

# Evolving Development Goals: From 'Imposed' to 'Africa's own'

A Perspective from Ghana

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# Outline

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- The Nkrumah Years
- Economic Reforms and Structural Adjustment
- Poverty Reduction Strategy Papers
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# Introduction

- The hypothesis of this presentation is that a country's ability to control its development agenda is determined among other things by:
  - The quality of its leadership
  - Ability to manage consensus within the leadership
  - Its access to independent resources.
    - Independent resources: The use to which resources are put is not determined by external agencies.

# Post-independence

## The Nkrumah Years 1957-1966 (1)

- Nkrumah's Seven Year Development Plan (1963/64 to 1969/70).
  - The objective of the plan was to transform Ghana into a modern industrialised economy and “socialist economy in which the individual Ghanaian will be able to enjoy a modern standard of living in his home supplemented by an advanced level of public services outside” [quote is taken from p1 of the Seven Year Development Plan].

# Post-independence

## The Nkrumah Years 1957-1966 (2)

- Increase in investment rate in the early 1960's
- Growth rate slowed down.
- Manufacturing capacity increased
- The numbers enrolled in primary 1 more than doubled between 1960/61 and 1961/62.
- Gains were made in the enrolment of girls. There was a rapid increase in the proportion of girls in primary school between 1960/61 and 1964/65.
- Drop in the infant mortality rate
- Expansion in access to safe drinking water

# Post-independence

## The Nkrumah Years 1957-1966 (3)

- Financing:
  - Domestic taxation
    - Cocoa farmers
    - Taxation of workers-compulsory savings scheme
- However, spending was not kept under control
- Hence fiscal deficits were financed by
  - money creation and
  - Borrowing
    - Borrowing- supplier's credit

# Between 1966 and 1983

- There was no shortage of development plans during this period. The Busia administration developed a two-year plan, that later became a one-year plan.
- The NRC administration developed a five-year plan.
- The experience of these plans highlights:
  - The challenge that macroeconomic instability poses to plan implementation and the achievement of development goals.
  - The importance of ensuring that the annual budget is informed by the medium or long-term vision.

## 1983-2001

### Economic Reforms and Structural Adjustment

- Economic strategy informed by programmes with the IMF, the World Bank and donors.
- Initially there were short term goals to stabilise the economy:
  - Reduce inflation
  - Reduce the balance of payments deficit
  - Relax the constraint of the shortage of imported inputs
  - Relax infrastructure bottlenecks that constrained production and supply of exports from the hinterland to ports

1983-2001

## Economic Reforms and Structural Adjustment

- Initial convergence between the Bretton Woods institutions and the Government on what was required to be done.
  - “The interests of Ghana, the Fund and the Bank have coincided somewhat because we see the need to do some surgical work on our internal and fiscal policies” (Quote from interview held with ex-President Rawlings in 1993 taken from Hutchful, 2002, p. 154).

# 1983-2001

## Economic Reforms and Structural Adjustment

- However,
  - Areas of disagreement emerged. IMF wanted reforms implemented at a faster pace
  - Ghanaian team challenged the fundamental assumptions of the programming models
  - Short-term orientation of IMF programmes makes it difficult to deal with longer-term structural issues.
  - Extensive interventions by multilateral officials in policy design and review undermines ownership and space to define one's goals.

1983-2001

## Economic Reforms and Structural Adjustment

- The 1992 Constitution of the Republic of Ghana requires that
- “...within two years after assuming office, the president shall present to parliament a coordinated programme of economic and social development policies, .....

# Ghana Vision 2020: The First Step

- Process of preparation began in 1990. Document presented to parliament in 1995.
- Vision: To attain middle-income country status by 2020
- Long-term objectives
  - Human Development- reduce poverty, reduce inequality and disparities in opportunities
  - Economic Growth- long-term average growth rate of 8% per annum. Decline in agriculture' share of GDP to below 20%, Share of industry rising to 37%, Services rising to 45%.
  - Rural Development- reduce disparities between urban and rural
  - Urban Development – Small and medium-sized towns to fulfil their role as service centres for the rural hinterland
  - Enabling Environment- Deepen reforms in public administration and the legal framework

# Ghana Vision 2020: The First Step

- A medium-term development plan for 1996-2000 was designed to guide implementation to achieve the vision.
- However, implementation was not successful because:
  - Limited coordination between the National Development Planning Commission that was responsible for plan formulation and the Ministry of Finance. Budgetary allocations did not reflect the plan objectives.
  - The plan was not costed.
  - The plan did not have enough detail to guide the preparation of programmes and projects.

# Performance 1984-2001

- Sustained positive growth rates from 1984 compared to the early 1980s.
- Decline in poverty headcount
- Some structural change
- Some diversification of exports- cocoa and gold account for about 50%

# Poverty Reduction Strategy Papers

- The Vision 2020 document had placed poverty on the development agenda.
- By 1999 there were concerns about poverty in Ghana and a home-grown strategy was being designed to address it.
- Ghana's participation in the Enhanced HIPC initiative accelerated the process.
- The poverty reduction strategy papers emerged as definitive documents on government's development strategy

# GPRS I 2003-2005

- Goal:
  - To ensure sustainable equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralised democratic environment.
- Targets for 2005
  - Growth rate 5%
  - Poverty Headcount 32%
  - Gross primary school enrolment rate 82%
  - Access to safe water-Rural Households 54%

# GPRS II 2006-2009

- Goal:
  - To accelerate the growth of the economy so that Ghana can achieve middle-income status within a measurable planning period.
- Design
  - Took cognisance of the MDGs and NEPAD.
- Target for 2009
  - Growth rate 6-8%

# Ghana Shared Growth and Development Agenda 2010-2013

- Goal
  - Achieve and sustain economic stability while placing the economy on a path of higher growth in order to attain a per capita income of at least US \$3,000 while also achieving the Millennium Development Goals.
- Targets
  - GDP growth rate 7.6%

# Performance

	2005	2009	2003 Target
GDP Growth (%)	5.9	4.1	5
Poverty Headcount (%)	28.6		32
Gross Primary School Enrolment Rate	92.1		82
Access to safe sanitation (% of Households)	52		54

# Assessment

- In the early years of its independence Ghana exhibited the will and the capacity to define its own development agenda.
- The close engagement with the Bretton Woods institutions and development partners in the last two and a half decades has created opportunities and challenges.
- Opportunities have been provided in the way of external resources and technical expertise.
- The challenges have been the strain on Ghanaian capacity to manage the different external actors as well as to ensure congruence between its long-term vision and the country strategies of the various external actors.

# The Next Steps

- Ghana has begun to exploit its oil reserves. The challenge is to transform a natural asset into an asset that will yield positive returns over the long-term.
- Revenue from oil will increase resources available to government for development purposes, thus providing the opportunity to rely less on funding that comes with conditionalities.

# The Next Steps

- The design of the strategy should take greater cognisance of the regional dimension. Regional inequalities are growing and regional interests are emerging. These inequalities could become the seed for social discontent