forum which was based on reducing poverty in the PRSP era.

**5.8 How in the period of the past the government of Ghana invited the civil society through the civil society Coordinating Council of Ghana (CIVISOC) which was involved in the SAPRI exercise to take part in the First National Economic Forum,**

### **5.9 Formation of SAPRI**

The World Bank and NGOs underwent negotiations and formed the SAPRI. The leader of the World Bank, President Wolfensohn, was trying to improve communication and criticisms between the World Bank and NGOs. In 1995-96, he set up a working group of the World Bank and NGOs from all over the World to work side by side to achieve this objective. President Wolfensohn talked to many NGOs of World Bank connected countries, including Ghana. They conversed and assessed the program of SAP. After these talks took place, the SAPRI was put into action as a three part structure which was made up of civil society, governments, and the World Bank to analyze and evaluate SAP (Whitfield, 2000:44-45). Internationally the aim of the SAPRI was to bring these three groups together to review and discover the effect of SAP principles and aims on a variety of countries. The Ghanaian government was actively involved in the SAPRI review. This is because an official meeting of the ministers in the government's caucus was set up, and the SAPRI was discussed and given state approval. The SAPRI was then inaugurated by the Ghanaian government in a formal ceremony, attended by citizens of Ghana, members of parliament, state ministers, members of international development organizations and NGOs, UN representatives, and civil society members representing random selections of the people of Ghana. The goal of the SAPRI of Ghana was to establish how the involvement of civil society could improve economic policy-creation. In this sense, the SAPRI formed an important program that brought about a clearer and more easily understood, comprehensive, and active sharing of making decisions involving civil society members. This encouraged and helped to

tackle the issues and concerns related to making policies on the national economy (Britwum et al, 2001:5). From the above, we can see that this idea of the Structural Adjustment Participatory Review Initiative (SAPRI) in Ghana, which aimed at involving civil society participation to help improve policy-creation, development, and to bring better governance, was pushed by the initiative of the World Bank in Ghana and the international community. Now this leads us to the next topic and question below.

### **5.10 How the Structural Adjustment Participatory Review Initiative (SAPRI)**

#### **Operated in Ghana**

Civil society, the Ghanaian government and the World Bank were actively involved in the committee that was organizing the content and order of business of the SAPRI. The Tripartite National Steering Committee (TNSC) was at the top of the organization and systems that had to put the SAPRI's goals into action. The TNSC was made up of delegates of the government of Ghana, the World Bank and civil society. They took care of all the administrative issues, matters relating to the government, procedures and methods of operation regarding the SAPRI in Ghana. The TNSC encouraged open and visible discussions, involvement and debate on issues of growth and development. It advocated for the training of people for activities, learning of information and policies that the public needed to be aware of (Britwum, 2001:5). The SAPRI originated in the domestic conditions of Ghana and from this structure we can see how it is uniquely a Ghanaian endeavor. That is, at the time that the SAPRI was introduced, employment rates were falling and poverty levels were rising. Then in the organized sector where companies were registered with the government and offered job security, paid holidays, pensions, health, and fixed working hours, employment fell, by an average of 3.7% annually from 1980 to 1991, which was equivalent to 45%. Then the withdrawal of government spending under SAP also was strongly noticed in the education and health sectors (Jackson, 2001; Whitfield, 2002:45).

Another important and relevant point was that public talks or debates were not allowed by the state, when it came to policies on the national economy, even though since 1992, there had been put in place political liberalization, which refers to the idea that there must be less strict government regulations on the economy and instead greater participation of civil society members should be encouraged. The result for example was that, the Value Added Tax was brought in by the NDC government without debate by the public. The opposing parties protested against this tax outside the government buildings and offices in 1995. The protests were also against the technical experts who were used to create and write the economic platforms or made decisions for the state, since 1983 (Akwetey, 1998:17).

