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Government-Business Relations in Ghana: The Experience With Consultative Mechanisms

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Contents

Abstract

How can consultative mechanisms (CMs) - organizations that seek to bring together representatives of government and the private sector - be made more effective? This study of CMs in Ghana is motivated by the increasing use of these bodies in the work of the World Bank Group on private sector development (PSD). The Bank is increasingly incorporating consultative mechanisms into its private sector development work at multiple stages in the process of fostering market-based economic systems in many developing countries. Potentially, this strategy has a number of benefits, led by the prospect that effective CMs would allow economic actors to devise shared solutions to economic problems induced by both market failures and government failures. The political and economic benefits of a more cooperative process would be palpable. Effective consultative processes can enhance the flow of information between business, government and other economic actors, thereby making policy reforms more predictable and appropriate. By fostering a sense of shared "ownership" of economic policies, a CM process can also help to build a relationship of greater credibility and trust between government and business. This, in turn, might help conserve scarce public resources through pooling of technical expertise and sharing of such costly activities as research and monitoring.

Despite the potential virtues of this strategy, there remains a major concern: the organizational and institutional conditions that facilitate effective consultative mechanisms are not yet well specified. Indeed, the overall track record of CMs is mixed. The Ghana case study confirms this mixed record and serves to test four central hypotheses of a broader parent project, which has involved comparative research on consultative mechanisms in Malaysia and Mexico. In summary form, these hypotheses related the effectiveness of a CM to (1) its ability to institutionalize a dialogue among its stakeholders; (2) the credibility of stakeholder commitments; (3) the creation of a mutual monitoring mechanism for stakeholder commitments; and (4) member composition that legitimately and authoritatively represents major economic stakeholders.

The experience of Ghanaian CMs helps to validate and refine these hypotheses. It suggests that while each of Ghana's consultative mechanisms had important strengths, and made some contribution to policy dialogue, each also failed to create an enduring arena for confidence building or information sharing between government and business. Each of Ghana's CMs eventually fell victim to the underlying attitudes of suspicion and mistrust that gave rise to an effort to improve communication in the first place. The study further suggests that, given Ghana's unusual political context - an economic reform process presided over and implemented by a radical-populist administration - CM success required the endorsement and sustained support of the President. In Ghana, ideological and political forces hampered both the establishment of credible commitments and the possibility of institutionalizing dialogue over the long term.

The Ghana experience also highlights the problems inherent in CM composition. Narrow membership can insure efficiency but it may at the same time reduce the legitimacy of the organization, especially if the CM is perceived to be unrepresentative of the interests of the business community as a whole. By contrast, broad membership may enhance the legitimacy of the organization within the business community but can also result in a muddled agenda and cumbersome decision-making. In addition, the role of donors in the CM process is especially complex. If donors are too visible in supporting the formation and activities of CMs, these

organizations may be discredited as a foreign artifice. But without donor encouragement and donor support, many CMs might never be formed at all. Ghana's experience with three different CMs, beginning in 1991 helps to clarify these trade offs.

Part I

Introduction

Ghana is the paradigmatic African country.[1] Because its development strategies have attracted a vast audience throughout sub-Saharan Africa, its political and economic crises of the 1960s and 1970s, and its struggles with political and economic reform during the 1980s and 1990s are mirrored in the experience of countless other African countries. The success of failure of a development strategy in Ghana is widely regarded as a barometer of its prospects elsewhere. When the newly independent government of Ghana adopted an economic strategy based on industrial protectionism, numerous other African countries followed in its path. When this strategy failed, and Ghana became one of the first African countries to switch to a market-based program of economic reform, this decision also helped to bring about a change in course in numerous other African societies. For nearly twenty years now, Ghana's efforts to make a success of the open economy model have been viewed throughout the continent as an important test of this model.

Ghana's political and economic experience since independence is widely familiar to scholars of the African region and to those involved in applied development efforts. As the first African country to gain independence from colonial rule, Ghana once symbolized the aspirations of a generation of African leaders, as well as the hopes of sympathetic western scholars and development professionals. There appeared to be every reason for optimism. At the time of its independence in 1957, Ghana was a middle income country, enjoying a per capita income roughly equal to that of South Korea. Despite ethnic, and regional divisions, its nationalist movement, the Convention People's Party (CPP) appeared to enjoy enthusiastic popular support throughout the country and its leader, Kwame Nkrumah, was widely regarded as a charismatic figure with a clear vision of how to bring about socio-economic modernization.[2]

Ghana seemed to possess other important requisites for sustained development as well. Ghana did not exhibit the deep ethnic fissures that threatened political peace elsewhere. Ghanaian society was widely praised for its culture of civility and tolerance, qualities that seemed to promise an auspicious political future. Its civil service was well known for its tradition of technocratic professionalism and its judiciary was especially celebrated for its intellectual quality and dedication to the protection of individual freedom.

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[1] The authors wish to thank Mr. Andrew Stone, Senior Private Development Specialist, the World Bank manager of the consultative mechanisms research project, for his thoughtful comments on earlier versions of the manuscript, and to the core project team, which also includes Jesse Biddle and Vedat Milor, for its creative participation in the formulation of the hypotheses that inform the study.

[2] The best account of the rise of nationalism in Ghana is David Apter, The Gold Coast in Transition (Princeton: Princeton University Press, 1955).

Ghana's economy also seemed to rest on solid foundations, possessing not only an excellent physical infrastructure but also well developed systems of educational and medical services. The export sector was particularly well developed, having evolved over several generations of successful commercial activity. Ghana's most important exports including not only cocoa but also gold and timber enjoyed flourishing world markets. Ghanaian cocoa, the country's principal export, commanded high international prices because of its superior quality. And because Ghana enjoyed approximately one-third of the world market for this commodity, it could assert more leverage over international prices than most exporters of primary agricultural commodities. The overall policy environment also seemed conducive to sustained export growth, as Ghana's trade regime was characterized by a high degree of openness. Since Ghana enjoyed the sympathy and support of the international community, it also seemed poised to benefit from a generous outpouring of foreign financial and technical assistance.

Ghana was also well endowed with the financial resources necessary for economic growth. Owing to robust sales of its major exports,[3] its foreign exchange reserves appeared sufficient not only to sustain rising levels of personal consumption, but also substantial increases in governmental expenditures on public services and physical infrastructure, as well as growing investments in productive enterprises. Domestic savings were adequate to permit steady increases in domestic fixed capital formation and there was a sound banking system consisting partially of local branches of long-established British banks. And, perhaps most importantly, Ghana's population was well endowed with entrepreneurial talent as evidenced by the wide variety of medium scale business enterprises that flourished throughout the country.

Ghana was also a politically open society during this early period. There was a remarkably free press that gave wide expression to a range of viewpoints. Although the CPP appeared to enjoy the political support of a clear majority of the Ghanaian population, there were a number of important opposition parties such as the National Liberation Movement (NLM) and Northern People's Party (NPP). These parties had been free to participate in the national elections held before independence. Indeed, opposition or independent candidates had won about one-third of the seats (33 of 104) and approximately 43% of the popular vote in 1956 election for the National Assembly.[4] The NLM, which had its core electoral support among the cocoa farmers of the Ashanti region, was by far the largest of the opposition groups, and accounted for about one-half of the opposition's total popular support.

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[3] The analysis of the Ghanaian economy from independence through the early 1970s is indebted to J. Clark Leith, Ghana (New York: National Bureau of Economic Research [NBER], 1974). Leith's volume was one of a series of volumes on trade and economic growth sponsored by NBER and edited by Jagdish Bhagwati and Anne O. Krueger.

[4] Dennis Austin, Politics in Ghana 1946-1960 (London and Oxford: Oxford University Press, 1964), p. 354.

A. Ghana's Political Traditions

The party system of the 1950s revealed that, even during the nationalist era, Ghana was a country with two very distinctive political traditions: one radical and populist; the other, more pragmatic or even conservative. The first of these traditions was that of Kwame Nkrumah and the CPP movement. The major social basis of the CPP had always been the country's organized workers and its large and rapidly growing population of unemployed persons. This latter group became popularly known as "verandah boys" because its members seemed to have little to do all day other to sit on the verandah and offer their support to radical political causes. The CPP also had important social roots in other deprived segments of the country's population including returned war veterans who had difficulty re-assimilating into the social system, and poor rural farmers. Regionally, the CPP's support was concentrated mainly in the Central and Eastern Regions of the country, among the Ewe and Fante peoples, and to some degree among the peoples of the Northern Region, one of Ghana's least developed areas.

Not surprisingly, the rhetorical emphasis of the CPP was strongly redistributive. Ideologically, CPP rhetoric featured a heavy emphasis on Pan-Africanist and vaguely Marxian ideas. This tradition, which is known within Ghana as Nkrumaism, features a broadly anti-capitalist ethos that depicts business entrepreneurs as inherently corrupt and exploitive. Political leaders in the Nkrumah tradition view the purpose of government as being to protect the common people from business interests that they regard as inherently predatory.

Ghana's second political tradition was more economically moderate and pragmatic. This tradition had its organizational roots in Ghana's first post-war nationalist movement, the United Gold Coast Convention (UGCC), which was formed in 1947. The UGCC was largely a middle class political movement whose leadership consisted overwhelmingly of merchants, business owners and lawyers. Although the UGCC gave voice to a variety of grievances with the colonial government, its principal concern was with the economic well being of the cocoa farmers. After the UGCC was absorbed into the CPP, Ghana's more moderate political tradition found its voice in the NLM, which was formed in 1954. This party was based principally in Ghana's more prosperous cocoa-producing regions such as Ashanti, Brong-Ahafo and Western Provinces. Initially, its purpose was to oppose increases in the export tax on cocoa, but the party soon espoused a broader political philosophy, one that had far more pragmatic tones than the CPP. Perhaps because the Ghana's cocoa producing regions are commonly thought to have contributed a disproportionate number of the country's business leaders as well as its most successful farmers, this tradition is often ethnically identified with the Ashanti and Brong (Akan-speaking) peoples.

Ideologically, Ghana's moderate economic tradition, which is identified within Ghana as the Danquah-Busia tradition after the founder-leaders of the UGCC and NLM, J.B. Danquah and Kofi Busia, favored a market-based approach to economic management. Political groups that espouse this tradition portray business as the principal engine of Ghana's economic development and view the role of government as being to facilitate the activities of the business sector.

The most important aspect of Ghana's dualistic political legacy has been the extent to which Ghanaian political life has been dominated by the radical populist tendency. Even as individual political parties have come and gone, and as military regimes have followed one another, sometimes with brief interludes of elected civilian rule, the division between Nkrumaist radicalism and the Danquah-Busia pragmatic tradition has been a persistent and highly visible feature of the Ghanaian political scene. However, with only one exception, the government of Kofi Busia, which governed the country from 1969 to 1971, all of Ghana's governments, both elected and autocratic, have represented the radical populist side of the political spectrum.[5]

The present government of Ghana, which has now governed Ghana since New Year's Eve of 1981, fits squarely within Ghana's radical populist tradition. In its social bases of support, in its rhetoric, and in its early proclamations of a revolutionary social mission, the government of President Jerry Rawlings has presented itself as anti-capitalist, anti-marketplace, and anti-business. Like the CPP leadership of the 1960s, Rawlings and his followers have publicly espoused the view that the purpose of government is to protect ordinary Ghanaians from exploitive and corrupting business influences.

The great puzzle of modern Ghanaian politics is why a radical-populist government initiated the country's program of economic reform. Part II B of this study grapples with this question. A key part of the explanation is simply the depth of the economic decline of the 1960s and 1970s. Ghana's experiment with protected and planned industrialization was such a calamitous failure that Ghana became the epitome of a country beset with seemingly irreversible economic difficulties. The most reliable economic estimates suggest that its gross domestic product during the 1970s was minus 2 or 3 percent indicating a per capita decline of about 5 percent per annum.[6] By the early 1980s, agricultural and industrial production had fallen precipitously from their 1960s highs and once sound educational and medical services had deteriorated to the point where they were for all practical purposes available in name only. Many of Ghana's most skilled individuals, including many members of the business community had fled to more or less permanent exile. And Ghana's once open and multi-party democratic

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[5] For a chronology of key political events and governments, see Appendix V.
[6] The World Bank, Trends in Developing Economies 1994: Extracts, Volume 3. Sub-Saharan Africa (Washington DC: The World Bank, 1994), p. 77.

system had been replaced by a series of repressive and inept military regimes. Corruption was rampant.

Liberal reforms appeared to offer the only way out of this morass and the only means of attracting financial support from the donor community. In April 1983, the Rawlings government initiated a reform process that included a familiar set of monetary, fiscal and structural measures. These included currency devaluation intended to remove the price bias against tradable goods, steps toward the decontrol of bank lending through the restoration of positive interest rates, trade liberalization, liberalization of cocoa marketing, and measures to bring about greater fiscal discipline. These policies were eventually accompanied by structural reforms including a process of divestiture of state owned enterprises (SOEs) and the creation of institutions appropriate for a market-based economy such as a stock exchange.

B. The Need for Consultative Mechanisms

Even as Ghana worked its way painstakingly through the monetary, fiscal and structural reform agenda, however, it became painfully apparent that decades of rule by radical-populist administrations had created an atmosphere of deep mistrust between the government and the business community. The Rawlings administration has been unwilling or unable to resolve this dilemma. Despite the fact that the adjustment process has brought about a dramatically freer economic environment, it has remained all too obvious that anti-capitalist attitudes still persist in the minds of a number of government leaders. Some of these leaders deepened business anxieties by publicly criticizing the move toward a market economy. In a political context where anti-capitalist rhetoric is highly audible, it is no surprise that many Ghanaian business leaders mistrust the sincerity of the government's commitment to an open economy.

The result of this mistrust has been a disconnect in perception and communication between the Ghanaian government and Ghanaian business. Government leaders point with pride to sixteen years of far-reaching economic reform and ask why their economic motives are still the subject of deep suspicion. While business leaders point to the anti-capitalist rhetoric of a few outspoken government leaders, as well as to the still incomplete reform agenda and incidents of past mistreatment as evidence that key governmental officials still view business in adversarial terms.[7] There is also a fundamental disconnect in the way government and business actors view Ghana's political reality. Some governmental officials still perceive the business community as a social group whose ulterior motive is to capture political power so that government will not

[7] A widely repeated story in Ghana recalls an occasion when World Bank officials asked the President of the country if he would meet personally with business leaders on a regular basis. According to this story, his indignant reaction was to say "those are the people we made our revolution against."

stand in the way of unbridled profit making. Since they believe that government is the social actor really responsible for the well being of the Ghanaian people, they seek to keep business entrepreneurs at arm's length. Business entrepreneurs hold a wholly divergent view. They tend to perceive government as a hostile and predatory entity, ready at any moment to behave in a repressive manner.

The result of these disconnects has been a vast gulf in the process by which Ghana's economic policies have been framed and implemented. Governmental officials have tended to formulate and initiate reform measures without regular interaction with the business leaders who are affected by these measures. As a result, business leaders have justifiably felt excluded from a policy-making process that has direct bearing on the success or failure of their enterprises. The outcome is what may be termed the "Ghana disease." Officials who have little direct stake in the business sector make policies affecting business enterprise. Stakeholders in the business sector have been given almost no voice in the policy-formulating process.

The policy implication of cognitive distance is unmistakable: one of the most important priorities on Ghana's development agenda is the need to create an atmosphere of greater trust between government and the business sector. Entrepreneurs must be encouraged not only to feel that their activities are socially valued but also that they will be able to enjoy the fruits of their entrepreneurship over the long term. This will involve a host of activities including further steps toward a political environment characterized by the rule of law and respect for rights of property. The most concrete steps in this direction have consisted of a series of efforts to create consultative mechanisms (CMs) that would build trust by facilitating better communication between government and business.

During the administration of Ghana's present head of state, J. J. Rawlings, who has been in office since 1982, three such mechanisms have been formed. These are (1) The Private Sector Advisory Group (PSAG), which existed in 1991 and 1992; (2) The Private Sector Roundtable, which existed in 1993 and 1994; and (3) the Private Enterprise Foundation, which has existed from 1995 to the present.

C. Hypotheses and Summary of Findings

This study of CMs in Ghana is motivated by the increasing use of these bodies in the work of the work of the World Bank Group on private sector development (PSD). The Bank is increasingly incorporating consultative mechanisms involving representatives of the business community and the government into its private sector development work at multiple stages in the process of fostering market-based economic systems. Potentially, this strategy has a number of benefits, led by the prospect that effective CMs would allow economic actors to devise shared solutions to economic problems induced by both market failures and government failures. The political and economic benefits of a more cooperative process would be palpable. Effective consultative processes can enhance the flow of information between business, government and other economic actors, thereby making policy reforms more predictable and appropriate. By fostering a sense of shared "ownership" of economic policies, a CM process can also help to build a relationship of greater credibility and trust between government and business. This, in turn, might help conserve scarce public resources through pooling of technical expertise and sharing of such costly activities as research and monitoring. In Ghana, would have the additional benefit of bridging the disconnect between government and the business sector.

Despite the potential virtues of this strategy, a major concern remains: the organizational and institutional conditions that facilitate effective consultative mechanisms are not yet well specified. At present, the track record of CMs in differing national contexts is mixed. The Ghana case study confirms this mixed record and serves to test four central hypotheses of the a broader parent project, which has involved comparative research on consultative mechanisms in Malaysia and Mexico. In summary form, these hypotheses are as follows.

1. The effectiveness of a CM is related to its ability to institutionalize a dialogue among its stakeholders.

2. The effectiveness of a CM is related to the credibility of stakeholder commitments.

3. The effectiveness of a CM is related to the creation of a mutual monitoring mechanism for stakeholder commitments.

4. The effectiveness of a CM is related to member composition that legitimately and authoritatively represents major economic stakeholders.

The experience of Ghanaian CMs helps to validate and refine these hypotheses. It suggests that while each of these mechanisms had important strengths, and made some contribution to policy dialogue, each has also failed to create an enduring arena for confidence building or information sharing between government and business. Although numerous factors were at work in each case, each of these organizations eventually fell victim to the underlying attitudes of suspicion and mistrust that gave rise to an effort to improve communication in the first place. The study further suggests that, given Ghana's unusual political context - an economic reform process presided over and implemented by a radical-populist administration - the CM process only worked when it enjoyed the endorsement and sustained support of the President. For in contemporary Ghana, the President is by far the pre-eminent political actor.

The Ghana experience also suggests that attaining an optimal composition is an extremely difficult matter. Narrow membership can insure efficiency and rapid decision-making as well as contribute to more focussed discussion. But it may at the same time reduce the legitimacy of the organization, especially if the CM is perceived to be unrepresentative of the interests of the business community as a whole. By contrast, broad membership may enhance the legitimacy of the organization within the business community but can also result in a muddled agenda and cumbersome decision-making.

Ghana's experience also highlights some important requisites not captured by the 4 hypotheses. It emphasizes the need for a focused and time-bounded agenda for action and the need for the CM to have an independent analytic capability. And, perhaps most importantly, this study emphasizes the very complicated relationship between CMs and the donor community. If the donors push too hard, they may discredit CMs as a foreign artifice, thereby inhibiting Ghanaian "ownership" of the CM process and the recommendations it produces. But without donor insistence, the Ghanaian government might not have been as willing as it was to participate in these organizations. Moreover, if donors fail to encourage or provide support for CMs, these organizations might have been permanently bogged down in collective action problems and resource constraints.

