

Professor Lance Taylor,
Department of Economics,
Massachusetts Institute of Technology,
Cambridge,
Massachusetts 02139,
U. S. A.

RHG/SH

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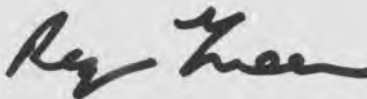
Dear Lance,

Here is a thinkpiece on Ghana? Is this the approach you want? I hesitate to put up a tightly articulated project until we see what sectors - themes - issues are common. Last time we didn't have enough common core and if each country person does "his own thing" this time when divergences (at least at superficial level) should be wider (sic!) there may be no common core left.

I do think the employment, production by poor people, human dimension and export (or return to external balance) aspects are fairly general. (They fit Philippines where I've been this year as well as Africa, albeit the total lack of any coherent, credible export development strategy may apply only to SSA plus smaller Asian and LA cases.) They also do link with the sub-class/social group common core head (not that it proved to be covered by everybody) in first round.

I am trying - per our earlier correspondence - to locate a Ghanaian co-worker.

Cordially,



Reg Green

Copies sent to: CHL, CF, E de K.

GHANA - Medium Term Questions

Introduction - Where We Are and Why

Ghana is a concrete demonstration that a fairly standard stabilisation and adjustment programme can survive, evolve and yield at least some demonstrably positive effects. This is not necessarily a generalisable conclusion since Ghana had several actually or potentially positive preconditions/developments which have been at least conducive to and probably vital to survival and partial success:

- a. a disastrous opening situation (a 10 year steady decline and arguably an 18 year one) creating a receptiveness to change;
- b. a set of exogenous disasters - drought, expelled workers returning from Nigeria, fires in cocoa plantations - on which all the perceived problems during initial year could be blamed;
- c. a currency so fantastically overvalued that most imports bought by consumers were at 'shadow' prices and many exports were smuggled almost totally for currency valuation reasons;
- d. a good evolution of weather in the second and third years of the programme resulting in rapid (and partly unsustainable) falls in inflation, in absolute (and relative) food prices and in physical shortages of food;
- e. a government which had secured a degree of credibility as broadly honest, determined to act and concerned for the "national interest" and had taken major steps (some such as a much higher real cocoa price and prompter payment crucial to the latter programme success) in a stabilisation programme of its own;
- f. very significant rises in net foreign resources inflow which meant that - after a lag since it took about 12 months from the March 1983 'agreement'

to substantial added resource/import availability - there was no cutback in imports or consumption except during the 'shock policies in place'/'resource flows in pipeline' phase when it could ("b") be put down to the drought and expulsions/return of workers.

Over 1984-1987 Ghana has achieved growth of GDP averaging 5.5% to 6% a year; managed to raise real wages and (after a drastic fall in 1983) real export crop prices; reduced government recurrent deficits largely by revenue raising and allowing some stabilisation of real recurrent (excluding the debt service explosion) and a sharp real recovery of public GFCF; significant export rises; and - even in a coastal savannah drought year in 1987 - avoidance of food shortages/price explosions.

Notably however, very little progress was made in raising average food grower income increases or in empowering the poorest three regions' (Northern, Upper East, Upper West) and urban slums' residents to raise their incomes. Equally the balance of trade and current account gaps, if anything, appear to be widening. Policy has evolved - e.g. PAMSCAD (programme to ameliorate the social cost of adjustment and development) is an attempt to address the basic service access, employment and - to a lesser degree - empowering of the poor to produce issues of the poorer regions and urban slums as well as programme retrenched civil servants.

Some Future Problematics or Parameters

At least nine major questions arise as to the degree of sustainability and future problems and potentials of GHASASAPS (Ghana Stabilisation and Structural Adjustment Programmes):

- a. agriculture and in particular food production;
- b. industry and the ability to alter structures of production in a coherent manner consistent with general patterns of historic structural change in economies which have achieved upper middle levels of output per capita;
- c. exports - both traditional and potential - from production, price, import capacity and development strategy/finance parametric points of view;

- d. creation of a government recurrent budgetary process consistent with prioritisation, monitoring and even minimal efficiency in resource allocation and utilisation;
- e. articulating human dimensions (production by poor/universal access to basic service) components in political economic development goals to allow quantifiable targets, resource allocations and programmes/projects;
- f. sustainability of growth and balance aspects of programmes (macro and sectoral);
- g. what articulated programmes related to employment/self-employment are possible and which are not;
- h. sustainability of structural change process both in technical and income distribution/power to earn terms;
- i. political sustainability/"adjustment fatigue".

Agriculture - What Happens Why and How

Agriculture (excluding cocoa) is a policy void, an area of random or whimsical public sector resource allocation and one with so little data there is probably a $\pm 25\%$ margin of error on food output and some doubt that except in extreme drought or drought break years one even knows with any certainty the direction (i.e. sign) of inter-year change.