### **5.11 The Formation of CIVISOC**

Since many civil society organizations and individual concerned Ghanaian citizens disagreed with certain parts of SAP's objectives and its impacts on Ghana, they came together to fight against SAP. Thus when SAPRI program was introduced they endorsed it. In order to get civil society organizations to form alliances, advocacy groups and pressure groups (interest groups) and to get them to be involved in the SAPRI exercise, a Ghanaian NGO, named ISODEC, introduced the SAPRI to civil society leaders. These leaders created a Provisional Working Group whose goal was to recruit more civil society agencies to take part in the SAPRI policies and activities. ISODEC and groups from these civil society Organizations held a National Conference that assembled delegates of all civil society organizations from all over the country to come together (Whitfield, 2002:46). All the members taking part in this conference, created the civil society Coordinated Council of Ghana (CIVISOC) as a one united and representative group, to stand and speak for all the civil society members of Ghana in the SAPRI's face to face debate with the World Bank and the Ghanaian government, at the National Economic

assemblies, forums or symposiums that was going to take place (Whitfield, 2002:46). Here an important thing to note is that, while the SAPRI exercise was a program that came and passed away, the CIVISOC is an institution or an organization that came to stay and it was used for many purposes including the World Bank Country Assistance Strategy program (CAS) and to inform the new Patriotic Party (NPP) about the programs of CIVISOC when it was first elected to power in the PRSP era. The activities of CIVISOC to get involved in the SAPRI exercise confirm the argument of Lovan et al that what compels good governance or administration to increase the greater involvement of the civil society members is that on making decisions on tough issues on policy for the public good, the civil society members increase their participation by getting together to form a one single united front to solve the problems, by weighing the positives and the negatives of each option to determine which is the best solution for the particular problem or situation (Lovan et al, 2004: 9-11). The criterion for enrolment to CIVISOC was built along the lines which included (1) the natural features of all the regions or physical borders (2) associations whose structures had similar or common characteristics or traits (3) delegates who were to stand for their region on the council were composed of members from every civil society group of Ghana and they were to stand up for everyone in the country (Whitfield, 2002:46). CIVISOC was the primary actor in the performance of the SAPRI activities and operations. They saw to it that the SAPRI main goals were achieved. CIVISOC consisted of a huge cross-section of Ghanaian civil society. For example they included: Business Associations, Farmers Groups, Labour Movements, Women's Organizations, Fishermen Groups, NGOs, Religious groups, Developmental Associations, Zonal Coordinating Organizations, Trades Union Congress (TUC), the Ghana National Association of Teachers (GNAT), Civil Servants Association (CSA), International NGOs, Ghana Registered Nurses Association

(GRNA) University Teachers Association (UTAG) and Polytechnic Teachers Association (POTAG) (Britwum et al, 2001:6).The whole process of making decisions is a public operation connecting many members and groups from the government, civil society and their interconnected associations, and business organizations. Then career executives, appointed members, elected individuals and political executives make up the government representatives. Business representatives are made up of the people and workers from the financial markets, consumers, business regulations and standards, and the variety of business ventures. And finally, community groups, religious groups, special interest groups, and individual groups made up the association and civil society members (Lovan et al, 2004:9). This leads us to the next question and topic below.

#### **5.12 How members of Civil Society Coordinating Council of Ghana (CIVISOC) prepared themselves for the First Ghana National Economic Forum**

Two NGOs of Ghana, ISODEC and TWN set in motion groundwork activities for the first Ghana National Economic Forum. To do this, they made a systematic attempt to have interviews, deliberations, dialogues, consulted people for advice, and had discussions with a wider section of the people of the country. Then they made the public aware of the major SAP issues in conferences across all regions, public debates and activities that were meant to engage and educate the people of Ghana about SAPRI. The goals of these discussions and meetings with the public were: (1) to pass on the ideas and information about SAPRI at local and regional levels (2) to prepare a list of SAP issues of major importance for local area residents (3) to pass on information and teach SAP and SAPRI to members of civil society and (4) to concentrate talks on the effects that SAP have on the social and economic elements of society. Regional Conferences for the First National Economic Forum were held across Ghana, in Ashanti,

Western, Central, in Brong-Ahafo, Volta, Greater Accra and Eastern regions and representatives were picked for the National Economic Forum. The following times were placed for them: June 21<sup>st</sup> 1997 in Sunyani for the Brong-Ahafo region. Then June 19<sup>th</sup> 1997 in Cape Coast for the Western and the Central regions. June 10<sup>th</sup> 1997 was for the Volta region and in Kumasi for Ashanti region. June 18<sup>th</sup> 1997 in Accra for the greater Accra and Eastern regions. Then separate conferences were held for the Northern, Upper East and Upper West regions (Britwum et al, 2001:7).