Part II. Ghana in African Political Economy

Africa's status as the world's poorest continent persists despite nearly two decades of far-reaching economic reforms. Although reform efforts have succeeded in improving many countries' GDP rates from the negative numbers of the decade of the 1970s[8] to current rates estimated at about 4%, this is widely regarded as inadequate. Since population growth in the sub-Saharan region is generally estimated to exceed 3% per annum, real per-capita income has barely improved since 1970.[9] Many African countries, especially those wracked by civil war, have continued to suffer absolute economic decline while, even in the more fortunate countries, Africans have seen their living standards fall further and further behind those of virtually every other major world region. Because there is little to suggest an improvement in this dismal record at any time soon, Africa appears to face the gloomy prospect of lagging economic performance in the foreseeable future.

Africa's economic difficulties have been the subject of voluminous research within the scholarly community and developmental organizations such as the World Bank and bi-lateral donor agencies.[10] The principal subject matter of this literature has to do with the political determinants of economic success or failure. The contours of an on-going debate about the most appropriate developmental role for government can be readily discerned. The disagreements that arise within African political economy are identical to those that have preoccupied political economy since it began more than 200 years ago. The eternal question is whether development is best achieved when government adopts a pro-active economic role or whether unassisted markets offer a greater prospect of providing sustainable improvements in human welfare.

Advances in modern political economy have largely rendered simplistic versions of this dialogue obsolete. Discussions of development that present the state and the market as opposed alternatives are rare today. If there is a broad consensus on any matter at this point in time it is that sustainable development requires both. Yet both scholars and practitioners of development continue to grapple with the elusive and still unresolved question of the optimal "mix" of governmental interventions and market forces.

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[8] For many African countries, the decade of the 1970s was a period of negative growth, with GDP rates estimated at between -1% and -2%.

[9] John Luke Gallup and Jeffrey D. Sachs with Andrew D. Mellinger, "Geography and Economic Development,"in Boris Pleskovic and Joseph E. Stiglitz, eds., Annual World Bank Conference on Development Economics 1998 (Washington DC: The World Bank, 1999), pp. 127ff.

[10] Among the recent World Bank studies on Africa are the following. The World Bank, Adjustment in Africa: Reforms, Results and the Road Ahead (Oxford and New York: Oxford University Press for the World Bank, 1994); Ishrat Husein and Rashid Faruquee, editors, Adjustment in Africa: Lessons from Country Case Studies (Washington DC: The World Bank, 1994). Two of the most prominent academic volumes are Frances Stewart et. al, Alternative Development Strategies in Sub-Saharan Africa (New York: St. Martin's Press, 1992), and Thomas Callaghy and John Ravenhill, eds., Hemmed In: Responses to Africa's Economic Decline (New York: Columbia University Press, 1993).

For Ghana and other countries in sub-Saharan Africa, the political economy debate has centered on the question of whether the orthodox Ricardian model, which assigns the highest priority to free trade, can stimulate economic growth in a continent that remains dependent upon exports of primary agricultural commodities. During the first decade of African independence, roughly the period from the late 1950s through the late 1960s, proponents of a sub-field of economics known as development economics largely dominated this debate.[11] The development economists questioned Ricardian ideas, preferring instead economic models that assigned a greater role to industrial protectionism, central planning and governmental controls.

The development economists[12] were sometimes described as "trade pessimists" because of their core belief that free trade might not promote economic growth in societies such as Ghana; namely those that depended heavily upon primary agricultural exports. This conviction was based on two economic assumptions. The first was that agricultural exports were susceptible to an unfortunate phenomenon known as declining terms of trade. Throughout the 1960s, a vast outpouring of economic research intended to demonstrate that the world prices of primary agricultural commodities would become cheaper in real terms as the manufactured commodities imported by agricultural exporters became more expensive. The second assumption held that in an agricultural society the benefits from trade would not spillover to other important sectors of the economy. Export agriculture might flourish while providing little impetus to the growth of the industrial sector.

The development economists concluded from this analysis that agricultural countries such as Ghana might never catch up with industrial countries unless their governments found ways to actively promote industrial development. The strategy they advocated became known as import-substituting industrialization (ISI) because it advocated domestic production of a range of goods that were being imported from abroad. The primary feature of this strategy was the provision of trade protection for selected industries. Another pillar of the ISI strategy was central planning, which was critically important in devising the system of subsidized capital allocation, as well as in controlling the relative price levels of tradable and non-tradable goods. And a third was governmental regulation of the banking system, which was instituted to assure that the industries and firms selected for protection would have an adequate flow of investment capital.

[11] For an excellent discussion of this field, see W. W. Rostow, Theorists of Economic Growth from David Hume to the Present (Oxford and New York: Oxford University Press, 1990), ch. 17, "Development Economics."
[12] This group of economists included such major figures as Albert Hirschman, Dudley Seers, Colin Clark, Gunnar Myrdal, Raul Prebisch, W. Arthur Lewis, Hans Singer, Sanjaya Lal, and Ragnar Nurkse.

These ideas had a powerful impact on the policy choices of innumerable newly independent African governments including Ghana's. Their influence was transmitted in a variety of ways. Many of the African technocrats trained in economics in western universities were streamed into development economics classes on the reasoning that these were particularly well suited to the needs of their countries. Similarly, the expatriate economists hired to teach in African universities were also typically chosen for their commitment to this field. Their views thus became the received wisdom of a generation of African university students many of whom went on to hold influential positions in their governments. Development economists also staffed many of the most influential aid organizations thereby directly influencing policy through their control of external resources.[13] And in numerous cases, African governments employed development economists as economic advisors, thereby furnishing a direct impact on economic policy.[14]

By the early 1970s, it had become painfully clear that Ghana's efforts to implement the ISI model, like those of other African countries that followed in its path, were a calamitous failure.[15] The protected infant industries, whose future promise had been held out as the best hope for a successful industrial transformation, were for the most part an economic disaster. Many had ceased to function altogether and virtually none had come even remotely close to economic self-sufficiency. Despite high levels of protection and massive capital subsidies, most of these firms had incurred huge debts to the banking system. And because their bank loans had been guaranteed by governments, the losses they incurred contributed to escalating budget deficits, and hence to inflation. In some countries, the non-performing loans owed to domestic banks by these enterprises accounted for as much as 25% of the total budget deficit. Rather than promoting the successful growth of new industries, ISI had produced an utterly devastated economic landscape, an environment littered with industrial failures.

Industrial protectionism also had devastating effects on agricultural development in Africa. Ghana was no exception. To raise capital for the new industries, export agriculture had suffered an escalating burden of explicit and implicit taxes.[16] The result of these taxes was a huge wedge between the world price of major agricultural commodities, on the one hand, and the real price

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[13] Hollis Chenery, perhaps the most highly respected of the development economists, was Vice President for Development Policy of the World Bank throughout much of the 1960s and 1970s.

[14] The political impact of development economics was not unusual. Much the same could be same of Keynesian economics during the same period. See, for example, Peter A. Hall, ed., The Political Power of Economic Ideas: Keynesianism Across Nations (Princeton: Princeton University Press, 1989).

[15] Africa's development crisis of the 1970s was systematically documented in the World Bank's classic study, Accelerated Development in Sub-Saharan Africa: An Agenda for Action (Washington DC: The World Bank, 1981). Because the principal author of this study was Professor Eliot Berg of the department of Economics of the University of Michigan, it is commonly referred to as the "Berg Report."

[16] The political basis for Africa's ubiquitous tendency toward suppression of the agricultural sector was the subject of Robert Bates' classic volume, Markets and States in Tropical Africa: The Political Basis of Agricultural Policies (Berkeley and Los Angeles: University of California Press, 1981).

received by domestic producers, on the other. The effect of this wedge was a major disincentive on agricultural production, especially production of exportable commodities. As production of agricultural exports declined, so did foreign exchange earnings, making it increasingly difficult to finance the heavy import requirements of the new industries. To remedy this situation, taxes on agricultural exports were increased still further. Yet this tactic only resulted in additional production declines and even greater scarcities of foreign exchange. The acute shortage of foreign exchange, caused by declining agricultural exports, contributed to Africa's problems of widespread famine, as many countries were no longer able to afford food imports.

By the mid 1970s, the list of Africa's economic woes was seemingly endless. It included low and declining rates of industrial capacity utilization, high and rising rates of urban unemployment, growing budget and trade deficits, high inflation, declining agricultural productivity and loss of world markets for once highly promising agricultural exports. Owing to rising trade deficits and high debt service ratios, most African countries were experiencing severe import compression. And this, in turn, contributed to input scarcities in the new industries as well as ever rising prices for whatever imported and domestically produced goods were available. The sharp decline in the value of domestic currencies also caused the purchasing power of government revenues to fall sharply, leading to a severe decline in governmental services including health, education and infrastructure provision. Though informal economies sometimes arose in response to severe scarcities of goods and services, they were, for the most part, beyond the tax reach of governmental authorities, and, therefore, did not even begin to provide a basis for the reversal of governmental decline. By the end of the decade, it had begun to appear that virtually all of sub-Saharan Africa, including some of the continent's most well endowed countries, was caught in an irreversible downward spiral.

One of the continent's most intractable problems -- all-pervasive bureaucratic and political corruption -- also had its roots in the system of industrial protectionism. In this respect, too, Ghana has been paradigmatic. As protectionism gave rise to a massive governmental bureaucratic apparatus to oversee and administer the state-induced scarcities, Africa's protectionist states tended to become saturated with rent-seeking activities.[17] In this environment, the rewards to entrepreneurship did not go to those who involved themselves in productive enterprise but rather to those who could advance themselves into strategic bureaucratic and political positions and take advantage of scarcities.[18] Governmental corruption proved to be one of the most important causes of Africa's problem of economic stagnation and political instability. It not only

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[17] The classic and still definitive exposition of this view is Anne Krueger, "The Political Economy of the Rent-Seeking Society" in American Economic Review, Vol. 64, No. 3, June 1974, pp. 291-303.

[18] The most common illustration has to do with a peasant household deciding where to allocate family resources. In a rent-seeking environment, investment in the education of a child who may become a civil servant offers a greater return than investments in productive improvements on the farm.

siphoned off resources that should have been productively invested, but gave rise to an atmosphere of cynicism that undermined the legitimacy of constitutional political systems.

The failure of ISI led to a reappraisal of development economics. The intellectual milestone of this reappraisal occurred during the mid 1970s when Professors Jagdish Bhagwati of Columbia University and Anne O. Krueger of the University of Minnesota co-edited and co-authored a series of research studies that explored the relationship between trade policy and economic growth.[19] Bhagwati and Krueger demonstrated anew the Ricardian maxim that countries with open trade regimes grew more quickly than countries that practiced protectionism. As importantly, they further showed that individual countries, whatever their factor endowment, colonial history or pre-existing economic structure, could vastly improve their growth performance by opening themselves to international trade.

The Bhagwati-Krueger research brought about a sea change in the development approaches of countries such as Ghana. Political leaders began to focus on ways of enhancing the role of market forces and promoting individual entrepreneurship. The World Bank's "Berg Report" offered a blueprint for reform programs.[20] Providing systematic and compelling documentation of the policy mistakes of the preceding twenty years, the Berg Report set the stage for a wholesale reversal of economic approach. The fact that the open economy views it expressed corresponded closely to those of a rising generation of African technocrats, political leaders and intellectuals served to reinforce its influence. Following the publication of the Berg Report, country after country in Africa began to turn to reform as a means of reversing the downward spiral. By the mid-1980s, most all had initiated at least some measure of market-based economic reform, also known as "structural adjustment." Ghana's began in early 1983.

Such programs typically began with a wholesale reappraisal of the economic role of the state. In all those areas of economic life that had been the subject of extensive governmental regulation, structural adjustment sought to replace the heavy hand of governmental control with the operation of market forces. The process of deregulation normally began with currency devaluation and steps toward trade liberalization. Many also took major steps to eliminate price controls both on their exportable commodities and on basic consumer staples. Most countries African countries also began to deregulate of their banking systems, replacing policies of mandatory sectoral allocation and controlled (often negative) interest rates with lending policies based on risk, positive rates, and the accreditation of foreign banks. And, in order to facilitate a freer flow of investment capital, some countries, including Ghana, have also

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[19] See esp. Anne O. Krueger and Jagdish Bhagwati, Liberalization Attempts and Consequences (Cambridge [MA]: Ballinger, 1978).
[20] See footnote 14.

found ways to replace governmental allocation of capital with open capital markets.

Over time, structural adjustment itself changed and was adapted to incorporate rebuilding of state capacity in areas of public life that should have been absorbing governmental energies and resources all along.[21] While their energies and resources were being devoted to the creation of planned systems of protectionism, African governments such as Ghana had neglected a host of policy areas of critical developmental importance. They should have been doing far more, for example, to provide quality education at all levels, a functioning and up-to-date infrastructure, and a healthy physical environment. Thus, contrary to much popular misunderstanding, structural adjustment is not about shrinking the state. Rather, it is about an enhancement of the state's capacity to create a more facilitative environment, one in which the dynamic economic forces in a society can function more freely.

Although great progress has been made in replacing the institutional structures of planned economies a with institutional arrangements more appropriate for more open economies, only the most naive would conclude that this process is even remotely close to completion. Some of the most important economic reforms can at best be said to have proceeded slowly while others remain on the future agenda of policy reform. These include the full divestiture of state owned enterprises and the implementation of a legal system that provides for security of property rights. Years after initiating a divestiture process, many African governments still find themselves the owners of literally hundreds of bankrupt or loss-producing firms. And in many countries the passage of legislation that would improve security of ownership, especially property rights in productive assets is barely underway. And virtually everywhere there still remains the need to create legal institutions that can enforce property rights in a predictable and impartial manner, thereby vastly increasing the security of the business community.

A. Economic Policy In Ghana

Following independence, Ghana's political authorities opted for the ISI strategy, which prescribed high levels of industrial protection as a means of stimulating the rapid growth of this sector.[22] Ghanaian authorities gave initial preference to a set of industries producing consumer durable goods such as cigarettes, soft drinks, beer, wearing apparel, shoes and construction materials. But the list of protected industries quickly came to include a host of highly

[21] See The World Bank, World Development Report 1997: The State in a Changing World (Oxford and New York, Oxford University Press, 1997).
[22] See. W. F. Steel, "Import Substitution and Excess Capacity in Ghana", Oxford Economic Papers, New Series, Vol. 24, No. 2, July 1972.

disparate firms including mattresses, pharmaceuticals, insecticides, plastics, paints, paper products, batteries, furniture and cosmetics. Implementation of the ISI strategy entailed far-reaching changes in the country's policy framework beginning with a fundamental transformation of the trade regime from one of relative openness to trade to one of closure. The system of relatively low, revenue producing tariffs was rapidly replaced with more formidable barriers to imports such as quantitative restrictions and outright bans on goods that competed with domestically produced products.

Why Ghana and the numerous other African countries that followed in its path opted for a centrally planned and highly protectionist economy has been the subject of much speculation. One influence may have been the apparent success of the Soviet Union's planned economy. Not only had Russia established considerable credibility among African leaders as an outspoken opponent of western colonialism but also in October 1957, the year of Ghana's independence, Russia successfully launched sputnik, the first orbiting satellite. This stunning achievement seemed to validate the belief, inherent in ISI economics, that a centrally planned economy was capable of superior scientific and technological achievements.[23] Russia's space program called attention to the fact that its political leaders had been able, within the extraordinarily brief period of 40 years, to propel a backward, peasant-based agrarian society to global status as one of the world's major industrial powers. That lesson was not lost on the leaders of poor developing countries.

And, as discussed earlier, during the 1950s and 1960s, development economics exerted enormous influence in the economics profession.[24] In the late 1950s, central economic planning was widely accepted as an effective means of propelling a backward agricultural country along a path of economic growth.[25] Ghana was especially susceptible to this influence. Several of the most influential development economists served as governmental advisors to Ghana throughout the 1960s and early 1970s, including W. Arthur Lewis (later Sir Arthur Lewis), Barbara Ward (later Lady Jackson) and Tony Killick. Given the ubiquitous presence and high intellectual prestige of these economists, it is not surprising that their views about development policy quickly became the preferred strategy of the Ghana government.

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[23] John W. Mellor has even suggested that the theoretical origins of development economics and of the industry versus agriculture debate are to be found in the Soviet economics of the 192s, particularly in the work of G. S. Fel'dman. See Mellor's essay "Agriculture on the Road to Industrialization" in John P. Lewis and Valeriana Kallab, eds., Development Strategies Reconsidered (New Brunswick: Transaction Books, 1986), p. 71.

[24] For a fascinating attempt to acknowledge and even revive parts of this theory, see Paul Krugman, Development, Geography and Economic Theory (Cambridge: MIT Press, 1998), Ch. 1, "The Rise and Fall of Development Economics."

[25] For a sympathetic treatment of Ghana's effort to implement development economics, see Tony Killick, Development Economics in Action: A Study of Economic Policies in Ghana (New York: St. Martin's Press, 1978.)

The development economists' insistence on the importance of market failure and their corresponding tendency to attach a high priority to governmental economic controls dovetailed perfectly with the anti-capitalist ethos of the CPP. And both of these fit perfectly with the rent-seeking impulses of high-ranking officials who viewed governmental office as an instrument of personal enrichment. Development economics, in other words, provided a convenient intellectual justification for political leaders whose agenda, in any case, was the systematic imposition of governmental controls over important sectors of the country's economy. Members of the Ghanaian political and bureaucratic elite appear to have been perfectly aware of the rent-seeking opportunities such controls would provide. The ethos of anti-capitalism and the opportunity for corrupt activity provided by ISI were a perfect match. The mutual attraction between these two forces was so powerful that ISI persisted even in the face of twenty years of economic decline.

Like other countries seeking to implement ISI, the government of Ghana developed policy instruments through which the government might direct special subsidies to the new industries. One important mechanism was an extensive set of controls on the banking system. These controls included mandatory sectoral requirements for loan allocations that gave highest priority to the new industrial firms. Banks were further required to set interest rates to provide the designated firms with generous capital subsidies. Owing to increasing inflation, the real interest rates charged these firms were often actually negative. Overvaluation of the currency also became a major vehicle for subsidizing industrial firms. First, overvaluation cheapened the cost of any inputs that were denominated in foreign exchange thereby artificially lowering the prices of capital goods, replacement parts, raw materials and even the patent and royalty fees for imported production technologies. A second benefit of overvaluation, so long as supplies of foreign exchange were adequate, was that it decreased the "shadow" prices of the imported goods consumed by urban workers. By providing an artificial prop for workers' standard of living, overvaluation made it possible for the new firms to reduce the wage cost of production. In so doing, it helped to conceal some of their inefficiency.

The most important purpose of overvaluation, however, involved its political utility as a tax on agricultural exports. To generate the level of capital reserves that would be required to finance the new firms the government of Ghana had to find ways to dramatically increase the level of taxation. W. Arthur Lewis had estimated that countries such as Ghana were raising less than 10 percent of national income in taxes. To provide adequate financing for the new industries, this figure would have to be increased to between 15 and 20 percent of national income.[26] A major difficulty, however, was that conventional forms of taxation such as an income tax or sales tax were not feasible in a society composed overwhelmingly of poor peasant farmers whose cash incomes were extremely low.

[26] W. Arthur Lewis, Politics in West Africa (London: George Allen & Unwin Ltd., 1965), p. 42.

