

**AN EXAMINATION OF GHANA'S FOREIGN AID
UTILIZATION UNDER THE PNDC AND NDC
GOVERNMENTS (1982-2000)**

BY

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DECLARATION

I, Benedicta Yvonne Imbeah, author of this MA dissertation do hereby declare that except for references made to other people's work, which I have duly acknowledged, the work presented here was solely undertaken by me under the supervision of Dr. Boni Yao Gebe, of Legon Centre for International Affairs and Diplomacy (LECIAD) of the University of Ghana, Legon.

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DEDICATION

I dedicate this dissertation to my parents Mr. Harry A. L. Imbeah and Madam Cecilia Tagoe for their unflinching support in every step of my education.

A special thanks to Nana Antwi Baffour for his unmeasured support, words of encouragement and push for tenacity till the submission of the work.

Above all, to the Almighty God, YOU made this happen.

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LIST OF ABBREVIATIONS/ACRONYMS

AfDB – AFRICAN DEVELOPMENT BANK

AFRC – ARMED FORCES REVOLUTIONARY COUNCIL

AGC – ASHANTI GOLDFIELD CORPORATION

AGI – ASSOCIATION OF GHANA INDUSTRIES

BAC – BAUXITE COMPANY

BESIP – BASIC EDUCATION SECTOR IMPROVEMENT PROJECT

BRICS – BRAZIL, RUSSIA, INDIA, CHINA, SOUTH AFRICA

CCF – COMPENSATORY FINANCING OF EXPORT FLUCTUATIONS

CIDA – CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

COCOBOD – GHANA COCOA BOARD

CPP - CONVENTION PEOPLES’ PARTY

DAC – DEVELOPMENT ASSISTANCE COMMITTEE

DFID – UK’S DEPARTMENT FRO INTERNATIONAL DEVELOPMENT

ECLAC – UNITED NATIONS COMMISION ON LATIN AMERICA

EdSAC – EDUCATION SECTOR ADJUSTMENT CREDIT

EFF – EXTENDED FUND FACILITY

ENOWID – ENHANCING OPPORTUNITY FOR WOMEN IN DEVELOPMENT

ERP – ECONOMIC RECOVERY PROGRAMMES

ERRC – EDUCATION REFORM REVIEW COMMITTEE

ESAF – EXTENDED/ENHANCED STRUCTURAL ADJUSTMENT FACILITY

EU – EUROPEAN UNION

FCUBE – FREE COMPULSORY UNIVERSAL BASIC EDUCATION

FPIB – FOREST PRODUCT INSPECTION BUREAU

GDP – GROSS DOMESTIC PRODUCT

GER – GROSS ENROLMENT RATIO

GNMC – GHANA NATIONAL MANGANESE CORPORATION

GNP – GROSS NATIONAL PRODUCT

GTMB – GHANA TIMBER MARKETING BOARD

GTZ – GERMAN TECHNICAL COOPERATION

HDI – HUMAN DEVELOPMENT INDEX
HIPC – HIGHLY INDEBTED POOR COUNTRY
IBRD – INTERNATIONAL BANK FOR THE RECONSTRUCTION OF DEVELOPMENT
IEA – INSTITUTE OF ECONOMIC AFFAIRS
IFIs – INTERNATIONAL FINANCIAL INSTITUTIONS
IMF - INTERNATIONAL MONETARY FUND
IRA – IRRIGATION DEVELOPMENT AUTHORITY
JICA – JAPAN INTERNATIONAL COOPERATION AGENCY
LDCs – LESS DEVELOPED COUNTRIES
LEGISLATIVE INSTRUMENT
MDGs – MILLENIUM DEVELOPMENT GOALS
MPs – MEMBERS OF PARLIAMENT
MOE – MINISTRY OF EDUCATION
MTADP – MEDIUM TERM AGRICULTURAL DEVELOPMENT PROGRAMME
NAPPR – NATIONAL ACTION PLAN FOR POVERTY REDUCTION
NDC – NATIONAL DEMOCRATIC CONGRESS
NDPC – NATIONAL DEVELOPMENT PLANNING COMMITTEE
NGOs – NON-GOVERNMENTAL ORGANIZATIONS
NLC – NATIONAL LIBERATION COUNCIL
NPP – NATIONAL PATRIOTIC PARTY
NPRP – NATIONAL POVERTY REDUCTION PROGRAMS
NRC – NATIONAL REDEMPTION COUNCIL
NUGS – NATIONAL UNION OF GHANA STUDENTS
ODA – OVERSEAS DEVELOPMENT ASSISTANCE
OECD – ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT
PAMSCAD – PROGRAMME OF ACTION TO MITIGATE THE SOCIAL COST OF ADJUSTMENT
PDCs – PEOPLES’ DEFENSE COMMITTEES