All the representatives reviewed the SAP and determined that the following disturbing problems were to be considered for discussions and review: (1) inflation or the progressive increase in the general level of prices and the fall in the purchasing value of money (2) removal of the subsidy and the price paid for its removal (3) the high price of obtaining and using credit (4) trade freedoms and restrictions (5) the impact of mining activities on the environment (6) the degradation and undervaluing of Ghana's money (7) protection for food and the farm industry (8) the impact of the cash and carry system and delivery of services within the health system. (9) the fall of local businesses and industries. Along with the issues of concern, conferences were held in each region of Ghana. In addition to the key issues which were of concern to the social activists at the conferences, there were papers by experts, which discussed the following topics; (1) the effect of SAP on the educational system of Ghana given by professor Djangman (2) the effect of the SAP policies on the health system and the people of Ghana from Dr. Enyimayew (3) the effects of SAP on agricultural productivity and food preservation or protection in Ghana by Dr. Wayo. (4) Ghana's government and the SAP by Kwesi Jones (5) effects of large-scale economic policies of SAP with special reference to employment, industry and mining sectors by

Kwasi Anyemedu. All of the speakers were intellectual members of highly respected schools in Ghana (Britwum et al, 2001:8).

A couple of things pushed the government of Ghana to organize the first national economic forum of 1997. They were (1) the protest against the Value Added Tax by the opposition parties in parliament which generated much talk and debates, (2) the concerns about SAP, (3) the vision of the Ghana's government to make Ghana attain the status of a middle income country by the year 2020. This is what is called Ghana Vision 2020 (Britwum et al, 2001:8; Vordzorgbe and Caiquo, 2001:11; Akwetey, 1998:17; Whitfield, 2002:45-46). Thus this time of the preparations towards the Ghana's first national economic forum was also the same period of the Ghana's Vision 2020 program. And all these social and economic topics that were discussed at the conferences of the CIVISOC which was involved in the SAPRI exercise, conformed with the themes that were proposed by the Ghana's government Vision 2020 program, which included: policies on to be put in place for economic growth, market liberalization, human development (including education, employment, and health), natural resources development including mining, agricultural export products, the protection of the environment, and others. These themes of the Ghana's Vision 2020 program were of major importance to the Ghana's government when it was planning to hold the Ghana's first national economic forum (Vordzorgbe and Caiquo, 2001:11).

### **5.13 The Ghana's government objectives in its First National Economic Forum and how it invited the CIVISOC and other Stakeholders to participate in it.**

The First Ghana National Economic Forum was a program of the government of Ghana, which was held at the Accra International Conference Centre on the November 25th 1977. In convening or bringing about the First Ghana National Economic Forum, the government, had the major objective of establishing a general agreement or consensus in Ghana which was to be the

first of its kind, to examine, debate and tackle the policy procedures, standards, benchmarks, that was to speed up development and progress of the economy to conform to the structural frame of Ghana Vision 2020 program (Vordzeorgbe and Caiquo, 2001: 11).

The Ghana Vision 2020 program has a long-term vision which declares that Ghana should reach the status or stage of a middle-income country by the year 2020, similar to that of Singapore, with the attainment of a balanced economy that has equal level of imports, and exports, improvement in development and standard of living that will raise the wealth, comfort, material goods and the necessities available to the people of Ghana. It goes on to say that, the economy should be established based on market liberalization, which is the removal of barriers such as export and import duties that restrict free flow of goods and services from one nation to another, reducing state control of industries and business, opening up completion, initiating and creating new things. This must be done by using science and technology to obtain the greatest production of goods and services, through the employment and utilization of all our national resources and human capabilities and endowments. This will make the speed of Ghana's social and economic development to be very great, while at the same time taking care and concern to safeguard or protect the environment. And there must be fairness or equity in the sharing of the proceeds derived from the growth and development of the economy to triple down to all citizens in all parts of the country. This will make Ghana to be a country where the measure of the standard of living is that every citizen has a healthy productive long life span, with the right or opportunity to get education, and have a bigger domain, or a long list of employment, leisure, shelter or housing to choose from. This will be the way to make Ghana's Vision 2020 program a reality. In addition to the above, strengthening or stabilizing the improvements achieved from the past ten years to be safe, and establishing a durable, stable or solid base to speed up development

and progress of the economy in the coming 20 years of the twenty first century were the objectives of the Ghana Vision 2020 program for the medium –term of 1996-2000. Promoting healthy environment, development of urban centers, growth and development of rural areas, economic growth and prosperity, and human development and success, were the topics from which the medium-term policies were developed (The Government of Ghana, 1995:1-2). The economic policies such as market liberalization and others in Ghana’s Vision 2020 program were also the goals that SAP sought to achieve.