The only readily available source of such tax revenues lay in the tax on agricultural exports. Export duties on cocoa had been in place since the colonial period. These duties were critically important in helping to finance the operations of government and in providing a cash reserve for price stabilization so that cocoa farmers could be protected against abrupt downward swings in the world price. As it stood, the cocoa export tax already imposed a large and highly visible burden on the cocoa-producing farmers. Indeed, because the proceeds from the cocoa export tax already provided between one third and one half of total tax receipts, it did not seem amenable to further increases.[27] Though overvaluation also taxes the producers of exportable commodities, unlike a highly transparent tax such as an export duty, overvaluation is relatively hidden from the view of those who pay it, at least until it reaches relatively high levels. And unlike explicit taxes such as excise duties or a value added tax, it did not need to be approved by the National Assembly but could be quickly implemented by simple executive decree. Therefore, overvaluation also had a decided political advantage, as it could be implemented with only limited risk of triggering political protest in the cocoa producing regions.[28]

The combination of older explicit taxes and newer implicit ones soon placed a crushing burden on the cocoa industry. The gap between the world market price of cocoa and the price received by producers steadily widened. By the early 1980s, the real producer price of cocoa had fallen to less than one-eighth its level of the early 1960s.[29] The effect of such a large price drop on cocoa production was disastrous. At its peak, between 1962 and 1964, Ghanaian cocoa production had averaged approximately 480,000 metric tons per year.[30] During 1982 to 1984, the period just before economic reforms were initiated, cocoa production averaged only 187,000 metric tons per year, a drop of nearly two-thirds in total production.[31] Not surprisingly, most economists now regard this wedge as the major policy error of the early post-independence period.

Average Ghanaians suffered terribly as a result. Purely economic indicators such as stagnant GDP figures or the steady fall in per capita GDP throughout the 1970s can only begin to convey the kinds of material hardships

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[27] Cord Jacobeit, "Reviving Cocoa: Policies and Perspectives on Structural Adjustment in Ghana's Key Agricultural Sector" Ch. 7 of Donald Rothchild, ed., Ghana: The Political Economy of Recovery (Boulder and London: Lynne Rienner Publishers, 1991). See Table 12.2, p. 228.

[28] For an excellent treatment of Ghana's exchange rate policy and its effects on agriculture and trade, see J. Dirck Stryker et. al, Trade, Exchange Rate and Agricultural Pricing Policies in Ghana (Washington: The World Bank, 1990).

[29] See. J. Clark Leith and Michael F. Lofchie, "Structural Adjustment in Ghana." This is chapter 6 of Robert H. Bates and Anne O. Krueger, eds., Political and Economic Interactions in Economic Reform Programs (Cambridge [MA.] and Oxford: Blackwell, 1993). See Table 6.3, p. 234.

[30] For an excellent treatment, see Jon Kraus, "The Political Economy of Agrarian Regression in Ghana", ch. 7 of Stephen K. Commins et. al, eds., Africa's Agrarian Crisis: The Roots of Famine (Boulder: Lynne Rienner Publishers, 1986), p. 103-107.

[31] These figures were based on data made available by the U.S. Department of Agriculture, Economic Research Service.

ordinary people experienced daily.[32] By the early 1980s, GDP per capita had fallen to about two-thirds of its early 1960s level.[33] But because even this figure includes exaggerated values for public services, it understates the real decline. Shortages in foreign exchange earnings caused by the fall in cocoa, gold and timber exports imposed painful scarcities on nearly all Ghanaians. Shortages of all imports ranging from non-essential consumer items to essential goods such as medicines, hospital equipment and replacement parts for the country's rapidly deteriorating transportation and communications infrastructure became critical. The quality of the country's educational and medical facilities deteriorated to the point that, in many parts of the country, these services existed in name only. As public transportation deteriorated due to shortages of vehicles and parts, many urban Ghanaians were forced to walk huge distances back and forth to work each day. The level of hardship was further intensified as such vitally important utilities as electric and water services also became subject to constant breakdowns, causing lengthy and unpredictable interruptions of service. Nutritional and dietary standards deteriorated as Ghanaians found it increasingly difficult to obtain a range of basic foodstuffs. Ghanaian political scientist Mike Oquaye has provided a vivid portrayal.

> Food prices soared. Schools and colleges were without textbooks for the few who were ready, willing and able to pay their unreasonably high prices. There were shortages of everything conceivable -- vehicles and their spare parts, water pumps for domestic and vehicular use, school equipment, laboratory and hospital equipment and facilities, public transportation and telephone receivers and wires, as well as newsprint and raw materials for the factory … [E]ven the few amenities that existed throughout the period of colonial rule like sugar, meat, fish, soap, clothing and medical service were virtually extinct.[34]

Those necessities that were available could be obtained only in informal markets at exorbitant prices that reflected the scarcity value of foreign exchange.

Ghanaians report that the country's rent-seeking officialdom benefited even amidst this decline. By the 1970s it had painfully obvious that Ghana had become polarized into two fundamentally opposed classes. The division was not one of socio-economic class, as between capitalists and workers, but between political groupings. The operative socio-economic divide was between governmental officials who had access to rent-seeking opportunities and Ghanaians who did not. The former group lived as a privileged class, enjoying material perquisites and privileges that only power and corruption can confer.[35]

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[32] One useful set of GDP figures appears in Charles Jebuni, Governance and Structural Adjustment in Ghana (The World Bank, Private Sector Development Department, 1995), Table 4, p. 16.
[33] Stryker, Trade, Exchange Rate and Agricultural Pricing, Table 2, p. 14.
[34] Mike Oquaye, Politics in Ghana 1972-1979 (Accra: Tornado Publications, 1980), p. 27.
[35] For a book length treatment, see Victor T. Le Vine, Political Corruption: The Ghana Case (Stanrd: The Hoover Institution Press, 1975).

Oquaye has also captured the demoralizing effects of a state-controlled economy.

> Corruption, hoarding and profiteering and the unbridled cheating meted out against the majority by the few assumed such propensities that they were duly christened the *kalabule*.[36]

In essence, Ghana had become divided between those who could take advantage of a state-controlled economy and those who could not. Escalating levels of repression marked the relationship between these groups. Such repression was necessary to maintain order in a society where growing numbers of citizens had come to perceive their political leaders as illegitimate.

The most lucrative form of rent seeking in Ghana involved the issuance of import licenses. Imported goods of all kinds became scarce due to the growing shortage of foreign exchange and the system of import controls. In this environment, there was vast profit to be made by anyone who could obtain an import license. Officials in the Ministry of Trade soon realized that they could share in the benefits of scarcity pricing by assigning an economic value to the licenses themselves. Corruption in the trade bureaucracy was so extensive that it completely subverted the economic purpose of the licensing system. Whereas import licenses were originally intended as a means of restricting the flow of foreign goods that might compete with the new industries, an import permit could be obtained to acquire almost anything with a modest payment to a trade official.

Strikingly, bureaucratic corruption quickly metastasized through the state system as even the most mundane transaction with a government official soon came to involve some sort of unofficial remuneration. A traffic officer might demand a payment not to issue a ticket. A postal clerk might ask for a small bribe simply to issue a money order or accept a parcel. Teachers expected special payments for tutoring students or even issuing grades and nurses and doctors at government hospitals sometimes expected special payments for medication or treatment. Such corruption became so pervasive that it fostered a culture of cynicism. Individuals who had the opportunity for illicit gains and did not take advantage were thought of as peculiar or eccentric. As the economic differences between families came to be defined by the difference in corrupt income, even officials who wanted to remain honest came under pressure to take advantage of the rent-seeking possibilities of their jobs.[37]

As Ghana's economic system imposed burdensome economic costs on the overwhelming majority of the population to provide rent-seeking benefits for a relatively small urban minority, Ghana moved from an open society to an increasingly authoritarian regime. The early years of independence were

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[36] The literal translation of this widely used term for corruption is "keep it quiet."
[37] The difficulty of staying outside the kalabule system has been dramatically portrayed by the Ghanaian novelist Ayi Kwei Armah in The Beautyful Ones Are Not Yet Born (New York: Collier Books, 1969).

characterized by growing repression of the opposition and by 1964, Ghana had become a single party state, governed in dictatorial fashion by the head of state, Kwame Nkrumah. The authoritarian system was highly effective at marginalizing the cocoa farmers who were possibly the most penalized segment of society. Following a military coup in 1966, Ghana was ruled by a series of military governments, with brief but unsuccessful efforts to restore civilian democratic rule from 1969-71 and again during 1989-90. Multi-party democracy was not successfully restored until 1991 and elections open to multi-party competition occurred at the end of 1992 and again in December 1996.[38]

The Nkrumah government had taken steps to implement authoritarian controls from the very first moment of independence.[39] It began by curtailing the special political status that had been granted to traditional chiefs, some of whom had also become vocal critics of the CPP. It also began to undermine the authority of elected local governments by assigning important administrative functions to local party officials. And perhaps most dramatically, the government passed a number of laws that vastly extended its ability to repress opposition leaders and organizations. In December of 1957, for example, the government passed a law called the Avoidance of Discrimination Act whose purpose was to undermine the popular basis of opposition parties whose support was principally of a regional, ethnic or religious nature. Other repressive laws included the Deportation Act, the Emergency Powers Act and the Industrial Relations Act, which gave the government the authority to outlaw strikes, and a Preventive Detention Act that empowered the government to arrest and imprison persons who were suspected of conduct prejudicial to security of the state.

There have been countless efforts to explain the authoritarian trend in Ghana and the many other African countries that followed in its path. Some have focussed on personal factors such as the venality and greed of political leaders who, lacking a commitment to democratic practices, were prepared to do anything to solidify their hold on power and privilege. Other explanations focus on factors peculiar to the African region such as the exogenous origins of the constitutional arrangements put in place at the time of independence. In addition, ethnic divisions and Africa's extremely low level of economic development, which sharply limits the size and therefore influence of a moderating urban middle class, have also been cited as explanations for authoritarian patterns.

While all these theories shed some light on Ghana's post-independence trajectory, it is best to begin with a more universal explanation: the essential incompatibility of central economic planning with a politically open society. Political scientist Carl Friedrich, for one, showed that central economic planning

[38] For a full account of the most recent elections, see Joseph R. Ayee, ed., The 1996 General Elections and Democratic Consolidation in Ghana (Accra: Department of Political Science, University of Ghana, n.d.).
[39] This section draws heavily upon Austin, Politics in Ghana, pp. 376ff.

is by its very nature an undemocratic process.[40] For it requires that a government commit itself to a specific pattern of resource allocation that must prevail over an extended period of time. Central planning rests fundamentally on a political assumption that unless the plan is allowed to proceed without alteration, its objectives may not be fully attained. The essentially undemocratic nature of central planning is further reinforced when the economic costs of a plan are imposed upon a majority of the population while the benefits, at least during the early stages, are enjoyed by a minority.

The political basis of ISI helps explain why its implementation lacked economic coherence. As advocated by the development economists, ISI would have had important parameters. In theory, for example, protectionism, while important, would have been limited to selected industries and provided by transparent and temporary tariffs. Explicit and defensible criteria for the selection of industries would also assure the greatest prospect of success. The protected industries would have been privately owned and competitive in order to assure the highest possible level of efficiency. And their access to important subsidies such as low interest bank loans would also have been based on strict performance criteria. In addition, the new industries would have been phased in gradually, and only when such critically important constraints as capital resources and availability of technically skilled personnel had been addressed. Some economists believe that if these principles had been followed, ISI might have had a better chance of success.[41]

In practice, however, no apparent economic logic guided the way ISI was implemented. Protection was made available to a vast array of industrial firms, most of which were chosen on the basis of no discernible economic criteria. The pattern of trade protection seemed to bear little resemblance to the list of industries selected for capital subsidies. Indeed, because of corruption, the allocation of import licenses bore little correspondence to the needs of specific firms. Protection was typically supplied through quantitative restrictions and outright bans on imports, rather than tariffs thus making the level of protection difficult to determine. Protected industries were constituted as state owned monopolies thus undermining the possibility of efficiency gains through competition between privately held companies. And, there seemed to be no interest in taking resource or manpower constraints into consideration. Clark Leith has captured the lack of an economic rationale.

> The protection of Ghanaian industrial establishments appears to be largely random. When set against the declared policy of simply promoting industrialization per se, the rationale for this apparently random

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[40] Carl J. Friedrich, Constitutional Government and Democracy (Boston: Ginn and Company, 1950), see Ch. 23, "Socialization and Planning."

[41] Henry Bruton, "Import Substitution." This essay is Chapter 30 of Hollis Chenery and T. N. Srinivasan, eds., Handbook of Development Economics: Volume II (Amsterdam and New York: Elsevier Science Publishers, 1989), pp. 1602-1643.

> dissemination of protection is not at all obvious…We conclude that the variability and randomness of the protection of Ghanaian industrial activities was largely unintended.[42]

Only one conclusion is possible. While ISI was publicly presented as a means of attaining rapid industrialization, its greatest effect and possibly its real purpose was to provide material resources that made it possible to construct a coalition of political supporters for the newly independent government.

To understand the nature of this coalition, it is helpful to turn to the discipline of political economy, which clarifies the key economic differences between the government's coalition and that of the political opposition. Political economists make a basic distinction between the tradable and non-tradable sectors of a nation's economy. The tradable sector refers to the total ensemble of economic activities that produce commodities or services that compete in international markets. The most obvious examples of traded goods are agricultural or mineral exports, but industrial firms producing goods that compete with imported items are also in the tradable sector. The non-tradable goods sector of an economy refers to the production of goods and services that do not compete in international markets or, domestically, with imported substitutes. Protectionism, by removing a firm from the constraints of international competition, relocates an industry from the import-competing sector to the non-tradable sector of an economy.

One of the most significant findings of Bates' study of political interventions in African markets was the extent to which the implementation of ISI policies enabled political leaders in countries such as Ghana to create political coalitions of economic groups in the non-tradable sector.[43] Bates showed that ISI made economic winners of those in the non-tradable sector and that, as a result, these groups tended to provide strong support for the newly independent regimes. Conversely, those in the tradables sector became economic losers and, as a result, often found themselves in support of the political opposition. In Ghana, the populist Nkrumaists had their strongest basis of support among groups in non-tradable economic activities. The more moderate Danquah-Busia tradition had its support among those in the tradables sector.

The non-tradable sector in Ghana was primarily composed of public sector services. As a result, the clearest group of winners from ISI was the officialdom of the Ghanaian state. ISI created a vast expansion of career opportunities in the civil service. Once modestly sized ministries such as trade, economic planning and labor grew to bloated proportions. Government officials who worked in these and other ministries, as well as in the parastatal institutions enjoyed high salaries, rapid promotions and generous benefits. Many also benefited from opportunities for rent seeking. Before long, civil servants and political leaders had

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[42] J. Clark Leith, Ghana, p. 77.
[43] Bates, Markets and States in Tropical Africa.

become a privileged class, enjoying a material lifestyle and degree of social status unavailable to Ghanaians who were not politically connected.

Ghana's implementation of ISI, like that throughout much of independent Africa, differed in one important respect from that in other regions of the world. In Latin America, where a strong industrial base was already in place, the implementation of an ISI system provided important benefits for private industrialists.[44] There, the owners of existing industrial enterprises gained huge economic advantages including protection from foreign competition and access to subsidized capital and bank loans. Oftentimes, these industrialists also benefited from the imposition of tight controls on the political activities of the labor movement. Indeed, the alliance of the state and industry produced the Peronist coalition, which ruled Argentina during its ISI era.

In Ghana and most other African countries, however, the industrial sector was not well developed when ISI began. This made it possible for the state to direct the pattern of industrial development. So, whereas Argentina's industries were for the most part privately held, Ghana's were largely formed as state-owned enterprises (SOEs). By the eve of economic reform in the early 1980s, the Ghana government owned more than 350 such firms. State enterprises were to be found in every sector of the Ghanaian economy. In addition to the basic ISI list that features cigarettes, beer, soft drinks and wearing apparel, the Ghana government owned fisheries, shoe manufacturing firms, hotels, bakeries, paint and chemical companies, plastics firms, and even a steel fabricating plant. Practically all of these enterprises were loss producing. Since the system as a whole made no economic sense, its sheer magnitude suggests the extent to which the creation of rent-seeking opportunities, as a strategy of expanding the government's political support, drove the Ghanaian political process. Unlike Argentina, therefore, Ghana's dominant coalition featured a multiple role for the state, which functioned not only as provider of trade protection but also as owner and manager of industrial enterprises. As civil servants managed Ghana's state-owned industries, the alliance between public sector workers and the ruling CPP regime was cemented. For the power and resources these bureaucrats derived from their control of industry further enhanced their status as the country's most conspicuous winners.

Ghana's tendency to develop its new industries on the basis of state-ownership was given two justifications. In retrospect, both were highly flawed. One had to do with an assumed scarcity of private entrepreneurship in Africa. Barbara Ward, herself an economic advisor to the government of Ghana, once commented that "throughout most of Africa today, you can count the number of

[44] For the tendency of Latin American ISI to benefit large-scale existing enterprises, see Michael Barzelay, The Politicized Market Economy: Alcohol in Brazil's Energy Strategy (Berkeley and Los Angeles: University of California Press, 1986), and David Mares, Penetrating the International Market: Theoretical Considerations and a Mexican Case Study (New York: Columbia University Press, 1987).

effective African business men on two hands."[45] This idea was widely used by African political leaders, including Kwame Nkrumah, to explain the need for state-led industrialization. Economist William J. Baumol has vigorously questioned this idea.[46] He suggests that in economic systems such as Ghana's the greatest rewards to entrepreneurial skills accrued from rent-seeking rather than productive activities. As a result, individuals with an entrepreneurial orientation would gravitate toward bureaucratic careers rather than private enterprise. Baumol views the great challenge in these societies as being to divert those entrepreneurial energies back to productive activity.

The second commonplace justification for state ownership had to do with the government's investment of taxpayer funds. Since public funds were the major source of industrial capital, and since the government was so heavily involved in providing trade protection and other subsidies, the government arguably had an economic obligation to assume ownership and managerial responsibilities. Whatever the plausibility of this economic rationale, however, the political benefits of forming state owned enterprises were palpable. Ghanaian SOEs have been blatantly used to provide jobs for political supporters, contracts and sub-contracts to important political contributors, and even to provide "volunteer" campaign workers during the era of electoral competition. These activities provide a more powerful explanation for the creation and expansion of the state enterprise system.

Ghana's pattern of ISI was strongly similar to that of Argentina, and other countries in the Peronist tradition, in its ability to enjoy strong political support among workers in protected industries. For although Ghana, like Argentina, imposed tight controls on trade union political activity, industrial workers in protected firms did gain substantial economic benefits. These included the improved job security and higher wage levels that flowed from an absence of international competition. The list of benefits also included the availability of imported consumer goods whose prices were artificially lowered by overvaluation. For workers in protected firms, the benefits conferred by the ISI system regime seemed to greatly outweigh the discomfort of governmental control. As a result, industrial workers stood alongside state officials as the most numerous and ardent supporters of the CPP regime.

The losers from ISI consisted of economic groups in the tradable goods sectors of the economy. The most important of these were the country's export oriented farmers. Cocoa farmers found themselves especially burdened since the prices they received for their goods were suppressed implicitly by currency overvaluation and explicitly by a whole range of taxes and bureaucratic charges. The economic costs of this system were also born by the country's food producing farmers who, while not producing directly for export, nevertheless

[45] Barbara Ward, The Rich Nations and the Poor Nations (New York: W. W. Norton & Co., 1962), p. 99.
[46] See his article "Entrepreneurship: Productive, Unproductive and Destructive" in Journal of Political Economy Vol. 98, No. 5, 1990, pp. 893-921.

suffered from currency overvaluation and industrial protectionism. For, although their products were not subjected to direct price controls as cocoa farmers were, the prices of the foodstuffs they produced were lowered by the low shadow prices of inexpensive imported alternatives. Both export oriented farmers and food-producing farmers also tended to be economic losers as consumers of goods. For the prices of the goods they required, whether consumption goods or productive inputs, were made more expensive by the inflationary process that accompanied the ISI system.

