

STRUCTURAL ADJUSTMENT IN GHANA: Toward the New Jerusalem or Seen Through a Glass Dimly?

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A Bouquet of Successes

Ghana's structural adjustment programme begun in 1982 and revised into a "Fundable/Bankable" form in 1983 is a success by comparison with Ghana's post 1961 and, especially, 1972-1981 record and also in comparison with most other SSA stabilisation and/or adjustment programmes' performance. Nor is the record impressive only by comparison:

- a. GDP rose 20% in real terms from 1983 through 1986;
- b. both exports and net inward financial transfers rose even more sharply;
- c. inflation has been brought down to 25% a year from pre-stabilisation levels often approaching three digits;
- d. food production appears - for the first time since the early 1950s - to be on a trend rising at least rapidly as population;
- e. real minimum wages as of early 1987 were twice early 1983 levels.

Four factors are involved: a run of good weather over 1984-86 after a brutal 1981-83 run of drought; recreation from 1982 of a credible government and a coherent set of economic policies; sharp increases in external support; the particular economic policies followed. Each has been significant - to deny the role of the fourth is just as much captious criticism as giving it all the credit is dangerous rhetorical overkill.

It Is Not Work and Happiness For All

But, in terms of present policy requirements it is the gaps and the problematics which require the most attention today. What has been won is not secure and the macroeconomic figures obscure a much less buoyant human, social and distributional side. The weaknesses and gaps can be divided conceptually into two groups:

- a. Production economic - i.e. policy errors and blank spots plus probable external and internal barriers to sustained macroeconomic momentum;
- b. Human and social failures - or belated and partial clawbacks - which mean that absolute poverty and lack of basic services are more widespread and crushing burdens than in 1981 let alone 1965 (when President Nkrumah was overthrown, nominally at least for economic mismanagement).

Clearly in practice these groups interact. Sick, illiterate malnourished people are not able to work hard and productively now or ever; denying any real role in the economic process to most of the Northern and Upper Regions' people limits both exports and demand now and - especially over time.

The point is not that the adjustment programme has made these weaknesses (or cloudy prospects) worse. It is that if development is about, for and by people any structural adjustment programme is integrally and inherently incomplete unless it addresses absolute poverty, life expectancy, literacy, education and health. After all, a physician who carries out a successful operation for acute appendicitis but fails to treat the patient for evident, acute malaria of which he then dies will stand condemned of gross negligence or malpractice. Why should the practitioners of economic surgery and drugs be subject to less demanding standards?

Production and Productive Efficiency Gaps and Doubts

To date non-tree crop agricultural strategy and policy - beyond hopelessly unsound mechanised rice schemes and two or three autonomous regional operations - exist almost solely on paper. Industrial policy to date has been primarily getting more inputs to operate idled capacity with secondary attention to spares for rehabilitation and some expansion of timber processing and gold mining for export. It is past time to go beyond that.

Cocoa price policy is raising real grower prices, raising the trickle of key inputs and beginning to cut the burden of the over 100,000 Cocobod employees on the - perhaps - 300,000 cocoa growing households' backs. Better care, better weather and less smuggling have raised official exports 50% and both re- and new planting are taking place again.

But where next? Over 1955-1965 Ghana shattered the world cocoa market by more than doubling production. Present targets call for a repeat on the output side and present world supply and price elasticity projections warn that the world price side could repeat too. At the same time no real priority has been given to raising the efficiency and throughput of the cocoa processing sector - which could raise export value without depressing prices.

Gross fixed capital formation has yet to regain levels equal to plausible estimates of depreciation levels. The budgetary process - except for the not unimportant aspect of keeping spending under some control - is chaotic and the indirect tax structure even more so. Why is this still the case five years into adjustment and what are its efficiency costs?

Finally external soft finance is still inadequate (even by World Bank criteria). Therefore IMF and non-concessional finance have piled up raising debt service above 60% of gross capital inflows. The margins for weathering a drought, a tailing off or lag in disbursement of concessional flows, a fall in the cocoa price or any other shock and the capacity to plan and act on responses fast are very thin indeed.

Human Condition Indicators - and Missed Opportunities

Recent estimates of life expectancy, infant mortality, malnutrition, quantity of public health and education services and absolute poverty are worse than those of the mid or late 1970s and in some cases no better than the late 1950s. In these, as well as in GDP per capita terms, Ghana in a quarter century has gone from promising lower middle income to struggling low income status in World Bank categorisation.

Over 1983-85 (though not in 1982 and again after 1985) these were not priorities in structural adjustment. Either they were seen implicitly as amenities to be secured later or as consequential items macroeconomic growth and imbalance reduction would bring in its wake. Nkrumah's message was "Seek ye first the political kingdom", Finance Secretary Botchway's has often seemed to be "Seek ye first neo-liberal economic orthodoxy". Just as the first did not result in all else being added on neither is the second likely to do so.

Until 1985 recurrent budget balancing sought to reduce real recurrent expenditure - already one of the lowest in the world relative to GDP. Given the present and future impact of ill health, lack of education and grinding poverty on output this made no better economic than human sense. Its malign heritage is only slowly being repaired.

Opportunities for raising real incomes and productivity of and by many groups of poor Ghanaians - in the desperately poor Northern and Upper Regions, in urban slums, among women - exist. Even cursory study suggests cost effective ways of exploiting them (the opportunities not the poor!) can be articulated. No priority has been given to such exercises by the Ministry of Finance - if anything the reverse. Ironically, concerned donors as well as the Ghanaian poor and their domestic champions have been instrumental in securing reconsideration of this deprioritisation - keeping external resource transfers flowing is the Treasury's key to national macroeconomic and personal political survival. The criticism is not that this is not necessary but that by itself it is not sufficient.

Voyaging Forward

Most Ghanaians are better off today than in 1981 and their prospects look better for the future now than then. Few are worse off as a result of structural adjustment than they would have been without it. Flight Lieutenant (retired) Rawlings and his supporters have begun to, and continue to deliver as no government since the pre-1962 phase of President Nkrumah's has done.

But - quite needlessly - practicable, cost efficient vulnerable group and poor person protection targets in respect to health, education, nutrition and agricultural production were not integrated into the strategy in 1983-84 and only partially since. Even in short term economic incentive and production terms this was, and is, shortsighted. Over the medium term it will be a drag on economic recovery, the fabric of society and political stability. The fault cannot be laid solely on the doorsteps of the Fund, Bank and bilaterals - by omission and commission several Ghana ministries, notably Finance and Agriculture have suffered at least equally from myopia and tunnel vision.

But Ghana is and can continue to be a success story - if:

- a. social, human and distributional priorities are integrated into macroeconomic;
- b. the need for medium term agricultural, industrial and export strategies is tackled; and
- c. more efficient budgetary and revenue raising processes are put in place to support a and b; while
- d. the North delivers on its explicit compact to assist SSA to return to sustained growth - by concessional finance, avoiding a depression and averting continued primary product real price collapses.

Problematic - yes; impossible - no.

* This paper is a summary of portions of the author's "Ghana: Stabilisation and Structural Shifts" written as part of a twelve country World Institute of Development Economic Research (WIDER) study led by Professor Lance Taylor which will be published as part of that study in 1988.