The first national economic forum was a three day event, which brought together the involvement or the participation of large numbers of people and the stakeholders from the government of Ghana, the World Bank, members of the council of state, parliamentarians, National Commission on Education, Commission for Human Rights and Administrative Justice, constitutional bodies, members of the civil society and Organizations (CIVISOC), and the judicial branch of the government. Among the civil society members and organizations (CIVISOC) who were invited and attended the first economic forum included; NGOs, Labor Unions, farmers, the private sector organizations, professional groups, donor agencies, local authorities, political parties, the military, consumers association of Ghana, private press, Universities, traditional authorities and associations such as the Ghana Medical Association. The Ghana’s government delegated the speaker of parliament, Justice D. f. Annan to introduce the central theme for the forum which was “The structural Adjustment, the issues and debates.” The Stakeholders or interest groups were divided into four groups and they all debate on the topics of agriculture, micro-economic policies, health, education, administration and government, competing in the international sphere, trade and manufacturing goods, generating employments,

policies to cut down unemployment and inflation, and how Structural Adjustment program (SAP) was affecting men and women (Vordzorgbe and Caiquo, 2001:11; Britwum et al, 2001:8). The symposium on these themes allowed for issues to be brought up by civil society, with the World Bank and the Ghanaian government. These debates or dialogue gave the World Bank and Ghana's government the occasion or the chance to react and reply to the problems that were brought up by the civil society members on SAP and the economy. The discussions, expressions, and the different opinions, that were brought up indicated the special attribute or distinctive characteristic of this forum. The question that can be asked is how did the civil society members perform at the First National Economic Forum of Ghana?

Differences or conflicts came up from several of the issues that were discussed at the forum. The civil society members had one point of view while the government of Ghana and the World Bank had another point of view. All these areas of concern were listed and placed on file. It was during the reign of President Rawlings NDC Democratic Congress Party that this First Ghana National Economic Forum happened (Britwum et al, 2001:8). Some scholars have stated that when there is such a large amount of interconnection between such groups in developing policies and procedures in so many areas, we have to be conscious of the important concerns and issues that could hold back development. This is because workers, professionals or experts who created the policies based on their many years of education, training, and working experiences hold a firm stand of opposition against their changes. Furthermore, when trying to get to the basis of a discussion on an issue that can be accepted by all parties involved in the policy debating game, there are many differing viewpoints, opinions, ideas and goals that can bring lack of consensus. Moreover, in this interconnected creation of the aims and principles of national development policies and public affairs, there is also the concern of how any agreement will be accepted or

rejected by workers and professionals in each business, community, region and subdivision or district (Lovan et al, 2004: 8). These reflect the several areas in which differences popped up between the World Bank, the Ghanaian government and civil society in the First National Economic Forum of Ghana. This leads us to the next topic and question below.

#### **5.14 What was the Orientation of the Civil Society after the First Ghana National Economic Forum?**

Based on the thorough review of the differences and conflicts that emerged from the forum by the Technical Committee of civil society Coordinating Council, they made a recommendation to the Tripartite National Steering Committee (TNSC), to look further into the following realms: (1) the mining division and investment aims and principles (2) trade principles, aims and manufacturing at the local, regional and state levels (3) food safety and agricultural principles and aims (4) accessibility and use of social services, in particular in the Health and Education systems (Britwum et al, 2001:9). Even though CIVISOC made great achievements, they also reviewed matters internally and realized that members of all civil society groups had limited knowledge of the issues dealing with economic policies or principles which slowed down their performance. An initiative to correct this deficiency was needed. Therefore, before the next conference, the Second Ghana National Economic Forum, CIVISOC had programs put in place to reach out to the public in workshops to educate them. The information presented at the workshops were aimed at making the participating civil society members learn about the economic policies of the International Financial Institution. Topics brought up, at the workshops, included: (1) Education, (2) Health (3) Mining and Investment Principles, Procedures and Aims (4) local, regional and State manufacturing and Trade plan of action and Groups (5) Financial committee activities in parliament. The knowledge to be gained from these seminars was meant