The Ghanaian working class was fundamentally divided along sectoral lines. Although many political observers of Ghana (and other countries) prefer to treat the working class as a relatively unified entity with common political interests this was simply not so.[47] Trade unionists in the non-tradable goods sector benefited from the system and supported the government while sections of the labor movement that were involved with the export sector suffered economically and became opposed. Plantation workers were especially harmed and quickly came to oppose the whole system of rigid state controls.[48] As the real producer prices of cocoa fell, cocoa farmers coped by constraining wage levels and hiring fewer workers. The radical fall in cocoa exports and the commensurate decline in job opportunity at the ports also harmed Ghana's dockworkers who, not surprisingly, were among the first to challenge the system openly. In 1961, the dockworkers organized a major but ultimately unsuccessful strike at the port of Sekondi-Takoradi.[49] The government dealt with the strike by declaring it illegal under the Industrial Relations Act.

Greater and greater levels of political control accompanied the implementation of ISI in Ghana. Since the political system based on ISI benefited a minority of urban winners at the expense of a majority of rural losers and their allies in the labor movement, political repression became the order of the day. A number of factors made this possible. One, the sectoral division within the labor movement made it difficult for workers to act as a unified political force. The Nkrumah regime quickly found that it was able to impose significant economic costs on plantation workers, miners, dockworkers and railroad workers because it had a strong basis of support among public sector workers and workers in state-owned industrial enterprises. Thus, the enduring lesson of the Sekondi-Takoradi dockworkers' strike was that political suppression of labor unions that opposed government policy could succeed because of the tacit acquiescence of unions that were favored under the ISI system.

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[47] See for example Jon Kraus "The Political Economy of Trade Union - State Relations in Radical and Populist Regimes in Africa" in Roger Southall, ed., Labour and Unions in Asia and Africa: Contemporary Issues (Houndmills: Macmillan, 1988), pp. 171-210.

[48] A particularly informative study of labor in Ghana is Richard Jeffries' book, Class Power and Ideology in Ghana: The Railwaymen of Sekondi (Cambridge: Cambridge University Press, 1978).

[49] For an excellent case study, see St. Clair Drake and Leslie Alexander Lacy, "Government versus the Unions: The Sekondi-Takoradi Strike, 1961." This is chapter 3 of Gwendolen M. Carter, ed., Politics in Africa: 7 Cases (Harcourt, Brace & World, Inc., 1966.) See also Jon Kraus, "Strikes and Labour Power in Ghana" in Development and Change, Vol. 10, No. 2, April 1979, pp. 259-286.

Even more important in constraining opposition to the ISI system was the problem of collective action.[50] This concept, which refers to situations in which the costs of organization outweigh the benefits, is intended to explain why social groups that have important economic interests fail to become organized politically. Collective action has particular relevance to Ghana's farming population. In Ghana, as elsewhere, ISI imposed considerable costs on farmers in order to confer benefits to selected industries and the workers in those industries. Thus, to a considerable degree degree, agriculturists as a group had occasion to oppose the regime's economic policies. That rural opposition did not arise, however, is not surprising. For rural residence is a huge political disability[51]. In Ghana, as in a host of other developing countries, agriculturists were typically far distant from the capital city and spread out over vast distances. Geographical dispersion greatly increased the difficulties and costs of political organization.

The principal barrier to political unity among Ghanaian farmers, however, has been the tendency for rural economic disparities to run along ethno-linguistic lines. Although cocoa production in Ghana is widely dispersed throughout the Eastern, Brong-Ahafo, Western and Ashanti Regions of the country, a large proportion of the country's cocoa cultivation has been historically concentrated within one ethno-linguistic group, the Akan-speaking Ashanti people.[52] Since the Ashanti area has also been the scene of much other extractive activity including gold mining and timbering, it stands out as the most prosperous region of the country. Regional prosperity has enabled the Ashanti to develop a strong entrepreneurial tradition. Well-to-do Ashanti cocoa farmers and Ashanti with business interests connected to the gold and timbering industries have used their wealth to establish successful business enterprises in other regions of the country. The high visibility of members of the Ashanti community in Ghana's business sector has introduced an element of ethnicity into the Ghanaian political process.

Because Ghana is a civil society, ethnicity does not manifest itself as openly as it does elsewhere in Africa. Most Ghanaians are deeply uncomfortable with the role ethnicity plays in their national political life and many have serious misgivings about its impact on their personal political loyalties. The result is that Ghana's political parties do not organize themselves along ethnic lines or make explicitly ethnic appeals for political support. Indeed, all of Ghana's major political parties are multi-ethnic and reach out for support to a cross-section of the country's ethno-linguistic communities. But ethnicity nevertheless helps to differentiate the support base of the government from the support base of the

[50] Mancur Olson, The Logic of Collective Action (Cambridge: Harvard University Press, 1965).
[51] There is an entire tradition of analysis of developing countries that emphasizes the decisive political advantage of urban location. See Michael Lipton, Why Poor People Stay Poor: Urban Bias in World Development (Cambridge: Harvard University Press, 1976).
[52] The other principal Akan-speaking groups in Ghana are the Brong and the Fante.

political opposition. Ghana's radical-populist political leaders have always been able to count on latent resentment of the Ashanti as a means of garnering popular support among other ethnic communities. To non-Ashanti Ghanaians, especially those involved in food (and not export crop) production, the populists' rhetorical commitment to economic redistribution is widely understood as a form of political code language for taxing Ashanti wealth to provide benefits to less well-to-do elements of Ghanaian society. The Rawlings government has been highly effective in capitalizing on this perception by targeting specific benefits such as schools, clinics and roads to the less well off areas of the country. Indeed, the selective allocation of economic benefits has proven one of its major means of gaining the support of poorer Ghanaians for economic reform.[53]

The political orientation of export farmers is very different. Describing the political position of the Kikuyu coffee-growing elite in Kenya, Robert Bates said that they prefer policies that "treat export agriculture as a national estate: an endowment to be nurtured rather than consumed." [54] Exactly the same could be said of the Ashanti cocoa-growing elite in Ghana. Owing to their status as Ghana's most prosperous ethnic group, the Ashanti have given their overwhelming support to Ghana's more moderate leaders and to parties in the Danquah-Busia tradition. Members of the cocoa elite favor policies that permit the accumulation of wealth, not its redistribution. The parties they support have consistently espoused low exchange rates, high and uncontrolled producer prices for agricultural goods, low taxes on exports, and maximum openness to international trade. Throughout most of Ghana's post-independence political history, those who favored the use of the state to redistribute wealth successfully challenged political groups favorable to a limited state that would facilitate the accumulation of wealth.

This political cleavage could be interpreted either in ethnic terms, as an Ashanti versus non-Ashanti division, or in socio-economic terms, as a wealth disparity between relatively prosperous and relatively poor farmers. In fact, it was both. Because the lines of ethnic and economic cleavage tended to coincide, ethnicity deepened the sense of political division between cocoa farmers in Ashanti and less well off producers of food crops in different areas of the country. The result was that Ghana's farmers were consistently unable to present a united front in opposition to government policies. Lacking a unified political voice, farmers in all regions suffered from economically destructive policies for more than twenty-five years.

The CPP government's authoritarian approach also succeeded in part because it included a process of political co-optation. The government was in a

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[53] This argument is drawn from the excellent dissertation by Winston R. Wells, Rural Responses to Economic Adjustment: The Politics of Reform in Ghana, 1983-1994 (UCLA, Department of Political Science, 1997).
[54] Robert H. Bates, Beyond the Miracle of the market: The Political Economy of Agrarian Development in Kenya (Cambridge: Cambridge University Press, 1989), p. 148.

powerful position to allocate some of its resources to creating political allies, including many in the countryside. Rural leaders could be offered local civil service positions, access to subsidized inputs, or prestigious government posts. The CPP regime and its radical-populist successors were also highly successful at coopting rural political leaders, thereby diminishing further the possibility of an agriculturally based opposition to the government. In addition, although all of Ghana's farmers tended to suffer economically from the government's policy preference and lavish expenditure of resources on protected industries, some poorer farmers have been amenable to the radical-populists' rhetorical emphasis on redistribution of wealth.

In the end, Ghanaians in all walks of life became afraid to oppose the regime. Today, many refer to the "culture of silence" which first arose during the Nkrumah era and became a fact of life that continued throughout the period of military rule.

By the end of the 1970s, Ghana had not only declined to the point of becoming one of the world's poorest nations, it was becoming steadily poorer. Its growth rates during the 1970s were largely negative and basic goods were so scarce that even middle class Ghanaians experienced economic hardships. At the same time, the political system had become highly turbulent. The brief three-year period between June 1979 and January 1982 witnessed a dizzying succession of governments and events. J. J. Rawlings' first military coup, which maintained power for about three months, took place during the summer of 1979. His military government, the Armed Forces Revolutionary Council (AFRC) executed three former heads of state on charges of corruption. To demonstrate its populist roots, the AFRC also burned the principal market in the city of Accra. The AFRC was quickly followed by a failed attempt at civilian rule from 1979 to 1981, and a second military coup, also led by Rawlings, on New Year's Eve 1981.[55]

Rawlings new government, the Provisional National Defense Council (PNDC), was an organization squarely in Ghana's radical-populist tradition. Politicians who held the same anti-capitalist convictions that had permeated the Ghanaian political system since 1957 led it. As a result, the fifteen-month period from January 1982 to April 1983 was characterized by a radical approach to political and economic reform. The PNDC government turned to countries in Eastern Europe and to states such as Libya for assistance. In its approach to public policy, it sought to emulate the revolutionary institutional structures of the Libyan regime. The PNDC government demonetized the 50 cedi note, then Ghana's largest unit of currency, as a means of stifling the growth of informal private sector markets. It also announced that the government could review all bank records so those individuals with large balances could be investigated for

[55] These events are described in Maxwell Owusu, "Tradition and Transformation: Democracy and the Politics of Popular Power in Ghana" in The Journal of Modern African Studies, Vol. 34, No. 2, 1996, pp. 307-343.

corruption. To further its revolutionary drive, the PNDC also created a host of populist structures such as Committees for the Defense of the Revolution (CDRs), Workers Defense Committees (WDCs) and, at the village level, People's Defense Committees (PDCs). [56]

Utter chaos ensued. At the village level, power was uncritically transferred from existing governmental institutions to the PDCs. Efforts to create new co-operative farms completely by-passed existing social institutions. At the factory level, managerial authority was transferred to the WDCs most of whose members seem to have believed that worker mobilization could resolve economic blockages. The WDCs overthrew the existing structures of state management and used their power to prevent firings, to oppose retrenchment programs, to settle grievances with plant managers or to overturn disciplinary measures taken against insubordinate workers. In a few cases, the WDCs took over entire factories. Rent and price controls were imposed and enforced by militant elements within the army, police, PDCs and WDCs. Radical elements within these organizations also assumed the responsibility to expose and punish business entrepreneurs suspected of hoarding or overpricing. Popular justice could also be meted out by these organizations as well as by extra-judicial bodies such as Public Tribunals and the Citizens' Vetting Committee (CVC).

The political atmosphere was equally chaotic with constant denunciations of establishment groups such as professional associations, churches, traditional rulers and members of the mercantile and managerial communities.[57] In some cases members of these groups were subjected to physical violence. Political leaders encouraged the country's university students to participate in the transportation of cocoa from the interior of the country to the ports and the students sometimes commandeered private vehicles to do so. Within the PNDC itself there was a factional struggle for power between those in the Nkrumah tradition and ultra-leftists who favored a completely Marxian approach to economic management. Meanwhile, the economy was paralyzed.

The painful memory of these events is etched indelibly in the political consciousness of Ghana's business community. Many of the leaders of Ghana's business sector were personally victimized during the period of revolutionary fervor. Some were physically brutalized and humiliated and others suffered the destruction of assets or confiscation of bank accounts. Virtually every member of the business community recalls with bitterness the atmosphere of disparagement, which depicted business entrepreneurs as social pariahs. Some members of the business community sent their spouses and children overseas to

[56] Roger Tangri, "The Politics of Government-Business Relations in Ghana" in The Journal of Modern African Studies, Vol. 30, No. 1, 1992, p. 100.
[57] An excellent discussion of the turbulent political atmosphere during this period can also be found in E. Gyimah-Boadi, "Economic Recovery and Politics in the PNDC's Ghana," in The Journal of Commonwealth & Comparative Politics (Vol. 28, No. 3, 1990), see esp pp. 329ff.

avoid personal risk. One Ghanaian informant described this period as "Jacobin" and likened it to the reign of terror that followed the French revolution.

These memories were rekindled during the presidential election of 1992 when Rawlings attacked businesses that were perceived to support opposition parties as enemies of Ghana, calling upon Ghanaian consumers to boycott them. As a result of all these events, there remains a strong tendency to blame Rawlings personally for the government's more extreme anti-business sentiments. Some members of the business community state openly that they can not trust the government's intentions so long as he is the head of state.

B. The Origins of Economic Reform

The PNDC government took its first steps to initiate an orthodox program of economic reform in the spring of 1983 when its Secretary for Finance, Kwasi Botchwey, whose previous career had been as a professor of law at the University of Ghana, initiated a dialogue with the World Bank. To this day, this decision is utterly perplexing given the anti-capitalist sentiment of the Rawlings regime. No single or simple factor could explain this decision. A host of factors came into play, and as if by historical conjuncture, at virtually the same moment in time. One part of the explanation has to do with the dynamics of internal politics within the PNDC. By the late fall of 1982, the factional struggle between ultra-left Marxians and more moderate populist elements had been won by the populists. Owing to their attempts to organize internal coups against Rawlings, several of the most radical PNDC leaders had been driven into political exile. By early 1983, the PNDC was in reality no longer a radical-populist organization, merely a populist one. Within the more moderate populist group, there were a number of technocratic figures including Botchwey himself and Dr. Joseph Abbey, an economist, who were sympathetic to orthodox economic reforms. This group now became more influential.

A second important factor was a wave of popular revulsion against the excesses that had taken place during the imposition of the Libyan model. In June of 1982, three highly respected justices of the Ghanaian High Court were kidnapped and murdered.[58] This act violated the Ghanaian value system that attaches utmost importance to the rule of law. Public outrage was so great that the PNDC was compelled to set up a Special Investigation Board (SIB) whose inquiry revealed that high-ranking members of the PNDC were culpable. Despite the fact that one PNDC member and the six soldiers responsible for the murder

[58] When Rawlings first seized power in the summer of 1979, his government, the Armed Forces Revolutionary Council (AFRC), had executed three former heads of state an act that also gave rise to an image of lawlessness and disregard for legal safeguards.

were tried and executed, public indignation against the government had become a powerful source of pressure for more moderate policies.[59]

During this same period, Ghana also experienced several exogenous "shock" events that severely destabilized what remained of its shattered economy. One was the expulsion from Nigeria, in January 1983, of one million Ghanaians. Somehow, these refugees had to be reabsorbed into Ghanaian society. At the same time, Ghana suffered from a series of drought-induced brush fires that devastated the cocoa-producing regions and a number of food-producing areas as well. Boahen has said, "it looked as if the very elements and the gods were enraged against us."[60] Ghana became a society on the edge of widespread starvation. Ghanaians partly reacted to the crisis with gallows humor -- the term "Ghana necklace" was a commonplace way to refer the protrusion of the collarbone that takes place under conditions of extreme weight loss. But many Ghanaians also reacted with profound anger that a once promising economy had been brought to this condition. The PNDC Government was under urgent pressure to implement policies that would restore a measure of economic growth.

Another factor explaining the initiation of reforms involved the decline of income from rent seeking. As the Ghanaian economy fell deeper and deeper toward a level of sheer starvation, rent-seeking positions that had once been economically valuable were no longer a protection against impoverishment. The rental "glue" that had bound together an otherwise disparate coalition of government supporters was rapidly diminishing. As segments of Ghanaian society that had benefited from the ISI system such as lower level civil servants and factory workers became poorer and poorer in real terms, their support turned to indifference and then, opposition. By the early 1980s, there were simply no more winners. Virtually everyone in Ghana had begun to suffer from the country's abysmal economic conditions. Once the government could no longer depend upon its alliance with the industrial unions or the civil servants associations, its ability to hold power was in jeopardy.

The decline of political glue also exposed fissures within the government. Without the economic resources to keep dissenters in line, internal disagreements, especially those between reformers and those who wanted to maintain the system also became more intense. In part, the division between reformers and non-reformers was institutional. Certain parts of the Ghana government were clearly pressing for a more liberal economic approach. The pro-reform institutions included the Ministry of Finance, the Ministry of Agriculture and the Bank of Ghana. Their advocacy for reform was undoubtedly buttressed by the prospect of international financial resources such an approach might yield.

[59] These events are described in Albert Adu Boahen, The Ghanaian Sphinx: Reflections on the Contemporary History of Ghana, 1972-1987 (Accra: Ghana Academy of Arts and Sciences, 1989), pp. 44ff.
[60] Boahen, p. 45.

On the other side, were the Ministry of Trade and the Ministry of Labour, which opposed reform because it might cause the loss of their remaining rents. As the economy spiraled downward, the position of the anti-reform group became less and less tenable.

Within the government, the key actor was Rawlings himself. He emerges from first-hand accounts of this period as a complex, multi-dimensional figure. Although his spoken political convictions situated him squarely in Ghana's radical-populist tradition, he seems also to have been motivated by a strong puritanical streak. Close observers of the Ghanaian political scene claim that Rawlings was morally repelled by the corruption that pervaded Ghana's statist economic institutions as well as the unrestrained behavior of the revolutionary organizations the PNDC had created. He is also reported to have been deeply disturbed that the more radical members of the PNDC had sought to oust him from power. Richard Jeffries, for example, has explained Ghana's change of economic course in the following terms.

> One cannot, I would suggest, ultimately explain this [policy change] except as the product of a genuine intellectual conversion on the part of a highly moralistic young man. This should not really be very surprising in view of the influence recently exerted by Batesian economics on many Africanist social scientists. [61]

Whatever the reason, Rawlings appears to have become persuaded that market forces would provide a greater discipline for individual economic behavior than the state. And on this basis, he began to lend his support to structural adjustment efforts.

In April 1983, Ghana launched an economic recovery program (ERP). The key objectives of the reform strategy were fairly basic: to realign relative prices so as to encourage more productive economic activity; to shift the policies of the government away from the heavy emphasis on central planning and state controls toward a greater reliance on market mechanisms; and to improve the government's fiscal performance so that inflation-producing deficits would be reduced.[62] With donor assistance, Ghana also undertook to rehabilitate its badly deteriorated physical infrastructure and to begin the task of rebuilding the country's long neglected educational and health facilities.

The initial phase of the ERP was largely a period of economic stabilization. Ghana's earliest reforms followed a fairly standard pattern with the

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[61] Richard Jeffries, "Ghana: The Political Economy of Personal Rule" in Donal B. Cruise O'Brien et. al. eds., Contemporary West African States (Cambridge and New York: Cambridge University Press, 1989), p. 96.

[62] Much of the economic information in this section is drawn from Michael Novak et. al, "Ghana, 1983-1991, chapter 3 of Michael T. Hadjimichael, et al., Adjustment for Growth: The African Experience (Washington DC: International Monetary Fund, 1996), p. 22-47.

greatest attention being given to moving toward an equilibrium exchange rate, to creating a more liberal trade regime, and to reforming agricultural prices in such a way as to encourage the growth of agricultural and mineral exports. The process of devaluation began in late spring 1983 with a series of reductions in Ghana's fixed exchange rate. The Bank of Ghana initiated a foreign exchange auction in 1986 and a system of private foreign exchange bureaus was created in 1988.[63] By the late 1980s, the exchange rate had been radically devalued, eliminating the most severe distortions in the relative prices of tradable and non-tradable goods.[64] Fiscal and monetary discipline was also intensified as a result.