PNDC – PROVISIONAL NATIONAL DEFENCE COUNCIL
PSDP – PRIMARY SCHOOL DEVELOPMENT PROJECT
PTA – PARENT –TEACHER ASSOCIATION

RDC – RURAL DEVELOPMENT CORPORATION

SA – STANDBY AGREEMENT

SAF - STRUCTURAL ADJUSTMENT FACILITY

SAP – STRUCTURAL ADJUSTMENT PROGRAMMES

SGMC – STATE GOLD MINING CORPORATION

SMC – SUPREME MILITARY COUNCIL

TEDB – TIMBER EXPORT DEVELOPMENT BOARD

TUC – TRADE UNION CONGRESS

UNDP – UNITED NATIONS DEVELOPMENT PLAN

UNESCO – UNITED NATIONS EDUCATIONAL, SCIENTIFIC AND CULTURAL ORGANIZATION

UNICEF – UNITED NATIONS CHILDREN’ EMERGENCY FUND

USAID – UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

USD – UNITED STATES DOLLAR

VAT – VALUE ADDED TAX

WDCs – WORKERS DEFENCE COMMITTEES

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ABSTRACT

This study examines Ghana's foreign aid utilization for the period 1982 to 2000 under the PNDC and NDC administrations led by Flt Lt. J.J. Rawlings in relation to economic growth and development, based on the dependency theory. The study employs primary and secondary data in examining aid in Ghana. Ghana, in the 1980s, became one of the firm economic reformers in Sub Saharan Africa. From a declined economy, Ghana recovered with improved growth under the Provisional National Defense Council (PNDC). This exceptional record in Sub-Saharan Africa came along with increased foreign aid receipts from the donor community. Aid utilization was executed by high level of technocratic policymakers under one political leadership. However, the slow pace of economic development in the 1990s coincided with calls for strong institutional capacity and increased democratization. Under the National Democratic Congress (NDC), economic growth was unimpressive. Utilization of aid under this period recorded relatively lower gains as ownership of programmes waned to a considerable degree.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The core mandate of foreign aid to developing countries has been the promotion of economic development, generally evaluated by its impact on economic growth. Yet, after years of increasing aid inflows to these countries, numerous empirical study on the relationship between aid and growth, shows that the effectiveness of foreign aid in attaining its core mandate still remains contentious. Most aid recipient economies view foreign assistance as a cardinal factor in their development strategies, yet, development remains questionable among analysts.

In the same vein, the level and trends of foreign aid have become issues of concern to donors, with analysts perceiving signs of “donor fatigue”. A notable number of empirical investigations including the works of Van der Walle and Johnston (1996), Burnside and Dollar (1998), World Bank (1998), Dollar and Svenssons (1997), among others, have explored the relationship between foreign aid and development by countries, redirecting their focus to how to enhance aid effectiveness and the role of donors in attaining their prime objective as basis for policy formulation, but the recipients’ performances still generates mixed results. Kosack (2003) and McGillivray et al (2006) re-address the discussion in relation to governance, thereby stressing that aid positively impacts on development under democratic governments.