to help provide the civil society members with the information they need for more active participation at the Second National Economic Forum. The Finance Committee chairman of the Parliament of Ghana, who attended this workshop, brought forward the information to the Civil Society and their interconnected organizations in order that: (1) their affairs with government, finance groups and committees would become stronger (2) that they will know how the parliament and its subdivisions operate and the process through which their contributions could be considered or heard (Britwum et al (2001:10).This corresponds to a broader point made by other scholars including Chambers (2005), World Bank (1996), and Adebo (2000) about the importance of civil society participation in the Participatory Rural Appraisal (PRA). According to the World Bank, the Participatory Rural Appraisal (PRA) stresses the use of local knowledge and it allows and assists in the planning, resolution, estimation of the people in each community to work out ideas and solutions for programs that would work in their regions. The PRA, under the estimation of the World Bank, encourages and emphasizes group active participation, sharing of information, evaluation, resolution, and engagement. The PRA assists and supports local people, officials of the government and organizations in the development field, and policy making individuals, in putting together programs suitable to the situation, for the people and region affected by their decisions (World Bank, 1996:191).The PRA also assists and encourages people to be engaged in reflecting, evaluating and improving what they have learned in life. It makes them look at their present status and make their own choices after designing, reviewing, observing and assessing their knowledge, information and what they have just learned. Local people can be endowed, enabled and well instructed to make better what they do every day from the activities of the PRA which seeks to check, regulates and assess several areas of life (Chambers, 2005:107).

Furthermore problems are identified and members of the communities including experts, and workers are gathered together to tackle them. The PRA helps local citizens to look back over past accomplishments and failures, assess what is important, see possibilities, develop a structure, an arrangement and prepare a precise action plans to tackle their facts of life and the problems associated with their lives (Adebo, 2000:3). These reflect the civil society Coordinating Council of Ghana's activities to solve their problems, when they realized the low level of knowledge in economic policies, which limited the Ghana civil society members to effectively participate in the First Ghana National Economic Forum that I have discussed above.

#### **5.15 The Ghana's government objectives and how it invited the CIVISOC to participate in its Second National Economic Forum in the PRSP era.**

The Second National Economic forum was also Ghana's government program to improve the economy. It was held in 2001 at the Accra International Conference Centre, during the period of PRSP, when the New Patriotic Party (NPP) under President Kufuor was elected to power to succeed President Rawlings. The new government took into account the great failures involved in meeting the deadline for accomplishing the goals of the first medium term plan of Vision 2020 from 1995 to 2000. And based on the grounds, proofs, and confirmations that it gathered that the objectives of the Ghana's Vision 2020 would not be realized at the designated time period that had been provided for it, the new government openly and specifically turned down or rejected the Vision 2020 as the frame of reference through which it would develop or create its new policies on the economy. Thus in the second national economic forum the stakeholders or the interest groups were given the task of debating on the new policies on the economy which the new government provided. They were: (1) partaking in HIPC plan of activities (2) undertaking new economic policy direction on poverty reduction, which were the framework of the new

government's long term vision (Vordzorgbe and Caiquo, 2001: 18-19). The objective that was put up for the second national economic forum by the government was to achieve a general agreement or consensus on the policies that were needed to make Ghana's economy progress and to improve the economic hardships and problems which comprised of the big percentage of the total workforce who were unemployed, considerable rise of inflation and the huge extended debt that was owed internationally by the nation. In both the first and second national economic forums the list of invitees and participants were identical or alike, and in all two cases they included: the Ghanaian Government and the World Bank, donor agencies, and large numbers of representatives from the civil society and their associated organizations (CIVISOC) (Vordzorgbe and Caiquo, 2001: 18-19; Britwum et al, 2001: 11-12).

What supplied the important data or detailed facts that were needed to do the groundwork preparations for the second national economic forum were the preceding or prior workshops that were organized by the government in April 2011 for the stakeholders or interest groups who were divided into groups to debate or discuss the themes that were found in the new Ghana Poverty Reduction Strategy Paper (PRSP-I). Experts and professionals created the topics which formed the schedule or agenda of their deliberations. Then at the Ghana Institute of Management and Public administration (GIMPA) the deputies or representatives of the stakeholders also had another conference or seminar organized for them. Theses formed part of the preparations for the second national economic forum. The six themes that were discussed in the second economic forum included: (1) the poverty reduction strategy paper of Ghana (2) education (3) golden age of business (4) resources for growth for the economy, economic policy, financial sector (5) labor market (6) human resource development (Vordzorgbe and Caiquo, 2011: 18-19; Britwum et al, 2001: 11-12).