Early on, one of the major targets of the reform process was agricultural pricing, specifically the producer price of the country's most important agricultural export, cocoa. In Ghana, as elsewhere in sub-Saharan Africa, the prices of agricultural exports had been heavily suppressed both as a result of overvaluation and through a series of explicit taxes. By the late 1970s, Ghana's cocoa producers were receiving less than one-fifth of the world price, resulting in the radical decline in cocoa production and exports described above. During the initial years of economic reform, the government also made important strides in eliminating the cumbersome apparatus of protectionism that had developed around its strategy of import-substituting industrialization (ISI). Gradually, the unworkable system of quantitative restrictions on imports was dismantled and replaced by a more open system that placed onerous restrictions only on contraband items.

Results of these reforms were generally positive. The rate of inflation declined from about 125% in 1983 to 33% in 1986.[65] Economic deterioration was halted and the late 1980s witnessed a positive rate of GDP growth, variously estimated at close to 5%. This growth was based principally on an impressive economic recovery in the country's traditional extractive industries, cocoa, gold mining and forestry. Owing to the more liberal trade environment, there was also a highly visible recovery in commercial activity, based principally upon a resumption of high levels of imports of consumer goods. These were financed principally through the increasing export earnings of the now more robust traditional exports. Recovery in these sectors provided a significant stimulus for corollary economic activities such as transportation and infrastructure rehabilitation.

By the early 1990s, however, the policy reform process seemed paralyzed and there were palpable signs of backsliding in the country's reform efforts. Ghana has shown itself highly prone to what political scientists term a "political

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[63] For one account, see Kofi A. Osei, Foreign Exchange Bureaus in the Economy of Ghana (Nairobi: African Economic Research Consortium, 1996).
[64] For a fuller analysis, see C. D. Jebuni, et. al., Exchange Rate Policy and Macroeconomic Performance in Ghana (Nairobi: African Economic Research Consortium, 1991).
[65] For a systematic account of the impact of budget deficits on inflation in Ghana, see Nii K. Sowa, Policy Consistency and Inflation in Ghana (Nairobi: African Economic Research Consortium, 1996).

fiscal cycle," the tendency to engage in heavy deficit spending as election years approach. This was dramatically evident during 1992 when there was a major reversal in the government's commitment to a balanced budget. A new constitution was adopted in April and presidential and multi-party parliamentary elections were held in November and December. In the months preceding these elections, public sector employees were given wage increases so generous that the fiscal balance turned from a surplus of 1.5% of GDP in 1991 to a deficit equal to 4.8% of GDP in 1992.[66] Inflation increased from a rate of less than 10% per annum to nearly 30%.

With the arrival of multi-party competitive politics, other major economic reforms were also stalled and significant sectors of the economy continued to operate under the burden of the heavily interventionist policies of the past. Labor laws and regulations, for example, continued to reflect an ideology that viewed capitalist economies as inherently exploitive and that the role of the state was to protect the workforce against this exploitation. The rules governing foreign investment reflected a similar ethos; and, despite formal trade liberalization, the procedures for imports and exports were bureaucratically cumbersome. Though a stock exchange was created in the early 1990s, the country's financial sector was still in urgent need of reforms. Concern grew that Ghana might slowly drift back toward an economic system in which the state played such a large role that rent-seeking would once again become more important than productive enterprise as a means of acquiring wealth

Such concern arose partly because of slow progress toward the divestiture of the country's inefficient and loss-producing SOEs. A divestiture program did not even begin until 1988 when the government formed a Divestiture Implementation Committee (DIC). As originally constituted, the DIC included ministerial representatives from the Ministry of Industries and Technology and other government officials representing such agencies as the Bank of Ghana, the State Enterprises Commission and the Attorney General's Office. And although the DIC also included representatives from Ghana's Trade Union Congress (TUC), it did not at first include representatives of the business sector. This omission was only corrected after public protest. [67] The DIC as a whole was not given statutory authority until 1993, some ten years after the structural adjustment effort had begun.

As of 1996, approximately 180 firms, or about 60% of Ghana's state owned enterprises, had been divested. By some standards this constitutes impressive progress. The list of divested enterprises includes the sale of 25% of the government's share of Ashanti Goldfields Corporation, the country's most profitable mining concern, as well as the government's stake in seven of the country's largest manufacturing firms. During 1995 and 1996, the government

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[66] Novak et. al., p. 25.

[67] E. Gyimah-Boadi, "State Enterprises Divestiture: Recent Ghanaian Experiences." This article is Ch. 10 of Rothchild, Ghana, pp. 193-209.

also privatized two state owned banks and, in 1997, sold a major share in Ghana Telcom, the massive telephone and telegraph monopoly.[68] Yet, concerns about divestiture remain. The bureaucratic aspects of privatization are unnecessarily cumbersome. But the real source of difficulty is that, like so much else in Ghana, the question of whether or not an enterprise is privatized is driven by political, not economic, considerations. Some political leaders use the SOEs as economic assets in an increasingly competitive party system.[69]

The underlying urgency for more rapid progress toward privatization is not always readily apparent. It is only partially connected with the need to transform large-scale but loss producing firms into firms that can operate more efficiently. Perhaps more important is the value of creating a more open playing field for Ghanaian small-scale enterprise. When Ghana first began to pursue ISI in the late 1950s, many small scale privately owned firms were already operating in areas of the economy that were subsequently assigned to state-owned monopolies. These included textiles, wearing apparel, soft drinks, footwear, furniture, and construction materials. For these private firms, which might well have constituted a natural basis for industrial growth, the economic effect of ISI was devastating. Since the large-scale firms had the advantage of massive public subsidies, the formation of large-scale state monopolies had a "crowding out" effect that prevented the normal evolution of small private enterprise toward a larger and larger scale of production. Without these subsidies, the economic playing field became open once again to small-scale entrepreneurship. [70]

This concern takes on special immediacy because, despite recovery from the negative growth rates of the late 1970s, vitally important areas of the economy appear to be barely responsive to the more liberal economic environment. The most conspicuous of these is the manufacturing sector. Here, recovery is constrained by a combination of factors including credit bottlenecks and the "overhang" of unsold state owned enterprises. Although the growth rate of 4-5% seemed to be a substantial improvement over the negative growth rates of the late 1970s and early 1980s, Ghana's economic performance did not begin to compare with that of the more lively NICs such as Korea, Taiwan, or Thailand. If Ghana was to begin to compare with those societies, it was essential that the reform process be invigorated. In particular, it was urgently important that the investment climate be made more hospitable for domestic and foreign investors whose resources were viewed as essential to stimulating a higher rate of economic growth.

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[68] J. R. Ayee, "Divestiture Programme in Ghana: Experiences and Lessons" in Ghana Economic Outlook, Vol. 3, No. 1, March 1988 p. 93.

[69] Some of the deficit was a result of the fact that large enterprises were allowed to borrow heavily from the Bank of Ghana. Unpaid loans to the National Petroleum Corporation are said to have led to the resignation of the former Minister of Finance, Mr. Kwesi Botchwey.

[70] This dimension of recovery is identified in William F. Steel and Leila M. Webster, Small enterprises in Ghana: Responses to Adjustment (The World Bank: Industry Development Division, 1990).

Part III. Consultative Mechanisms in Ghana

The most urgent question Ghana faced in the late 1980s was how to foster an economic environment that would offer greater encouragement for both foreign and domestic investment. One answer seemed to be to empower Ghana's private sector so that it could act as a more effective claimant on government policy. By most accounts, the early process of economic reform in Ghana was driven principally by the pressures of the international donor community, especially the World Bank and the International Monetary Fund. Private sector actors were the beneficiaries of an economic "externality", a policy environment that increasingly favored their activities but which they themselves had little role in creating or sustaining. If the private sector could become a participant in the process, as through a structured dialogue with government officials, the process of policy reform might be re-kindled.

World Bank officials were deeply concerned that despite nearly a decade of seemingly extensive reform efforts, a wide gulf of misunderstanding and mistrust between the government of Ghana and the private sector remained. Astonishingly, despite the government's professed acceptance of the private sector as the principal engine of economic growth, government officials had not met publicly with private sector representatives until February 1988, nearly five years after the reform program began. Economic management remained in the hands of the public sector with the private sector, at best, a marginal actor in the policy formulation process. [71] As a result, the PNDC had little information about the effects of its policies on the private sector and business leaders could not make their concerns heard in policy-making circles.

This lack of communication between the public and the private sector had at least two important consequences. First, it had a direct effect on the substance of Ghana adjustment effort. As indicated above, Ghana's early reform efforts, while far reaching, had failed to address critically important areas of the economy including labor law, deepening of the financial sector, the investment code, and divestiture of state-owned enterprise. Private investment, therefore, fell far short of expected levels, especially in manufacturing activities. Those with capital to invest tended to prefer trading activities that did not involve as much risk as investments in costly physical assets such as factories. The slow recovery of the manufacturing sector as a whole reflected an economic climate in which entrepreneurs remained skeptical of the depth of the government's commitment to the development of a robust private economy.

[71] One informant indicated that it took four years to arrange a meeting with the Minister of Finance and that it was futile to seek meetings with lesser government officials -- "you could wait for hours and then it was public relations."

No small part of Ghana's problem was that the private sector itself was ill prepared to enter a constructive policy dialogue. After more than a generation of state-led economic policies, the private sector was organizationally weak, internally divided, and unfamiliar with the ways in which government and business could fruitfully interact in a market-driven economy. And, private business firms that had managed to survive were often heavily dependent upon the state for contracts, subsidies, and protection from international competition. Existing private sector organizations such as the Ghana National Chamber of Commerce (GNCC) and the Association of Ghana Industries (AGI) lacked the financial resources or timely access to information that would enable them to mount concerted lobbying efforts on behalf of further economic reforms. Moreover, private business people remained concerned that a number of high-ranking political leaders still seemed deeply committed to an older ethos that denounced private wealth and viewed government principally as a vehicle for economic redistribution. As a result, private sector actors tended to talk in generalities without offering specific solutions.

The urgent need for improved and better informed communication between the government and private sector actors provided the genesis for a series of attempts to create consultative mechanisms that would enable members of the Ghanaian business community to convey their needs and concerns directly to the Ghanaian government.

The first steps toward creating a dialogue between the government and the private sector were not taken until early 1988, almost five years after the government first initiated its structural adjustment program. In February, government officials, responding to the urging of the World Bank and other donors, agreed to convene a public forum at which private sector representatives could air their concerns and grievances.[72] One of the principal requests of the business leaders who attended the meeting was for more regular opportunities for interaction between government officials and leading private sector actors. The government agreed to create an informal private sector "Think Tank" at the Ghana Investments Centre (GIC), the government agency responsible for promoting and administering foreign investment. Two months later, the participants in the Think Tank recommended that a more formal structure of interaction and consultation between the two groups be created and that the government be represented by officials of key ministries concerned with the private sector. The government agreed to form a Private Sector Consultative Committee at the GIC and this organization held a series of meetings beginning in December.

The first-hand reports of the Consultative Committee's meetings portray a pattern of interaction that was to be repeated in varying degrees in each of the consultative mechanisms that followed. Government officials sought to show an

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[72] This section draws upon Elizabeth I. Hart, Liberal Reforms in the Balance: The Private Sector and the State in Ghana, 1983-1995 (Doctoral Dissertation, Princeton University, 1996). See esp. pp. 185-192.

image of goodwill by inviting private sector representatives to attend meetings where they might air grievances and make recommendations. The private sector representatives agreed to do so. However, the meetings themselves took place in an atmosphere of rancor and mistrust. Convinced that their most urgent recommendations would be neglected, the business representatives withdrew from the dialogue process. The so-called Consultative Committee collapsed before it attained any degree of formality or regularity. Hart describes its meetings as follows.

> In later assessments of the GIC [Consultative] committee, government and business representatives traded accusations of the other side's lack of seriousness. Business representatives were unhappy that the onus of proposing solutions to private sector problems seemed to be on their shoulders alone and lamented what they saw as government unwillingness to devote time and resources to developing such proposals themselves. Government participants, for their part, expressed disappointment with business people's seeming desire only to complain.[73]

By late 1989, the Consultative Committee no longer existed.

The government sought to renew a process of dialogue with the private sector in 1990, holding another series of informal meetings that were jointly sponsored by the GIC and the World Bank. Despite the atmosphere of mistrust, the government did agree to look into the possibility of providing protection for domestic industries that had become distressed as a result of trade liberalization. The major event was a World Bank sponsored investor conference in February. Its purpose was to showcase the progress of Ghana's economic reform program and to use this progress as a basis for convincing foreign and domestic investors of the country's improved investment climate. The conference is generally regarded as a failure. Rawlings' keynote address was later described characterized by those who attended as one of overt hostility toward foreign investment and many of those who came from overseas to attend the meeting left the country. The dialogue process ended once again and another year passed before the effort to form a consultative process was renewed.

A. The Private Sector Advisory Group (PSAG), 1991-1992

The first of Ghana's formal consultative mechanisms, the PSAG, formed in February 1991 at the urging of the World Bank, which was concerned about the slow development of Ghana's private sector, and with a stalemate in government - private sector relationships. The Bank's role in the formation of PSAG had to be carefully calibrated. Without Bank insistence and the use of some financial conditionality, it is doubtful that the government of Ghana would have taken the

[73] Hart, Liberal Reforms in the Balance, p. 187, fn. 48.

steps necessary to improve communication with the private sector. Too much pressure, however, raised the risk that the resulting consultative process would be so closely identified with the Bank that the government might not develop genuine "ownership" of the recommendations it produced.

To foster this consultative mechanism, the Bank worked largely through its close contacts with the Minister of Finance, Dr. Kwesi Botchwey. Botchwey personally initiated the first meeting and, throughout its existence, his ministry was critically important in organizing PSAG meetings and in helping to coordinate its efforts. The Ministry of Finance also gave PSAG its clear-cut operational mandate: to examine all existing laws and regulatory procedures which impeded private sector investment and development; to advise the government on relevant revisions of obstructive laws; and to develop a set of specific recommendations for legal reform and simplification.

However, the PSAG only lasted for about one year. It ended during 1992, when the attention and energies of the country's political leaders began to be absorbed by the transition to multi-party politics and the imminence of a multi-party election, scheduled for the end of the year. The critical event in the demise of PSAG, however, was the resignation of Botchwey from the government in early 1992. Although the reasons for Botchwey's resignation were never made public, it was widely assumed that his departure from the government arose from a growing dissatisfaction with the growing fiscal indiscipline of the government on the eve of the 1992 elections. Botchwey is widely assumed to have formed the belief that the PNDC had become less and less willing to endure the political costs required to promote sustained economic recovery.

On the whole, most Ghanaian observers consider PSAG to have been relatively successful. The very formation of PSAG signaled a renewed government to transform Ghana's policy environment from government-led economic management to a participatory policy formulation process that gave a greater voice to the private sector. Its productive dialogue was probably enhanced by distinctive characteristics such as its limited and homogeneous membership. Throughout its brief lifespan, PSAG remained a small and highly cohesive body. It consisted of only 9 persons, six private sector representatives and 3 governmental officials.[74] The latter included Botchwey and Dr. George Yankey, the Director of the Private Sector and Legal Division of the Ministry of Finance. An eleven-member support team drawn from sector ministries provided technical support.

Yet, the narrow composition of PSAG was both an advantage and a disadvantage. It was advantageous in that the 6 private sector representatives had considerable homogeneity of interest and represented some of Ghana's most powerful businesses. All were drawn from large multinational corporations with subsidiaries in Ghana such as Unilever and Pioneer Tobacco Company, a

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[74] For a list of members of PSAG, see Appendix II.

subsidiary of British American Tobacco. This economic homogeneity enabled the PSAG to focus narrowly on its mandate, which represented issues of particular interest to large businesses that represented foreign capital investment. However, it also generated concern among other private sector actors, especially Ghanaian-owned small and medium businesses, that the PSAG was not representative of the private sector as a whole.

Over all, the PSAG can be considered a modest success story owing to its ability to have a discernible effect on the country's legal and regulatory environment. Its legal recommendations led to the repeal or revision of a number of obtrusive laws that had been adopted during the earlier era of close governmental regulation of the economy and which were considered inappropriate for an era of private sector-led growth. The Ministry of Finance had given PSAG a specific mandate to concern itself with a revision of the country's Investment Code, originally promulgated in 1985. The recommendations it developed were intended to transform the Ghana Investment Center established under that law from a regulatory role to a promotional agency whose purpose would be to aggressively pursue foreign investment. Other PSAG recommendations led to the repeal or revision of other burdensome laws such as the Wealth Tax and Price Control Laws, as well as the Manufacturing Industries Act, which made it difficult for Ghanaians to form business partnerships with foreign investors. PSAG also advocated liberalization of Ghana's exchange control procedures and labor regulations that placed tight restrictions on the employment of foreign nationals.

If any single lesson can be drawn from the PSAG experience, it is the necessity for a consultative mechanism to have a clear, unambiguous and relatively achievable mandate that is enthusiastically supported by a powerful government official. PSAG met this specification and, in addition, reflected an economic logic that was clear and compelling. If Ghana was to attain higher rates of economic growth, it required additional infusions of foreign investment. PSAG aimed to accomplish that objective by bringing together select representatives of the country's largest foreign investors with a view toward obtaining their input as to how to make the country's legal and regulatory environment more attractive. Subsequent consultative mechanisms in Ghana did not enjoy such a clear mandate.

PSAG's legally oriented mandate was such that it did not include the opportunity to raise broader questions about the government's macro-economic policies. To be fair, however, none of our informants considered this an urgent matter during the very early 1990s. The country's macro-economic policies appeared to be favorable until the months immediately prior to the November 1992 presidential election. By that time, PSAG was no longer meeting actively.

B. The Private Sector Roundtable (PSR)

The PSR, the second of Ghana's consultative mechanisms, was formed in June 1993, at the initiative of the World Bank, which was then primarily concerned with creating a more broadly representative organization for the aggregation and expression of private sector opinion about lingering impediments to Ghana's economic growth. Among our informants, the PSR is widely regarded as a failure. It lasted for only about one year and, according to several of its key participants, it "fizzled out" by the end of 1994, after a report including recommendations had been submitted to the government.

When it was formed, the PSR appeared to have several important advantages. One was the breadth of representation. Whereas the PSAG was a small and economically homogenous group, the PSR was a large and broadly representative organization. Indeed, its initial membership was largely chosen by the World Bank Resident Representative to insure adequate representation from small and medium sized Ghanaian firms that had been excluded from PSAG. To ensure representativeness, the PSR had approximately 50 participants, divided equally between governmental and private sector representatives.[75] Moreover, private sector participants were sufficiently diverse to alleviate concerns that it was biased toward any particular section of the private sector such as multinational enterprise.

Another important advantage of the PSR was that it constituted the special project of a high ranking Ghanaian official, Mr. P. V. Obeng, the Presidential Advisor on Governmental Affairs (PAGA). Obeng, who had been in private business himself, and thus enjoyed considerable credibility with the private business people, was widely considered to be a trusted confidante of President Rawlings. He was also considered an effective and energetic administrator genuinely qualified to improve the government's responsiveness to private sector concerns. Like PSAG, the PSR received technical support from the government, also from the Ministry of Finance, which assumed responsibility of issuing letters of invitation to its meetings. During the year or so of its existence, the PSR met almost weekly.