The implications are serious. Over 1955-1980 food output per capita apparently declined at a trend rate in excess of 1% a year (or did it?). Grower food prices (uncontrolled) tended - except in drought - not to lead the CPI by much but consumer food prices led (transport and trade margins widened). In 1986 the relative price of food even at retail was lower than it had been in a decade. While detailed output data exist they are inconsistent with other and with plausibility (e.g. low or nil grain output growth and nominal price decline).

As a result the food output growth projections to 1993 and 2% for the World Bank (well below population growth in a country with severe malnourishment) but 4% for the government (safely above population growth). Worse neither the Bank nor Ghana seems to have focussed on the strategic seriousness of this divergence.

One reason may be that the policy tools available for most of agriculture - especially households basically growing almost enough food to eat and having to sell some of that because of limited other cash earning activities - are rusty, broken or non-existent. No national research, extension, monitoring of distribution of inputs, coherent priorities on spending, plausible selection of projects (some are plausible but that seems to be micro or accidental), etc.

Industry (manufacturing including mineral and timber processing) has been reviewed in a rehabilitation and current (unrehabilitated, low utilisation, financial debilitation) context at sectoral/once-over micro level. It is doubtful that this is an adequate base for strategic planning (even by enterprises). Some relationships to diversifying primary sector output, probable levels and makeup of demand, ways of breaking through to structures and levels of exports that might eventually restore trade (visible and invisible) balance.

Exports emphasised to date are primarily cocoa, timber and gold with price (at least nominally - real cocoa grower prices are barely back to 1982 levels) and for the last two somewhat brute force fixed investment. It is most unlikely these three can grow enough to rebalance trade. In the case of cocoa the analysis has tended to be quantified as if there were no smuggling and no smuggling clawback and with little regard to what impact a non-marginal addition to world cocoa supply would have on price forecasts. Processing on cocoa and timber has been understudied; new export identification has been at best ad hoc to the point of random; no attempt at a strategic projection/articulation exercise to restore trade balance by 2000 has been attempted. (Projections suggest the underlying trade deficit is still rising despite fairly rapid export growth.)

There is except in the bank balance reconciling sense no recurrent budgetary process. There is no way to assess what past trends in real expenditure by

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ministry or programme nor to decide whether next year allocations will lead to a rise or a fall (and if so in which programme or sub-programme where). Further data flow and location is such no functional monitoring is possibly by operating ministry or Treasury. This must be an inefficient way to allocate resources and a near impossible one in which to set priorities or to hold anybody accountable for either fiscal or real outcomes. This is a systemic - not just a Treasury or Finance Officer - weakness at a near pathological level.

Human dimension - production by poor people and universal access to basic services - dimensions of adjustment need much more articulation than PAMSCAD achieved. Except for seasonal, public sector employment projects, the production by poor people aspects are largely conceptual rather than articulated, let alone programmed. There appears to be a belief in some key quarters that more production by poor people is impossible or not worth supporting with policy instruments or resource allocations. Basic services universal access seems to suffer not so much from resource unavailability (i.e. the quantity externally mobilisable is higher than used) or lack of concepts and semi-articulated programmes as from budgetary process detailed articulation and administration weaknesses in the health and education ministries.

Medium term macro and sectoral projections do not seem to be substantive in the sense of assessing implicit levels, flows and growth rates by sectors and uses. It is not clear that the 'model' is moving toward sustainability either on the food supply or the export level/import capacity fronts.

Whether there is sustainable structural change is unclear because there is no specification of structural change priorities, rates and directions in a way analogous to that done in - e.g. - Japanese or Korean market management planning. The present structural targets are "comparative advantage" (with no clear way to determine or intuit it) and fiscal/external account balance which hardly seems adequate if Structural Adjustment is to continue until the end of the century as a medium/long term rehabilitation and development matrix.

Employment generation (including specified self-employment) strategy is very fragmented and its largest component seems unrealistic. While Cocobod rural staff given Cocobod lands should be able to revert to being cocoa farmers, the general retraining of dismissed civil service (weighted to elderly, low level, below average competence) as dynamic, "informal" entrepreneurs appears to be very much a triumph of faith over plausibility. The same defects probably apply to seasonal/supplementary public works and community area directly productive investments beyond the first wave in PAMSCAD.

In some sense Ghana suffers from adjustment fatigue. What does this mean in respect to which sub-classes? How is it likely to evolve (or decline) with what effects on programme viability or change? Is there - or will there soon be - a comparable position by resource suppliers? What impact will/would that have on sustainability over what period?

Conclusion - Toward a Project

These specific points or areas may not in this form add up to a coherent project. However they do articulate:

- a. sectoral weaknesses
- b. balance projection problematics
- c. human, political - as well as technical - sustainability

They can perhaps best be articulated after seeing what themes in what forms are general across a number (a majority or more) of the case study countries.

-RHG
Falmer
22-III-88

[Secretary's Note: This has been transcribed in RHG's absence]