A Keynote speaker spoke on moving ahead, out of Economic Decline and Structural Adjustment to Wealth creation, Poverty Reduction and Prosperity for all. Speeches also came from the Ministry of Finance representative, General Secretariat of TUC, the Director of the World Bank, the chairman of the TNSC, and Chairman of CIVISOC. On top of the important key note speakers and their talks on the themes, there were also researchers from CIVISOC who presented the most exciting or interesting details of their research to the audience. Delegates from the regions took part in thorough debates on the official research reports and written papers produced on Education, Mining and the Health system of Ghana. Then, the assembled audience took in the accounts from the discussions from all the groups, and put forward ideas to be considered, proposed course of action, solutions and goals that must be achieved by striving towards them in the period after the second national economic forum (Britwum et al, 2001: 11-12). Thus the Ghana's government program of the first national economic forum in the past and the second national economic forum in the PRSP era, which brought about the involvement of Ghana's Government and the civil society of Ghana, to participate in the deliberations on policies for economic development, poverty reduction in Ghana, and on issues which were important for promoting better governance, as have been discussed above, indicates that good governance as civil society participation happened in Ghana. This helped the government of Ghana to provide better governance through the resources and inputs that, it got from the dialogue of the two National Economic Forums, such as the supply of opinions, knowledge, ideas, solutions to problems that were found in the discussions and the official research reports that were prepared.

#### **5.16 The Implications of Civil Society Participation on Good Governance of Ghana.**

What resulted from the above discussions was that policy making on the economy improved in Ghana because of the participation of the civil society and its organizations (CIVISOC) which was involved in the SAPRI exercise and in the two National Economic Forums organized by the Ghana's government. Decision making became a more participatory process, more inclusive and more transparent. The National Economic Forums brought up insights from the talks and presentations of the researchers and the experts to the Ghanaian government about the life challenges and struggles of the people of Ghana. The basic needs of the citizens and their welfare that had to be met for water, health sanitation, education, the mining sector, communication, roads, employment, the alleviation of poverty and the list goes on. With the civil society taking part in the making of policy decisions with the Ghanaian government, better governance was taking place. The many programs planned, developed and implemented by the Ghana's government in the first and the second economic forums together with the CIVISOC which was involved in the SAPRI exercise, further show that civil society participation has improved governing in Ghana. The SAPRI was used, in Ghana, to accomplish local goals and several favorable gains were made. What became new in the manner things were done in Ghana was how civil society members ( CIVISOC) were organized to get working on a variety of issues which were discussed in the national economic forums about topics on SAPs, and other economic policies. This generated the themes to be investigated and consequently assembled the groups and individuals into the National Economic Forums (Whitfield, 2002: 46-47). A structure for discussions was created by SAPRI and CIVISOC to work together. They published information, circulated them, prepared for action and put forward ideas for their members to use them in the debates on the two National Economic Forums. Communication between civil society and the state also changed. What can be regarded as the latest method of implementing

programs in Ghana can be seen in the involvement of the CIVISOC in SAPRI exercise and its preparations for the national economic forums. The CIVISOC represented all of the voices of the people of Ghana working face to face with the World Bank and the government in creating, developing and putting into action the policies which were important to everyone in Ghana. Demonstrations by group activity, protest, and one group pushing for change used to be the norm (Whitfield, 2002:47). The participating aspect of all of the civil society members (CIVISOC) in the SAPRI exercise and the two national economic forums helped make it easier and push a number of civil society organizations to try harder to make the members of the society to be aware, get involved and understand that; they had every right to take part in policy decisions and the governing of the country, as has been stated by the Ghanaian constitution since 1992. But this has been a problem in the past, since few technical experts have been policy makers for the country. But the involvement of the CIVISOC in the SAPARI exercise and the two national economic forums changed this pattern. This is because, the work, involvement, and activity of civil society and their organizations in the SAPRI and the two national forums brought more people and more CIVISOC members to be taking part in the making of policies with the government. And as democratic system has already been put in place in Ghana, the people had to know what is going on, to ask questions, to be informed, to be consulted for advice and thoughts on important policies of the state and to be involved in decisions the government wants to make to ensure that they are right for all people. The CIVISOC was used to accelerate and advance the Country Assistance Strategy (CAS) when the World Bank went across Ghana to seek the advice and ideas of the people. In order for the government, the New Patriotic Party (NPP), to consider appropriate goals to better govern the country when it began its administration, the CIVISOC brought forward the hopes, ideas, programs and opinions of the civil society. And since the