A third apparent advantage of the PSR was that it did not have any limits on the subjects it could consider. Unlike the PSAG, which had a pre-determined agenda, PSR was formed without any official mandate or terms of reference. Indeed, the Roundtable group used the first two meetings to draw a mutually agreeable list of persistent constraints to private sector development. The PSR first acknowledged the extensive legal and regulatory reforms made under the PSAG and then sought to address outstanding constraints, which fell outside the PSAG's restricted mandate. To do so, the PSR divided itself into six sub-committees each of which had a mandate to research and recommend solutions

[75] For a list of members of the Private Sector Roundtable, See Appendix III.

for one of six issue areas identified as having great importance for business development. Such sub-committees included Privatisation and Divestiture, Industrial Infrastructure, Credit, Banking and Finance, Research and Development, and the Commercial and Juridical System.

The PSR issued a report titled Report by the Private Sector Roundtable Group on Private Sector Development in Ghana in November 1993, approximately five months after its initial formation. The concluding section of this report contained a series of recommendations that grew out of the work of the six sub-committees. Thus, its recommendations dealt with such diverse matters as strengthening the country's financial system, reforming the divestiture process, upgrading the industrial infrastructure, improving the relevance to private sector needs of the country's publicly funded educational institutions, and upgrading the commercial judicial system.

In contrast, the government of Ghana considered the PSR recommendations for more than a year. When it did act, it simply "approved" the report in early 1995. Despite the government's approval, the majority of our informants doubted that any of its recommendations had actually been implemented and most considered the PSR exercise a failure.

Given such seemingly powerful advantages as a broad and widely representative membership, the personal sponsorship of a key, high-ranking government official, an open mandate and on-going technical support from the most influential government ministry, the failure of the PSR warrants close examination. In the end, the reasons for its failure offer a useful checklist of what to avoid in subsequent efforts to enhance consultation between the government and private sector.

The principal factors identified by informants for this study were as follows.

1. Lack of a clear mandate. Unlike the PSAG, which was specifically formed to review the country's legal and regulatory environment and to make recommendations that would create an improved climate for foreign investment, the PSR suffered from an ill-defined agenda. The lack of defined boundaries or guidelines for discussion caused PSR meetings to wander among a wide range of disconnected topics.

2. Size and organizational complexity as constraints. Many private sector respondents considered the size and organization of the PSR to be critical operational constraints. With more than 50 active participants (See Appendix II, List of Private Sector Roundtable Participants), the PSR divided into a number of ad hoc sub-committees to do its work. Several of our informants who were owners of small and medium businesses complained that the organizational complexity and large membership of the PSR hindered the ability to reach policy decisions.

Discussions seemed to go on without any particular direction, and attendance at PSR meetings declined, as a number of members became tired of attending meetings that did not produce concrete results.

3. Lack of clear organizational accountability. One of the World Bank officials responsible for the creation of the PSR claimed that it had an important quality of "spontaneity". While the World Bank had issued the initial invitations to join the PSR, the Ministry of Finance issued invitations to specific meetings and an official from yet another institution, the President's office, (Mr. Obeng) chaired the meetings. But a number of PSR participants actually cited this quality as a source of confusion and indicated that lack of clarity over organizational responsibilities may also have been a source of poor technical support. Often, the invitations to meetings would arrive only the day before the meeting itself, or the invitation to join a trade delegation would not allow sufficient time to reorganize a busy work schedule.

4. No independent research capability. Many business participants also felt that the PSR suffered from the lack of an independent capacity to conduct research. Several members felt that the recommendations included in the PSR's Report lacked credibility because they were overly vague and, due to poor background research, failed to include analysis of such vital matters as cost implications. Similarly, the timetable for the PSR's recommendations was unrealistic: by the time the government approved the Report, the timetable for many of the recommendations had already expired.

5. Dependence upon a single technocrat. Numerous business sector participants as well as former government officials, including two former governors of the central bank, also felt that the PSR had been overly dependent upon a single individual, Mr. Obeng. And as long as Obeng retained the President's confidence, the PSR seemed to enjoy a direct pipeline to the most powerful figure in the Ghana government. But when the President and Mr. Obeng had a falling out, over other matters entirely, the PSR lost its primary mechanism for conveying its concerns to either the elected officials of the government or the civil service.

6. World Bank sponsorship as constraint. The highly visible role of the World Bank in forming the Roundtable and in insisting that the Ghana government participate in it must be viewed in contradictory terms, as both utterly essential and as a potentially fatal flaw. Without the World Bank's insistence, it is entirely possible, even likely, that the Roundtable would never have come into being; or, if it did that the

> government would simply have ignored it. Yet, the highly visible role of the Bank gave many business owners the impression that the government represented, at best, a reluctant participant, going along only to please its most influential donor. As a result, there was little confidence among private sector participants that the government was actually prepared to implement the Roundtable's recommendations.

Despite all these shortcomings, it is important to note that the Roundtable did attain certain important achievements. Several private sector participants credited it with improvements in the efficiency and responsiveness of the Ghana Investment Promotion Center, a government agency responsible for promoting foreign investment. Some were also pleased that certain hitherto distant or imperious government agencies such as the Customs, Excise and Preventive Service (CEPS) and the Standards Board (which certifies that goods are fit for public consumption) could be called to appear before the Roundtable to answer questions about their agencies. And, despite its perceived failure as an institution, the Roundtable did succeed in continuing a pattern of dialogue between the government and the private sector during the tense period following the 1992 election.

C. The Private Enterprise Foundation, 1995- present.

The Private Enterprise Foundation (PEF), the third of Ghana's Consultative Mechanisms (CMs) formed in early 1995 after it had become apparent that the Roundtable was no longer functioning. Although PEF was formed at the initiative of leading members of the Ghanaian business community, both the Ghana government and major donor organizations including USAID, DANIDA and the UNDP provided significant financial support. Their willingness to do so undoubtedly reflected a sensitivity to one of the major constraints on Ghana's previous CMs: their dependence upon government ministries for technical support. At least one key lesson had been learned from the past: for a CM to be effective, it had to have its own administrative staff and the capacity to organize its own activities and meetings.

PEF is an umbrella organization that brings together representatives of a wide variety of Ghana's private sector associations. These include the Ghana National Chamber of Commerce (GNCC), the Association of Ghana Industries (AGI), the Ghana Association of Bankers, the Ghana Employers' Association (GEA), and the Federation of Associations of Ghana Exporters (FAGE).[76] Although some important private sector groups are not yet fully associated with PEF including such important groups as the Ghana Association of Women Entrepreneurs (GAWE), the Ghana Association of Traders (GUTA), and the Ghana Chamber of Mines, PEF leaders seem highly sensitive to the need for

[76] For a list of members of Governing Council of Private Enterprise Foundation, See Appendix IV.

even wider inclusiveness. They have now taken steps to encourage the affiliation of groups that remain outside its umbrella. GUTA, for example, had been given associate status as a member organization from July 1997 and, in mid-September 1997, the PEF Executive Board was considering the membership of GAWE.

PEF's mandate is an extremely broad one. Its construes its role as an advocacy and promotional group for the private sector. PEF's leaders consider that their organization has an obligation to look at anything that is an issue between the government and the private sector. To accomplish this objective, PEF has been highly active in organizing meetings and conferences to bring government and private sector leaders together.

PEF achieved some highly important initial successes and, as of mid-1997, appeared to have established itself as the most influential of Ghana's consultative mechanisms to date. But this changed fundamentally in early September 1997 and PEF's present position is unclear. It is entirely possible that PEF may now have lost the initiative in sparking Ghana's public - private sector dialogue. Today, PEF seems a more reactive organization, with PEF leaders reevaluating the organizadtion's role. PEF's energies are presently directed toward organizational development and, in particular, toward recruiting new members as a means of restoring its political influence. However, to the extent that it has lost influence, PEF's constituent organizations appear poised to more actively promote their separate agendas. The GNCC, in particular, has taken an increasingly assertive position that it, and not PEF, is the appropriate vehicle for the public - private sector interface.

The turnaround in PEF's political fortunes appears to be a result of reaching too far, too quickly, under difficult political circumstances. Though formed only in early 1995, PEF organized two major conferences on the Ghanaian economy during the first six months of 1997, the first at Akosombo, Ghana in March 1997 following the general election by only three months. The second, held with USAID financial support at the University of North Carolina, took place in early June. The cumulative effect of these conferences was to focus intense public attention on the recent poor fiscal performance of the Ghana government. In particular, the two conferences highlighted the extent to which high levels of deficit budgeting were impeding private sector growth. The report of the North Carolina conference, prepared by PEF with the assistance of an USAID-supported consulting firm (Sigma One Corporation), was especially critical of the Ghana government's macro-economic indiscipline.[77]

Private sector participants in the North Carolina conference indicated that there was a high level of esprit and a strong sense of collective purpose in

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[77] Sigma One Corporation, Ghana: Reaching the Next Level Through Global Competitiveness: A Public/Private Partnership, Summary of Conference Proceedings held at Chapel Hill, North Carolina, 1-6 June 1997.

addressing the country's economic situation. Several respondents commented on the pervasive sense, perhaps arising from the conference location, that there was a spirit of "Team Ghana" rather than a sense of government - private sector delegates talking at one another across a table. In particular, the presence of the Vice President at the conference was widely taken as a political signal that the government was prepared to listen seriously to the conclusions and recommendations the conference might produce.

To maintain this positive momentum, PEF sought to organize a third conference, in Ghana. Immediately following the North Carolina conference, PEF announced plans to convene a national economic "summit" to be held in Accra in early September. As conceived by PEF, the purpose of this conference would be to translate what now appeared to be a highly consensual policy dialogue about the need for greater budgetary discipline into a series of specific policy measures for reducing the government's deficits.

In retrospect, this announcement appears poorly timed and overly ambitious, and the very point at which PEF overreached itself. It is clear that some members of the Ghana government found the announcement embarrassing since it not only called further attention to the government's poor fiscal performance, but also underscored the extent to which the government had lost control of the policy dialogue. Several respondents reported that the highest-ranking officials of the Ghana government considered it essential to reassert their control over public discussions of economic policy. The President of Ghana personally informed Kwasi Abeasi, the Director General of PEF, that the National Development Planning Commission (NDPC), a government agency, constitutionally mandated to conduct economic planing -- and not PEF -- would be the organization responsible for convening the September meeting. And, to further downgrade the significance of the September meeting, it would be called a "forum", not a summit.

The political implications of the change of conference sponsorship were unmistakable. To this point, the NDPC had been a relatively unimportant and inactive government agency, widely regarded as a place of internal exile for discredited senior political figures. In transferring responsibility for the September forum, now officially named the National Economic Forum, to the NDPC, the government demonstrated its ability to dominate the policy dialogue.[78] It also signaled its intention to mute the force of any policy recommendations that might emerge. As a result, the September Forum produced a highly diluted set of policy recommendations that seem to have been carefully pre-screened for their political acceptability.

[78] Following the announcement of the change of conference sponsorship, the parliamentary opposition declared its intention to boycott the Forum. To prevent this, Ghana's Vice President, Professor John Evans Mills, a former technocrat, personally appealed to the opposition to attend. A compromise was reached whereby, although PEF would not participate organizationally in the Forum, its President, Mr. Ishmael Yamson, would be permitted to deliver an address as the President of PEF.

The National Economic Forum

The National Economic Forum was held on the 2nd-to-3rd September 1997 under the auspices of the NDPC. Its stated objective was to "bring together people from the private sector, public sector (Government) and the general Ghanaian community to … discuss economic and development policy measures for accelerated economic growth within the framework of Vision 2020 … and to build a national consensus on them".[79] Its report offered a vague set of measures to restore budgetary and macro-economic discipline without specifying how this might be accomplished. For example, the government projected a gradual reduction in the country's budget deficit from the current level of 10% of GDP to zero percent by the year 2001.[80] To achieve the budget-deficit target, the Report offered a number of highly general recommendations. These included a reduction in the rate of growth of government expenditures, the prioritizing governmental expenditures, particularly capital expenditures, on the basis of economic impact assessment, and steps to improve the quality and effectiveness of development expenditure through more effective supervision, monitoring and cost-containment in government projects.

The most important and potentially controversial of the Forum's recommendations involved a new procedure for deficit budgeting. The Forum called for an annual agreement between the Bank of Ghana and Ministry of Finance on the Public Sector Borrowing Requirement (PSBR). The national budget to be submitted to Parliament for approval should include the agreed level of PSBR. Once approved by Parliament, the PSBR would become legally binding on the Bank, which would not be permitted to authorize further government borrowing without legislative approval. Most observers doubted that any of these measures would be implemented in the near future.

The convening of the National Economic Forum, even under questionable political auspices, showed that Ghana's problem was not the absence of a policy dialogue between the public and private sectors. By the time the Forum was held, discussions between governmental and business representatives had been underway for nearly a decade and the key economic issues separating the two parties were well understood. For the private sector, Ghana's most troublesome economic difficulty is a high rate of inflation caused by excessive budget deficits. The high rate of inflation has resulted in high interest rates and these make it all but impossible for local businesses to borrow the funds they need to expand. Business spokespersons call for substantial cuts in government expenditures. Government representatives acknowledge that the country 's budget deficits are troublesome and must be eliminated. But they see the cure for this problem in additional revenue rather than lowered expenditures.

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[79] Republic of Ghana, National Economic Forum Report, Accra, Worldwide Press Ltd., 1997.
[80] National Economic Forum, p. 7.

Policy dialogue is one thing; policy reform, still another. The ability of Ghana's business community to use the policy dialogue to elicit a favorable policy response from the government remains very weak. At present, PEF seems wholly unable to act as a lobby for policy reform. Its current predicament is similar to that of both PSAG and the PSR. All 3 relied upon one key technocrat. Its close working relationship with the Vice President of Ghana meant PEF's potential for having an impact on government policy was dependent upon how far the President was willing to allow Mills' a free hand in working with the private sector. After PEF produced a highly critical report in June 1997 at the North Carolina conference attended by the Vice President, President Rawlings decided that it was time for the government to assume control over the National Economic Forum.

The possibility that the President's personal mistrust of the private sector would diminish the influence of PEF - was always a part of the complicated political algorithm influencing the effectiveness of CMs in Ghana. But by the late 1990s, it would no longer be accurate to suggest that this mistrust was principally rooted in ideological considerations. During the early years of PNDC rule, the president's antagonism to the private sector appears to have been driven principally by ideological considerations, his tendency to see himself as the personification of Ghana's Nkrumaist tradition and the PNDC as the institutional expression of Ghana's radical populist tradition. Such antagonism fueled the PNDC's coercive measures against business during the early 1980s.

By the late 1980s or early 1990s, however, Rawling's difficulties with the private sector may have had more to do with politics than ideology. With the imminent arrival of free elections, the NDC began to moderate its anti-business image, sometimes to the discomfort of its more "progressive" elements. Party leaders including the President made significant efforts to develop a political constituency in the business sector. Members of the business community who are politically aligned with the NDC generally report a cordial relationship with the government. For members of the business sector aligned with the political opposition, however, the pattern of government - private sector relationships has been characterized by profound political strain. Businesses that are identified with the opposition complain that they have sometimes had to bear the full weight of the government's capacity for political reprisal.

The perception that PEF is allied with the political opposition may better explain the government's adversarial attitudes toward PEF than any ideologically driven antagonism toward business. PEF's broadly representative membership roster necessarily came to include some businesses that were openly aligned with opposition leaders or organizations. This sort of difficulty may be inherent in a transitional economy where, despite far-reaching efforts at liberalization, the state remains one of the most powerful economic actors. As many of the largest privately held companies continue to have state agencies or state-owned enterprises as their primary customer, the political relationship a private company has with the government is often the single most important determinant of its economic success. In this sort of an environment, businesses often come to view their political connections as their most valuable economic asset while political leaders view their economic relationships with business in political terms. Hence, the president's recent behavior toward PEF may be more understandable in strategic terms -- as support for NDC-aligned businesses and opposition to those aligned with other parties -- than as the outcome of an older radical-populist ideology.

This has now become the great dilemma of consultative mechanisms in Ghana. Unless a consultative mechanism reaches out for broad participation by a full range of Ghanaian businesses, it cannot represent itself as a legitimate forum for conducting a business - government dialogue. But the more inclusive a CM becomes, the greater the likelihood that its membership will include businesses that are identified with the political opposition. Obviously, the presence of such businesses diminishes the prospect of presidential involvement in the CM process. And, so long as the President himself is unwilling to engage in dialogue with a CM that is highly inclusive, consultative groups must depend upon their relationship with other high ranking government officials such as the Vice President. As this study has sought to show, their influence has been highly transitory.

There is a practical lesson to be drawn here. The nature of present day Ghanaian politics is such that there is no real substitute for a direct dialogue between the President and representatives of the private sector. And this appears to be unlikely so long as Rawlings remains president. But, as the year 2000 national election approaches, the NDC has now indicated that its presidential candidate will be the present Vice President, John Mills. Some Ghanaians are hopeful that, even if the NDC wins the presidential election, the inauguration of a new head of state will provide an opportunity to relax the strain between the government and the business community as a whole, which could benefit PEF.

As a result of its strong financial support from USAID and other important donor organizations, PEF will not simply "wither away" as PSAG and the PSR. Indeed, generous and long-term donor support has enabled PEF to lease a sizable office building and to maintain an impressive secretariat. Yet, this close relationship between PEF and the donor community may also be a source of difficulty. Some first-hand observers feel that PEF has had to expend much of its organizational energy on maintaining its relationship with bi-lateral donors in order to mobilize donor resources. However, as one respondent suggested, it would have been preferable to create an arrangement that increased the private sector share of PEF funding because "this would have forced the management of PEF to attempt to cater to its true clients rather than to donors." In addition, PEF's dependence upon donor support may also have added to the distrust manifested by the Ghana government.

The challenge that PEF presently faces is to find ways to restore its credibility with its member organizations. Several of these organizations such as the Ghana National Chamber of Commerce, now feel that PEF has been politically wounded, perhaps to the point that it can no longer be an effective voice for private sector interests. To the extent that this perception continues, PEF's member organizations will be compelled to pursue their economic agendas separately.

Even if PEF recovers the momentum it enjoyed during the spring and early summer of 1997, however, its long-term ability to influence Ghana's economic policy may be largely determined by factors over which it has no control. One of the most important of these factors will be the government's own ability to conduct sound economic analysis. The Ghanaian government's ability to advise the president on economic issues on a sustained basis is extremely limited. Without this ability, presentations by the private sector may always be viewed with suspicion. Donor organizations have tended to focus on developing this analytic ability within private sector organizations. More thought needs to be given to how to strengthen the capacity for rigorous economic analysis within the government itself.

D. The Four Hypotheses

This study of consultative mechanisms in Ghana is informed by the four hypotheses that were stated in Part I. In summary form, these hypotheses related the effectiveness of a CM to four variables: (1) its ability to institutionalize a dialogue among economic stakeholders; (2) the credibility of stakeholder commitments: (3) the creation of a mutual monitoring mechanism for stakeholder commitments and (4) to a member composition that legitimately and authoritatively represents major economic stakeholders. There follows, in tabular format, a presentation of these hypotheses as understood by private sector, governmental and other actors in Ghanaian society.