SAPRI and CIVISOC were so useful, all the people belonging to these groups decided to keep up what they were involved in and doing. It felt like a very positive enterprise for them to continue involvement in the talks on policy with the World Bank and the government, since better governing of the country would be the result (Whitfield, 2002:48). All parties involved, the World Bank, the government of Ghana and the members and organizations of civil society thought the interests, the support shown, the talks and the presentations, brought up at the First Ghana National economic Forum, were successful and they all praised this forum so much (Britwum et al, 2001:9). This shows that good governance as civil society participation was working and increasing in Ghana. In connection with the above, some scholars have stated that, with the involvement of the CIVISOC, an administration and management in government is improved and gets better when civil society, the economists, government, business organizations, and communities, operate under controlled conditions. And when it comes to solving challenging issues the state is willing to negotiate, whereas civil society members unite for common goals. Though the approaches are different and challenging, when a conflict surfaces, the parties involved, the state and civil society can work together through teamwork, give- and- take, forming alliances, and making harmonious adjustments and interactions effectively and efficiently to arrive at a compromise (Lovan et al, 2004:17). This is confirmed in the two forums discussed above. This is because, during the First National Economic Forum, there were conflicts amongst the World Bank, civil society and the government, yet when the Second National Economic Forum took place, the talks went on without a hitch, everyone reached general agreements by working together and getting along with each other. Civil society, taking part in policy changes drew the attention of other countries. For example, an Ethiopian delegation of 181 civil society members, the Christian Relief and Development Association,

came to Ghana to observe what the civil society of Ghana was doing and how they were involved in policy changes. They hoped to gain direct information and learn from the experiences of civil society (CIVISOC) in their involvement in SAPRI and the first and second national economic forums. They could see that being involved in policy changes leads to good governing practices. It leads to more organizations getting involved and this made things work better (Britwum et al, 2001:10).

Another important fact was that CIVISOC and its other social organizations demonstrated excellent characteristics in the gathering of groups together in Ghana. These includes: (1) where there had literally been no connection and teamwork before, there were organizations working together and getting along with each other (2) Talks with government on policy, ideas, and changes by institutions and organizations within an interconnected framework was the first of its kind (3) its incorporation of the entire depth and breadth of the country was unique, especially as the north was usually kept out of most of the discussions on the national scale (Whitfield, 2001:46). And in so doing the CIVISOC involved in the SAPRI exercise, the first and second national economic forum helped Ghana's government to identify the needs of the people and provided for the wellbeing of everyone, all across Ghana. These show that good governance as civil society participation was working in Ghana. And it increased civil society participation to bring better governance. Having talked about the positive contributions of civil society participation to good governance, the next question is to find out about the criticisms, gaps and problems of civil society participation in Ghana.

### **5.17 What are the Criticisms, Gaps and problems of Civil Society Participation in promoting good governance in Ghana.**

CIVISOC went through difficulties and stumbling blocks when it tried to assist the Ghanaian government to make the administration and management of Ghana better, through the talks in the first and second economic forums, the back and forth discussions on the SAP, other policies of the economy, and the seminars of the SAPRI activities. That is, CIVISOC had trouble taking part in the activities and policy developments that has been laid down internationally for the CIVISOC involved in the SAPRI exercise, as well as in the first and second national economic forums. This is because Ghana's civil society did not have the knowledge, skills, experience, and they could not grasp the scope of the economic policies of SAP that were a part of the First National Economic Forum. Therefore, in order to teach and motivate Ghanaian citizens to learn about the World Bank and the effects of its SAP policies on the economy, a variety of activities and learning seminars at community and district levels, were put in place by CIVISOC. Another problem encountered was that, coordinating the structure of the system between, civil society members and social organizations, to merge together as one unified body to work within this interconnected and interactive alliance was time consuming. Some of the difficulties in this case includes: (1) the ability of social organizations and groups to adapt their associational programs to the demands of each project or program proposed by CIVISOC, coping with rules and guidelines of operation, integration of knowledge and skills and responding flexibly to each group's needs (2) their varied concepts, unique presumptions and thoughts on what working together was supposed to be, and how hard it was to get groups of civil society together to debate issues on economic policy, without any pay or immediate reward (Whitfield, 2002:46). Furthermore, in a seminar organized by the Ghana's government, CIVISOC thought that they were not really able to determine, evaluate, and analyze in detail, the work of the organizations and institutions in the public arena, on making policies. This last part is a huge obstruction to

participating more completely in the debates with the government, on public spending, discussions with the divisional arms of each business and organizations of the state. Then providing essential ideas, knowledge, and insights in policy discussions also became a problem. Thus the present abilities of CIVISOC, as it develops and grows in the processes and procedures and tries to be more involved, need to be questioned and improved. Consideration must be given to areas such as: supporting policies, bringing more knowledge and understanding, providing skills and practical instruction, more research on actions and activities by the people, raising funds, connecting groups, organizations and individuals and passing on information. These are all essential rudimentary skills that need to be worked on and developed to be better (Mackay and Gariba, 2000:24). Thus overall, from the discussions in the literature review, in the introduction section, and from the discussions above, it has become clearer that the neoliberalism in SAP created problems in Ghana and PRSP addressed them. Secondly, although good governance as civil society participation increases participation in Ghana, it also has got problems, as I have discussed above.

## **6.0 Chapter Six – Conclusion**

This thesis had the research question “To what extent have SAP and PRSP impacted Ghana”. I began this thesis by explaining the history of the World Bank SAP and PRSP. I showed how the history of the Structural Adjustment Program (SAP) has developed through World Bank and IMF's activities, projects and principles which had involved market ideology, neoliberalism, Washington consensus, debt of countries, and IMF conditionalities. I also explained how PRSP was derived from SAP and how Ghana comes into the historical context of SAP. I discussed how SAP is based on the concept of good governance of neoliberalism and how civil society participation is a component of PRSP. Then in Chapter Two I sought to explain the broad debate of good governance as civil society participation, where I placed special emphasis on how civil society organizations, specifically NGOs participate and contribute positively and negatively to the good governance and state development. In addition to this I discussed the claims of neoliberalism and the structural adjustment programme. My objective was to see how both neoliberalism and structural adjustment program, have generally contributed positively and negatively to development. After that I discussed and investigated SAP in Ghana in Chapter Four, to find out about the evidence of the impact of SAP policies implemented in Ghana. I did that by investigating the four policies that were implemented under SAP in Ghana, namely the policies in the manufacturing sector, mining sector, education sector and health sector. I found that the mining sector offered more contributions to Ghana than the rest of the three sectors. And SAP created more problems that affected many Ghanaians in education and health sectors. In addition I also discussed what happened under SAP in Ghana that was influenced by neoliberalism. I discovered that neoliberalism holds that the state must withdraw from development. But the official records and the literature available on how the structural

adjustment program was implemented in Ghana show evidence contrary to the position of neoliberalism. The formal documentation and records on the implementation of SAP in Ghana showed that all the work, the preparation, the strategies, the efforts and the mechanisms that made SAP and its institutional reforms to take place in Ghana were done by a noticeable exercise of the authority of the state through the rule, the operations, and supervisions of the government of Ghana. Then in Chapter Five, I investigated PRSP in Ghana with reference to civil society participation. My aim was to investigate how good governance as civil society participation in PRSP has impacted Ghana. I found that in Ghana the civil society participation under PRSP was working. I saw this from; (i) the participation of CIVISOC in the second national economic forum and (ii) from the way that the civil society has been able to organize itself together to engage Ghana's government and the World of Bank in finding solutions to the problems under SAP and those within Ghana's economy. These were credible initiatives. They are good undertakings that help to provide good governance in Ghana, and to help improve the living conditions of the people in Ghana. Besides this, I discussed how Ghana's PRSP addressed the problems that SAP created. I found that Ghana's government, in addressing the problems SAP created has been able to make some innovations during PRSP, such as promoting the information communication technology as a way of diversifying Ghana's economy, to solve the problem of the fluctuations, changes or volatility of the prices of Ghana's products in the world market. On the whole, let me make some deductions and some augments here. SAP, based on neoliberalism, created problems, such as the "Cash and Carry system" and "Cost Sharing," in education and health, that many Ghanaians could not afford. SAP dislocated communities and people which led to the loss of their farmlands. But, SAP in Ghana also made considerable contributions to the mining sector. SAP based on neoliberalism, brought increases in the economic growth and the

GDP. Then, under PRSP, Ghana's government solved some of the problems SAP created in the manufacturing, education and health sectors. It did so by: (1) promoting Information Communication Technology (ICT), and (2) putting in place the Ghana National Health Insurance Scheme and (3) by putting in place the Capitation Grant System, in which the government provided school children with money to pay for their school fees. In addition to all these, if the civil society participation in PRSP of Ghana was working in such a way that the civil society of Ghana could organize itself together and collaboratively engage Ghana's government and the World Bank to debate on the issues of the SAP, and on the creation of wealth and growth of Ghana's economy, then we cannot negate the fact that the civil society participation in PRSP has had an impact on the country. I conclude by saying, that we cannot say that both SAP and PRSP impacted Ghana equally in a more positive way. But, rather we can say that (1) SAP created more problems in Ghana and PRSP on the other hand, attempted to address these problems (2) Later developments taking place indicate that civil society participation, under PRSP, is impacting Ghana.

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