Private Sector Advisory Group

Hypothesis	Private Sector Views	Public Sector Views	Other Views
1. Institutionalized and focussed on specific economic reforms.	Highly focussed on legal and regulatory reforms to liberalize economy. It brought about a major revision of the Investment Code and other laws and regulations.	Ministry of Finance offered a clear mandate -- revision of investment code and other laws.	Narrow focus did not allow opportunity to raise broader questions such as macro-economic policy.
2. Garner credible commitments from stakeholder participants.	Private sector commitment was credible because the multinational firms were pursuing their economic objectives.	One party authoritarian state could make credible commitments. The government did not need to consider electoral effect of policy changes.	Before multi-party politics, private sector participants not suspected of pursuing partisan agendas associated with the electoral interests of opposition parties.
3. Establish monitoring mechanisms for these commitments.	Since the goals of the CM were confined to changes in the wording of certain laws, a formal monitoring mechanism was not necessary.	Externally enforced macro-economic discipline allowed focus on laws and regulations.	The resignation of the Minister of Finance, Kwesi Botchwey in early 1992 deprived PSAG of its major advocate within the government.
4. Legitimately and authoritatively represents major economic stakeholders.	Drawn too narrowly from multinationals -- viewed as biased toward MNC interests by Ghanaian small and medium scale enterprise.	Government was prepared to work with a CM whose narrow mandate that did not force it to address the issue of public sector deficits.	Ghanaian public opinion viewed the PSAG as unrepresentative.

Private Sector Roundtable

Hypothesis	Private Sector Views	Public Sector Views	Other Views
1. Institutionalized and focused on specific economic reforms.	Lacking a clear mandate, the dialogue tended to range too broadly. No defined issue boundaries or procedural rules resulted in disconnected discussions. Growing concerns about public sector deficit and inflation "crowded out" other issues.	The consultative dialogue became politicized because it included issues which opposition parties used to criticize the government's economic performance, such as fiscal and monetary policies.	Vulnerable to dependence on government ministries for technical support.
2. Garner credible commitments from stakeholder participants.	Large size diluted value of membership. Did not trust government commitments -- viewed as "lip service". Underlying ideological and political divisions between government and business could not be overcome.	The government gave the impression of being a reluctant participant, engaging in the dialogue principally because of donor pressure. The government viewed the private sector as politically motivated.	The public perception underlying ideological and political divisions between government and business representatives could not be overcome.
3. Establish monitoring mechanisms for these commitments.	The committee system of the PSR lacked coordination. Members of the PSR criticized poor technical support from Ministry of Finance.	The government accepted the report of the PSR but gave no indication as to its intention regarding specific recommendations.	No monitoring mechanism to determine whether the government implemented the recommendations that appeared in the comprehensive report.
4. Legitimately and authoritatively represents major economic stakeholders.	Broader membership adequately included small and medium scale Ghanaian business. But this produced an organization of unwieldy size. Doubted government's commitment.	Chaired by high-ranking Presidential Advisor, P. V. Obeng. Public sector support depended on his energy, expertise and influence. The government regarded participation of certain individual business leaders in opposition parties as a political threat.	PSR's image as a donor-driven organization and its image as an organization of opposition politicians reduced its legitimacy with the Ghanaian public. The lack of a specific mandate further increased confusion about what the PSR was trying to accomplish.

Private Enterprise Foundation

Hypothesis	Private Sector Views	Public Sector Views	Other Views
1. Institutionalize and focused on specific economic reforms.	PEF's mandate was unclear. Was PEF to facilitate an on-going public - private sector dialogue or was it a lobby for specific policy reforms?	PEF benefited from the goodwill of Vice President. Other government officials came to believe that PEF over-reached its mandate in trying to mobilize pressure for policy reforms.	Independent financial support from donors provides PEF with technical staff and permanent headquarters. This allows it to survive a loss of credibility with the government and its own "clients." Unlike PSAG and PSR, it will not disappear.
2. Garner credible commitments from stakeholder participants.	View government as corrupt and fiscally irresponsible. Opposes increased tax responsibility.	"Team Ghana" feeling emanating from North Carolina conference was short-lived. Government became threatened by PEF's growing activism. Government moved to recapture the initiative, replacing PEF with the National Development Planning Commission. (NDPC).	Strong public perception of policy disagreement between private sector and government. Private sector views deficits as an expenditure problem. Government views deficits as a revenue problem.
3. Establish monitoring mechanisms for these commitments.	Focused attention on poor fiscal management of government, but could not sustain the initiative.	Resisted active monitoring by shifting the locus of the policy dialogue to a public sector agency.	Independent secretariat creates a monitoring capability. With organization in disrepute, this is not highly consequential.
4. Legitimately and authoritatively represents major economic stakeholders.	Initiated by private sector as an umbrella organization of established private sector groups. In light of clear governmental dissatisfaction with PEF, individual groups such as Chamber of Commerce are weighing other options. PEF is seeking to recruit new member organizations to restore legitimacy and regain momentum.	Overly dependent on donor support and donor resources, PEF may have given inadequate attention to its "true clients."	PEF's efforts at representativeness meant that its membership included businesses that were perceived as pro-opposition. This lessened PEF's prospect of presidential support.

E. Summary

PSAG was the most effective of Ghana's CMs as measured by its ability to develop a set of specific recommendations that were implemented by the government. Its policy success was made possible by the fact that its dialogue with government was focussed strictly on legal issues that were not politically charged. PSAG also benefited from the fact that Ghana was a military regime. Since multi-party politics was still a somewhat distant reality, PSAG's private sector participants were not suspected of pursuing ulterior partisan agendas. Perhaps more importantly, the government did not have to concern itself with the possibility that reform measures might alienate its electoral base. The narrow composition of PSAG was also conducive to its success. Though not a widely representative body, its small limited membership seemed precisely suited to its narrow legal mandate.

The PSR was not nearly as effective. Its participants believe that it failed to foster a fruitful policy dialogue between the Ghana government and the private sector. There were many reasons. As there was no clear agenda for discussion, dialogue tended to range widely and to include issues which opposition parties were using to criticize the government's economic performance. The credibility of private sector participants suffered from the fact that several key PSR members were highly conspicuous at leadership levels of opposition political parties. In a small society such as Ghana, it is very difficult to compartmentalize a person's economic and political identities. The PSR members who were active in the political opposition were therefore perceived as politically motivated by the government participants.[81] And this suspicion tended to color governmental attitudes toward the PSR as a whole. Dependence on the government for technical and administrative support further diminished the effectiveness of the organization. Because the subject matter of PSR discussions was so broad, it was nearly impossible to have effective monitoring of the dialogue process.

Governmental participants, meanwhile, lacked credibility owing to the government's perceived tendency to judge economic reforms on the basis of their effect on its own political coalition. Virtually every respondent for this study agreed that, with the arrival of multi-party politics, there arose an "us versus them" element to the dialogue between the government and the private sector. In public utterances, government spokespersons had great difficulty in making it clear to the Ghanaian public that the government was making a distinction between the political activities of businesses aligned with the opposition and broad distrust of the business community. Its own efforts to reach out to the business community and to develop a business constituency were generally interpreted in somewhat cynical terms, as part of a political strategy intended to weaken the opposition.

[81] One, for example, was an opposition candidate for president, while another was an aspirant for the presidential nomination of a different opposition party.

Not surprisingly, independent observers viewed the PSR discussions as a form of political campaigning transposed to a different arena. The PSR was widely representative of the Ghanaian private sector in that, unlike PSAG, it included representatives of small and medium enterprises. But this was as much disadvantage as advantage. PSR participants described meetings as unwieldy and the size of the organization itself created daunting technical and logistical difficulties. Private sector participants in the PSR also expressed deep concerns at the conspicuous and seemingly deliberate non-involvement of the head of state in its proceedings. For many private sector participants, this was taken as an indication of the President's continued hostility toward the private sector.

PEF has had a more mercurial trajectory. Initially, it seemed highly successful in establishing a dynamic momentum for economic reform, sponsoring two highly publicized and well attended conferences on that topic. At the present, however, its political credibility is low, its ability to foster a government-private sector dialogue is questioned by both government and private sector actors, and its core members are actively considering alternative strategies.

It would be an oversimplification to declare PEF a failure, however. If consciousness-raising alone measured the success of a CM, PEF might be considered an outstanding success. Ghanaians in all walks of life have become better informed of the budgetary roots of their country's inflation problem and of the government's role in improving or worsening the country's economy. In addition, the major political debate between the government and political opposition now pivots around economic issues. PEF's very success in stimulating public awareness may also have been a source of political vulnerability. Its increasingly visible role as the voice of private sector sentiment on budgetary matters embarrassed the government and provoked a political reaction. Several prominent members of Ghana's business community now believe that PEF leaders misjudged the limits of political permissibility and, in so doing, set the stage for the government to recapture control of the consultative process.

PEF exhibited some elements of weakness all along. Because of its heavy dependence upon donor resources, it was not entirely successful in fostering a commitment of energies and resources by its private sector members. In addition, PEF's ability to influence policy was hindered by the fact that its membership, like that of the PSR, included individuals and organizations perceived by the government as aligned with the political opposition. PEF leaders may also have misjudged the extent to which the government felt politically comfortable in accepting its recommendations. The advent of electoral politics limited the government's ability to make hard commitments since Ghana's highest-ranking officials were also concerned with the electoral effects of reform policies. In Ghana's intensely competitive political context, the government is widely viewed as determined to use economic policy as a means of maintaining a political base. Although this atmosphere of suspicion abated momentarily during the North Carolina conference, the suspension of mistrust proved purely temporary. As government actors came to view PEF in partisan terms rather than as a neutral forum for dialogue, the relationship between the two sides grew more openly adversarial.

PEF's composition as a confederation of private sector organizations such as the Ghana National Chamber of Commerce, and the Association of Ghana Industries has both advantages and disadvantages. It enables PEF to incorporate the full complexity and diversity of Ghana's private sector while maintaining reasonably workable levels of individual participation. But the individuals who attend PEF meetings bring the specific agendas of their separate organizations to PEF meetings and conferences. These separate agendas threaten to compete with PEF's given its present weakness.

At present, it is unlikely that Ghana government will allow PEF to recapture the sort of policy initiative it enjoyed as recently as the June 1997 North Carolina conference. By marginalizing PEF, the government casts doubt on the feasibility of genuinely effective consultative bodies, at least until the forthcoming national elections have been completed. At best, PEF will continue in a limited role as a meeting ground for the representatives of its member organizations. Yet, this is precisely what the leaders of the Ghana Chamber of Commerce claim they already do. Indeed, Chamber of Commerce representatives have gone so far as to suggest that unless PEF is able to conduct a meaningful policy dialogue with influential members of the Ghanaian State, it is organizationally redundant.

Part IV. Conclusion

At present, the consultative process in Ghana appears stalled. The circumstances surrounding the September 1997 National Economic Forum revealed that, at least for the time being, the government of Ghana has decided to place the process of government - private sector dialogue under direct state auspices. By itself, this might not have been an unwelcome decision but for the fact that the government chose a hitherto marginal and relatively inactive agency, the National Planning Commission (NPC), to head this effort. No one in Ghana considers the NPC a significant or credible player in the policy process. For members of PEF, this signifies that the government places a low priority on the dialogue, with its primary intention being to prevent this dialogue from having any major effect on its economic policies.

The rise and fall of PEF demonstrates what the majority of Ghanaian business owners have long claimed. The participation of the head of state has always been an indispensable precondition for the success of CM efforts in Ghana. The President is far and away the country's most powerful political actor. He possesses the personal authority to move the process of policy reform forward or backward. Without his personal involvement and public endorsement, members of the Ghanaian business community are likely to view the CM process as a kind of obligatory but meaningless ritual. The President's absence from all of the previous CM efforts has been widely perceived as a signal of his personal reluctance to cede the private sector any significant role in the formulation of public policy.

Each of Ghana's three consultative mechanisms has flourished or floundered on the basis of the relationship between one prominent technocrat and the head of state: Kwesi Botchwey, in the case of PSAG; P.V. Obeng, in the case of PSR; and John Mills, in the case of PEF. When these individuals enjoyed the confidence of the head of state, CM participants felt that they were at least contributing to a serious and meaningful dialogue. When the relations between these individuals and the head of state became strained, the CM process deteriorated so badly that key private sector participants discontinued their interest and involvement.

Frictions between technocrats and the President have not been personal and, with the possible exception of Mills, they have not been related to electoral competition. Both Botchwey and Obeng enjoyed cordial relations with the president until policy disagreements intruded and Mills had been handpicked by the President based on his reputation as a non-political technocrat. The personal conflicts that arose between the President and his handpicked technocrats are a reflection of Ghana's deeper malaise, the society's deep division over the value of having a robust and growing private sector. During the early years of reform, Rawlings seemed the personal embodiment of that duality, favoring economic reforms for their cleansing value while simultaneously opposing them because they might empower a social class he despised. In more recent years, however, Rawlings' personal position has grown more ambiguous. While he continues to view business as inherently corrupt and exploitative, he has also acknowledged, by giving his personal support to the presidential candidacy of John Mills, that the NDC must do more to reach out to the Ghanaian business community.

A. The Atmosphere of Mistrust

Policy disagreement is to be expected in any society that is experiencing a fundamental transformation in the economic role of the state. But in Ghana, this disagreement takes place in an atmosphere of intense mutual distrust. The atmosphere of mistrust results from a number of factors but one of the most powerful is the painful memory of past events. The anti-business actions and rhetoric of the early Rawlings government form are still remembered by Ghanaian business leaders. The revolution that brought the PNDC government to power was militantly anti-capitalist in its political ideology. During its brief tenure in power in the summer of 1979 and during the first fifteen months of the "second revolution" that began in 1982, Rawlings and his closest associates publicly reviled the private sector as the root of Ghana's problems. They blamed capitalist greed for Ghana's all-pervasive corruption and for the country's political and economic decline, arguing that market economies enriched the few at the expense of the many.

If the Rawlings government had been resolute in its implementation of market-based reforms, following the cabinet's decision to adopt a structural adjustment program in April 1983, the memories of these events would probably have been forgotten by now. However, the government's ambivalence toward the private sector has continued even as reforms progressed. Such ambivalence has been reflected over and over again in inconsistencies in the government's economic policies and in inconsistencies between its economic policies and its leaders' rhetoric toward the private sector.

Today, the most striking feature of the government - private sector dialogue today is the depth of the disagreement between the government and key business leaders over fiscal deficits and inflation. From the government's standpoint, these deficits are not the product of excessive expenditure but, rather, result from a revenue shortfall. Government spokespersons assert that Ghana's large expenditures on physical infrastructure, education, and health are indispensable for the development process. Acknowledging that the deficits must be reduced, they claim that the principal challenge Ghana faces is to expand the government's tax base in order to increase revenues. In pursuit of increased tax revenue, they reintroduced the Value Added Tax (VAT), which had first been attempted briefly and unsuccessfully during 1995.[82]

Ghana's business leaders as well as some representatives of the political opposition take a different point of view. They argue that Ghana's fiscal difficulties result from a combination of factors including widespread corruption; specifically, the use of government funds to funnel economic resources to political supporters of the governing party. Private sector leaders believe that the government's inability to prioritize expenditures is a compelling indication of its inability to control official corruption and, therefore, a sure sign that it lacks the political resolve to reduce its unsustainable deficits. The remedy they demand is a phased reduction in the rate of increase in government expenditure.

The atmosphere of mistrust is worsened by Ghana's long-standing and widespread problem of political corruption.[83] The causes of this problem include such factors as the declining purchasing power of official salaries, social pressures arising from the extended family system and the extensive opportunities presented by an economic system that continues to feature a high degree of governmental economic control. The causes of official corruption are outside the scope of this study, but its effects are clear. Corruption has involved an incalculable diversion of economic resources from potentially productive uses to private consumption. By raising the cost of business activity and making such activity more risky, it has discouraged investment. It is not surprising that Ghanaians prefer investment in trading activities, which do not involve the construction of costly but vulnerable fixed assets, to investment in productive enterprise. [84] As a whole, corruption has contributed greatly to the all-pervasive atmosphere of political cynicism that makes it all but impossible for governmental participants and private sector actors in the CM process to trust one another's motives.

The possibility of meaningful dialogue is further diminished by the presence of a huge disconnect between governmental and private sector perceptions of the economic reform process. Governmental officials point with pride to their many achievements in implementing more appropriate economic policies and in liberalizing the nation's economy. They feel that the government does not receive adequate credit for having implemented a host of far reaching economic changes. These include exchange rate devaluation, trade liberalization, reform of the structure of cocoa marketing, revision of the laws governing investment, the creation of a stock exchange, privatization of state

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[82] For a full account of this episode, see Seth Terkper, VAT in Ghana: Why It Failed (Cambridge: Harvard Institute for International Development, Development Discussion Paper Number 556, 1996).
[83] This problem has been abundantly documented. See, for example, Victor T. Le Vine, Political Corruption: The Ghana Case (Stanford: Hoover Institution Press, 1975); Robin Theobald, Corruption, Development and Underdevelopment (Durham: Duke University Press, 1990) and Robert Klitgaard, Controlling Corruption (Berkeley and Los Angeles: University of California Press, 1988).
[84] Ernest Aryeetey, "Private Investment Under Uncertainty in Ghana" in World Development, Vol. 22, No. 8 (April 1994), p. 1212.

enterprise, and reform of the financial sector. Government leaders also take pride in Ghana's smooth transition from military rule to a multi-party political system.

Members of the business community, however, begin with a different set of perceptions. Most, for example, tend to perceive the economic reform process as having been glacially slow. Some assert that reforms took place only under extreme pressure from Ghana's international donors. Business leaders also point to the many important reforms that have yet to occur, including reform of the country's out-dated property rights system, or to those that are hopelessly bogged down, such as further divestiture of state-owned enterprises. Most importantly, they cite Ghana's fiscal policy as an example of governmental reluctance to implement politically challenging reforms. And, where governmental representatives see a smooth transition to multi-partyism, a number of business leaders, especially those aligned with the opposition, see a continuing pattern of harassment and intimidation.

Members of Ghana's business community also remain deeply troubled by inconsistency in governmental rhetoric about the economy. Some of the government's most powerful spokespersons have taken great pains to acknowledge that "the private sector is the engine of growth" and to work publicly with private sector representatives to better the policy climate. Other highly prominent government leaders, however, have stressed their on-going opposition to a market-led form of social organization, repeatedly indicating that private accumulation of wealth is socially undesirable in a poor country such as Ghana. In public conferences intended to encourage entrepreneurship and investment, key governmental spokespersons seem inevitably to use the occasion as an opportunity to criticize the morality of the profit motive and the behavior of the business community. The insecurity created by such rhetoric continues to be a major problem.

One effect is that it has made it very difficult for the Rawlings Government to win the political support of social groups that have benefited from reform. The most conspicuous example of this phenomenon is Ghana's cocoa farmers who, though they have gained greatly from the liberal policies that have led to the recovery of this sector, have tended to remain politically distant from the NDC. In the 1996 presidential election, Rawlings gained a majority of the popular vote in every region of the country except Ashanti, where he received less than 33% of the votes. The magnitude of the difference between Rawlings strong popular support elsewhere in the country and the intensity of political opposition among the Ashanti people suggests the persistence of the ethnic divide in Ghanaian politics.[85] But it also suggests the extent to which Ghana's leading business entrepreneurs continue to mistrust the intentions of the Rawlings government.

[85] For a full discussion of this election, see Joseph R. A. Ayee, "The December 1996 General Elections in Ghana: A Post-Mortem." (Paper presented at a seminar of the Department of Political Studies, School of Oriental and African Studies, University of London, March 1997).

The reasons for the rhetorical ambivalence of the National democratic Congress (NDC) have to do with the early character of the Provisional National Defense Council (PNDC). When it was first formed, the PNDC had greater similarity to a movement of national rejuvenation than to a political party. Its original agenda was not ideological but, rather, to create a new Ghana that would be cleansed of the corruption of the past and the sense of shame that derived from the country's economic collapse. The closest comparison would be to the Gaullist movement of the early post World War II years, which was also more an organization dedicated to national recovery than an organization based upon a particular ideology of the left or right. Just as it was possible to be a socialist Gaullist or a conservative Gaullist, so long as one was dedicated to the rebuilding of France, it was possible to be a radical or moderate PNDC member so long as one was committed to a national project of patriotic reconstruction. The common core of PNDC ideology was that Ghanaians of goodwill should unite, regardless of their ideology, to establish a new beginning. Thus, the PNDC and its successor organization, the NDC, have included both major streams of political ideology in Ghana, the populist radicalism of Kwame Nkrumah's Convention People's Party (CPP) and the economic conservatism of Nkrumah's opposition.

The radical and technocratic factions of the PNDC, however, have always co-existed uneasily. Indeed, the bitter power struggles between these factions help explain the extreme volatility of Ghanaian politics during 1982 and early 1983. The uneasy coexistence of divergent ideological tendencies explains the great paradox of Ghana's movement toward a more open economy; namely, how the government could embrace liberal economic policies while at the same time expressing the deepest hostility toward the entrepreneurial classes that might flourish in a more open environment. The radical faction of the PNDC was prepared to accept fiscal and monetary reforms because these seemed to provide the best way to eliminate the ruinous economic waste that took place through bureaucratic rent-seeking. But these leaders have never come to terms with the prospect that liberal reforms would also empower Ghana's entrepreneurial classes. Hence the resulting reform effort was one that could make important progress in establishing the structural basis of a market economy while, at the same time, systematically ostracizing and harassing the private sector.

One troubling feature of the highly visible political conflict between the radical and moderate factions of the NDC, however, is the extent to which the prominence of radical political figures continues to engender feelings of insecurity within the business community. In the past, one of the more consistent themes running through the history of the Ghana's efforts to create consultative mechanisms was the marginalization of the PNDC leaders who have sought to bring the business community into the policy dialogue. Thus, for example, Kwesi Botchwey, associated with the formation of the Private Sector Advisory Group, is now in virtual political exile in the United States. P. V. Obeng, associated with the formation of the Private Sector Roundtable, is no longer a member of the government.[86] Even the Vice President John Mills, who today seems to enjoy the strong support of the President, was publicly embarrassed when the government deprived PEF of the opportunity to sponsor the National Economic Forum.

Although the political fortunes of each of these individuals have been the product of various factors, their visible identification with the Ghanaian business community has been unhelpful in their efforts to maintain a position of influence within the PNDC/NDC governments. The past marginalization of powerful economic technocrats continues to be widely interpreted as a reflection of the government's reluctance to have a serious dialogue with the private sector. In the past, this dialogue went ahead because leaders of the NDC felt that the government had to please its major donors such as the World Bank and USAID, which supported the CM process. On the other hand, the nomination of Mills as the NDC's presidential candidate may indicate the declining influence of the party's progressive faction and signal more genuine receptiveness to the CM process.

In the meantime, the portentous aspect of PEF's current predicament is that it follows the failure of the previous mechanism, the Private Sector Roundtable. Since 1992, successive efforts to build consultative mechanisms that would foster better cooperation between the government of Ghana and the business community have been largely unsuccessful. Not only has the atmosphere of mistrust worsened, but also the process has only produced the most limited results in producing real policy reform. Overall, aside from the early success of the Private Sector Advisory Group in changing some of the laws governing investment, the most prominent members of Ghana's business community feel that they have little to show for the time and energy they have invested in the consultative process. Many regard consultation with the present government as futile.

B. Transition to Multi-partyism

It would be premature to draw operational conclusions from the experience of the PEF or PSR without taking into consideration that they functioned in a very different political and economic environment than their predecessor, the PSAG. The PSAG operated during the final years of military rule, a period when organized political opposition and contested elections were a distant reality. This enabled a government - private sector dialogue free of the

[86] Some respondents also place Dr. Joseph Abbey, a conservative economist, on the list of once powerful technocrats who are no longer members of the Ghana government. Abbey, who was a key figure in Ghana's early reform efforts, later became ambassador to England and then to the United States. He is presently Director of the Center for Economic Policy Analysis, an independent research institute that has had some support from USAID.

pressures of electoral politics. Once the transition to a multi-party system began, however, it became difficult to disassociate the government - private sector dialogue from political competition between rival partisan organizations.

The transition toward multi-partyism has altered the government - private sector dialogue in important ways. The major difference has to do with the broad macro-economic environment. Prior to the democratic transition, from 1983 through 1990, the PNDC military regime had made great strides in improving Ghana's macro-economic environment. Currency devaluation and liberalization of cocoa pricing, for example, produced a dramatic recovery of traditional exports including cocoa, gold and timber. This substantially improved government revenue flows and foreign exchange reserves. By the early 1990s, Ghana's had lowered its rates of money supply creation and inflation to the lowest levels since the very early 1970s. Progress in addressing these concerns meant that macro-economic policy was not on the list of issues that urgently required government - private sector dialogue. Instead, the participants in the dialogue were free to focus on less sensitive and potentially more soluble matters such as legal and regulatory concerns and improvement of the Investment Code.

Yet all this changed in 1992 when multi-partyism was legalized in anticipation of the Presidential and National Assembly elections to take place at the end of the year. Ghana has shown that it is highly prone to a phenomenon that political scientists have termed "the political business cycle," the tendency for governments to attempt to engage in deficit budgeting as a means of stimulating the economy in anticipation of an election.[87] During 1992, Ghana's fiscal environment deteriorated abruptly as the government increased the money supply by nearly 60%! (The money supply increases for 1990 and 1991 had been 18% and 15% respectively.) There is a virtually unanimous consensus among Ghanaians both inside and outside the government that this increase in the money supply was prompted by the upcoming election. For, as the PNDC military government transformed itself into a political party, the National Democratic Congress (NDC), the large fiscal deficits were utilized primarily to help finance its election campaign. The government's burgeoning deficits, in turn, lead to a sharp increase in the inflation rate, which reached 25% in 1993 and 1994 (up from 10% in 1992), and jumped to nearly 60% in 1995. From the standpoint of the business sector, the most disturbing result of inflation was its impact on interest rates, which now ranged between 45 and 50% even for prime borrowers.

To complicate matters still further, the government was financing a part of its deficit by issuing bonds on which it paid a guaranteed rate of interest of 45% or more. Banks that could make substantial and secure profits simply by

[87] There is a vast literature on this topic. The classic article is William D. Nordhaus, "The Political Business Cycle," in Review of Economic Studies, Vol. 42, 1975, pp. 169-90. More recent works include Alberto Alesina, et. al, Political Cycles and the Macroeconomy (Cambridge [MA]: The MIT Press, 1997) and Alex Cukierman, et. al., eds, Political Economy, Growth and Business Cycles (Cambridge [MA]: The MIT Press, 1992).

purchasing government bonds had little incentive to lend on a risk basis to private sector entrepreneurs. As a result, government bonds had a powerful "crowding out" effect on private borrowers, especially borrowers seeking long-term funds for investment in productive enterprises.

The government's unwillingness to discipline its fiscal behavior altered the content and the tenor of the dialogue with the private sector. Before multi-partyism began, the dialogue focussed on relatively non-controversial issues such as legal reforms. By mid-1993, however, the private sector became concerned with the growing deficits resulting from the NDC's use of the budget as an electoral tool. Unlike the dialogue over legal and regulatory reform, deficit reduction is a politically difficult subject under the best of circumstances. But in Ghana it became especially difficult after the transition to multi-partyism because any criticism of the government 's fiscal policy was now seen as a politically motivated attack on the NDC. The fact that some of the most prominent members of Ghana's business community were very active in opposition political parties only added to the tension.

The imminence of the year 2000 election has already begun to color internal NDC politics. Ghana is at a political crossroads. Many Ghanaians feel that the NDC cannot prevail unless it fully redefines itself as the party of Ghana's economic future by developing a more solid basis in the business community and among export-oriented farmers. This feeling appears to be shared by Rawlings himself, as reflected in his support for Mills' candidacy. One Ghanaian respondent likened the challenge that Mills will face, as leader of the NDC when Rawlings completes his presidency, to that faced by Jacques Chirac when he assumed the leadership of the Gaullist movement in France. He will be called upon to convert a basically populist but multi-stranded movement of national rejuvenation into a political party with an unambiguous commitment to a pragmatic economic policy. Against the background of Ghana's troubled past, and the history of deep antagonism between the government and the business community, the challenge of making a credible commitment to the private sector is a formidable one.

Apppendix I. List of Interviews

1. Joe Abbey--Director, Center for Policy Analysis.

2. Alex Awuku--former President, Ghana National Chamber of Commerce and Managing Director, Atlantic International Group.

3. Robert Epworth--Senior Operators Officer, World Bank.

4. Daniel Gyimah--Private Sector Advisor, USAID.

5. Peter Mac Manu--Managing Director, Macal Tyre Retrofit.

6. K. Boateng Agyen--Projects Officer, World Bank.

7. Denise Rollins-Hemmings-- Director, Office of Program and Project Development, USAID.

8. J. Atta-Nyamekye--Managing Director, Densu Industries.

9. Yeboa Amoa--Managing Director, Ghana Stock Exchange.

10. Theo Gadzanku--Managing Director, Environmental Development Group Ltd.

11. David Darko-Mensah--Managing Director, Afanko Ltd.

12. Ernest Aryeetey--Associate Professor, Institute of Statistical, Social and Economic Research, University of Ghana.

13. E. Gyimah-Boadi--Director, Governance Unit, Institute of Economic Affairs.

14. Kwasi Abeasi--Director General, Private Enterprise Foundation.

15. John Addo--Chair, Prudential Bank (former Governor of the Bank of Ghana).

16. Nathaniel Otto--Assistant Director, Export Promotion Council.

17. Dennis Vormawor--Deputy General Secretary, Trades Union Congress.

18. G.A. Haldane-Lutterodt--Chief Director, Ministry of Trade and Industries.

19. Paul Asimenu--Legal Advisor, Legal Private Sector and Financial Institutions Division, Ministry of Finance.

20. Mavis Ampah--Managing Director, Spectrum International Ltd.

21. Rene Lemarchand--Democracy and Governance Officer, USAID.

22. Jay Oelbaum--Doctoral Candidate, University of Toronto.

23. William Yeboah--Financial Controller, Managing Director, General Leasing & Finance Co. Ltd.

24. Louis Quarcoo--Managing Director, Metro Transtech Ghana Ltd.

25. Kim Harnack-- Resident Representative, International Monetary Fund.

26. Ferdinand Tay--Director, Development Policy Division, National Development Planning Commission.

27. Gerard Byam--Private Sector Finance Officer, World Bank.

28. Kaikhosrou Framji--Resident Representative, World Bank.

29. Oko-Nikoi Dzani--CEO, NDK Financial Services Ltd.

30. Kofi Apraku--Member of Parliament, New Patriotic Party.

31. Ben Gogo--General Manager, Social Security Bank.

32. Marjorie Abdin--Managing Director, Best Links Ltd.

33. Joe Goodwin--Senior International Economist, Sigma One Corporation.

34. Stephanie Baeta-Ansah--Managing Director, Home Finance Co.

35. Rashid Bawa, Head, Transitional Office, Non-Performing Assets Recovery Trust.

36. Sal. Doe Amegavie, Executive Secretary, Ghana National Chamber of Commerce.

37. A. A. Owusu, Chair, Astek Ltd.

38. Alex Ashiabor, Chair, Metropolitan and Allied Bank (GH) Ltd. (former Governor of the Bank of Ghana).

39. Keli Gadzekpo, Executive Director, Databank.

40. N. T. Apotsi, Deputy Chief Executive, Ghana Investment Promotion Center.

41. Ladi Nylander, Managing Director, Johnson Wax.

Appendix II. Membership of Private Sector Advisory Group

1. Ishmael E. Yamson, then President of Ghana National Chamber of Commerce. He represented the Unilever Corporation of which he was Chair.

2. Dr J.K. Richardson, then president of the Association of Ghana Industries and chairman of Ghana Pioneer Tobacco Company.

3. Dr Appiah-Menkah, Managing Director of Appiah Menkah Industries and African Roundtable.

4. Alan Kyeremanten, Managing Director of EMPRETECH.

5. P.K. Kludjeson, Managing Director, Kludjeson International Limited.

6. W.E. Inkumsah, President, Ghana Employers Association.

7. Dr Kwesi Botchwey, the then Minister for Finance.

8. Dr G. Yankey, Director, Private and Legal Division, Ministry of Finance.

9. Kwesi Ahwoi, Chief Executive, Ghana Investment Centre.

Appendix III. Membership of the Private Sector Roundtable

1. Mr P.V. Obeng	Office of the President
2. Mr Dan Abodakpi	Ministry of Trade and Industry
3. Dr G. Yankey	Ministry of Finance
4. Mr W.E. Inkumsah	Association of Ghana Industries
5. Dr Ferdinand Tay	National Development Planning Commisssion
6. Dr Appiah-Menkah	Appiah Menkah Complex
7. Ms Lauretta Lamptey	ECOBANK
8. Mr K. Bentsi-Enchill	DATACENTA
9. Mr Kay Amoah	Ghana Investment Centre
10. Mr Daniel Gyimah	USAID
11. Mr E. Agbodo	Divestiture Implementation Committee
12. Mr S.E. Addo	NTI
13. Mr Ken Ofori-Atta	DATABANK
14. Mr Mike Payne	Mobitel
15. Mr P.K. Kludjeson	Kludjeson International Ltd.
16. Dr Charles Asembri	Ghana Stock Exchange
17. Mr Adu-Arthur	Pee Wood Ltd.
18. Mr Nuhu	NTI
19. Mr Saah	Registrar General's Department
20. Dr Alan Kyeremanten	EMPRETEC
21. Mr Kyeretwie Ofori	IROKKO
22. Professor Ayensu	Consultant

23. Ms Lesley Dadzie	Ministry of Finance
24. Mrs Mavis Ampah-Yeboah	World Bank
25. Mr Dadzie	Ghana Mats and Carpets
26. Mr Seidu	Bank of Ghana
27. Mr Peasah	Ministry of Trade and Industries
28. Mr E.N. Aryeetey	Social Security Bank
29. Mr Duker	Crown Agents
30. Mr Mac Manu	Macal Tyre Retrofit
31. Mr Brempong	Super Paper Products Company
32. Mrs Lucia Quachey	Ghana Association of Women Entrepreneurs
33. Mr Lal Gokaldas	Gokals
34. Dr Andah	Bank of Ghana
35. Mr Abban	National Vocational Training Institute
36. Mrs Evan-Quayson	Private Legal Practitioner
37.Mr I. Yamson	Unilever
38. Mr Obeng-Yeboah	Customs, Excise and Preventive Service
39. Mr Larsey Mensah	Export Promotion Council
40. Mr Charles Asare	ECOBANK
41. Mr R. Ossie	St. Ossei
42. Mr G. Prah	South Akim Manufacturing Company
43. Mr E.Arthur	Addicopa Farms
44. Dr C.D. Anyomi	FINSAP Secretariat, Ministry of Finance
45. Mr Mike Kosi	Ministry of Finance

46. Dr K. Nduom	Deloitte and Touche
47. Mr Addison	Multiwall Paper Sacks
48. Mrs Ampratwum	Ministry of Finance
49. Mrs Woanya	Ministry of Trade and Industries
50 Mr Kwesi Ahwoi	Ghana Investment Promotion Centre
51. Mr K. Asante-Frimpong	National Board for Small-Scale Industries

Appendix IV. Membership of the Governing Council of the Private Enterprise Foundation

1. Mr I.E. Yamson (President) - Representative of Ghana Employers Association (GEA)

2. Dr J.A. Addison (Vice President) - Representative of the Association of Ghana Industries (AGI)

3. Dr J.K. Richardson (Member) - Representative of the Ghana National Chamber of Commerce (GNCC)

4. Nana Yeboah Kodie Asare II (Member) - Representative of Federation of Associations of Ghana Exporters (FAGE)

5. Mr J. Atta Nyamekye (Member) - Representative of Association of Ghana Industries (AGI)

6. Mr Alex Awuku (Member) - Representative of the Ghana National Chamber of Commerce (GNCC)

7. Mr P.K. Thompson (Member) - Representative of the Ghana Association of Bankers (GAB)

8. Mrs Helen Lokko (Member) - Representative of the Ghana Association of Bankers (GAB)

9. Mr C. Stanley-Pierre (Member) - Representative of Ghana Association of Employers (GEA)

10. Mr J. Addo-Yobo (Member) - Representative of the Federation of Associations of Ghana Exporters (FAGE)

11. Mr Cleveland Thomas (Member) - Representative of USAID

12. Mr Peter Weisel (Member) - Representative of USAID

13. Mr Kwasi Abeasi (Director General) - Ex Officio Member

Appendix V. Key Political Events

March 6, 1957	Ghana gains independence from Britain. Kwame Nkrumah, whose party the Convention People's Party (CPP) won the 1956 multiparty elections, becomes Prime Minister.
July 1, 1960	Ghana attains republican status within the British Commonwealth of Nations and Nkrumah becomes the executive president of the First Republic.
April 1964	Ghana becomes a single party state under the CPP.
February 24, 1966	Military coup replaces Nkrumah's CPP government and establishes an eight member military cum police junta called the National Liberation Council (NLC). Head of State was General J.A. Ankrah, who was later on replaced by General A.A. Afrifa.
August 1969	Multiparty elections are organized under the Second Republican Constitution to return the country to constitutional rule. K.A. Busia's Progress Party (PP) won the elections.
October 1, 1969	Inauguration of the Second Republic.
January 13, 1972	Military coup overthrows Busia's PP government and establishes National Redemption Council (NRC) led by Colonel I.K. Acheampong.
March 1975	Supreme Military Council (SMC) - made up of most senior military officers - replaces NRC as executive and legislative organs of government.
July 1975	General Acheampong is removed from office as Head of State in a palace coup and replaced by General F.W.K. Akuffo (SMC II).
May, 1979	Flt. Lt. J.J. Rawlings attempts a coup but fails; put on trial.
June 4, 1979	Mutiny by lower ranks of the armed forces replaces General Akuffo's SMC with Armed Forces Revolutionary Council (AFRC) led by Rawlings, who was freed by the mutineers from prison.

June 18, 1979	Three former heads of state, Generals A. A. Afrifa, I. K. Acheampong and F. W. K. Akuffo and five top military officers executed by firing squad for corruption and abuse of office.
July 1979	Multiparty elections held under the Third Republican Constitution. Elections won by Hilla Limann's People's National Party (PNP).
September 1979	Inauguration of the Third Republic.
December 31, 1981	Rawlings stages a second coup and replaces the Limann PNP government with the Provisional National Defence Council (PNDC). PNDC government initiates a Libyan style people's revolution.
April 1983	Cabinet reverses economic course and adopts an economic reform program based on World Bank recommendations.
March 1992	Resignation of Dr Kwesi Botchwey as Secretary (Minister) for Finance.
April 28, 1992	Referendum on Fourth Republican Constitution.
May 18, 1992	Multipartyism restored.
November 3, 1992	Multiparty presidential elections held under the Fourth Republican Constitution. Elections won by Rawlings and his National Democratic Congress (NDC).
December 29, 1992	Parliamentary elections held and boycotted by four major political parties because of alleged electoral malpractice. NDC won 189 out of the 200 seats.
January 7, 1993	Inauguration of Fourth Republican Constitution with Rawlings as executive president.
December 7, 1996	Multiparty elections won again by Rawlings and his NDC. NDC won 133 seats - one seat short of two-thirds majority required to pass constitutional amendments.

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