In the case of Ghana, the experience has been different. In 1983, the effort of the Provisional National Defense Council (PNDC), a military regime, in soliciting foreign assistance from the Bretton Woods institutions under the Structural Adjustment Programmes (SAPs), locally launched as Economic Recovery Programme (ERP), resulted in impressive

macroeconomic indicators in the early years of the adjustment period (Hutchful, 1997). From 1992 to 2000, Ghana's economy under the National Democratic Congress (NDC), a democratically elected government, witnessed undue stress on macro-economic management with significant fall in its operations, widening macro-economic imbalances, regardless of excessive capital inflow by donor countries to the civilian government. The country was then faced with an overwhelming external debt, amidst allegations of corruption activities and financial misappropriation in the public sector (Hutchful, 1997). Ghana's experience is in line with the assertion by Bräutigam and Knack (2004) that weak institutions and lack of stringent accountability measures, among others, are the reasons why developing economies are unable to promote growth and development through foreign aid. It is against this background that this study examines the utilization of foreign aid during the PNDC and the NDC governments.

1.2 Statement of the Research Problem

Existing literature holds that Ghana, under the PNDC, was a key recipient of exponential aid inflows from the international donor community, aimed at supporting developmental activities (Boafo-Arthur, 1989). Ghana's utilization of aid made her a "star pupil" of the Bretton Woods institutions in the 1980s for firm economic reforms as considerable economic growth was recorded in various sectors of the economy (Toye, 1991). However, the economy, in the 1990s recorded less impressive economic returns with accumulated debts (Boafo-Arthur, 1999), consequently, being declared as a highly indebted poor country in 2000 (Aryeetey, 2000). These mixed responses of aid in Ghana under the period of study were experienced during a military (PNDC) and a democratic (NDC) governments under one political leadership. Could the mixed responses regarding growth and development be attributed to the political leadership, accountability processes and ownership of aid programmes at the time? It is against this backdrop that the study demonstrates the performance

of foreign aid in relation to economic development under the military government (1982-1992) as compared to the democratic government (1993-2000) in their respective political environments, thus, examining the validity of existing sources.

1.3 Research Questions

- To what extent did political leadership under the PNDC and the NDC administrations contribute to Ghana's economic growth through the utilization of foreign aid?
- What were the processes of accountability for aid programmes under the PNDC and the NDC administrations?
- What was the level of Ghana's ownership of aid programmes under the PNDC and the NDC administrations?

1.4 Research Objectives

The objectives of the study are:

- To establish how political leadership under the PNDC and NDC administrations contributed to Ghana's economic growth through the utilization of foreign aid;
- To examine the processes of accountability for aid programmes under the PNDC and NDC administrations;
- To investigate the level of ownership of aid programmes under the PNDC and NDC administrations.

1.5 Scope of the Study

The study is limited to the period 1982 to 2000. The choice of the study period shows a unique period in the history in Ghana where two (2) different systems of government i.e autocracy and democracy were administered under one political leader. It therefore brings to fore the need to examine foreign aid utilization under these two (2) dispensations in terms of their respective approaches to policies, though receiving aid from the same donor community.

1.6 Rationale of the Research

The donor community decreased aid flows to Ghana in 1992 following the democratic elections, an episode attributed to the fiscal slippage in the reforms programmes. This was a period where foreign aid attached to specific structural reforms were channelled to the increment of civil servants wages, which saw the World Bank consequently suspending disbursements of funds between November, 1992 and mid-1993. Again, under the NDC in 1996, there was another fiscal slippage which led to the temporal disruption of the IMF programme under the Extended Structural Adjustment Facility (ESAF). Investigating extensively into the relationship between aid utilization and political environments is important for understanding how aid inflows under specific types of governments are used in the country to impact economic development, thus providing empirical guide for policy formulation.

1.7 Hypothesis

H₁: Foreign aid utilization under the PNDC government yielded more positive economic returns as compared to the NDC government.

H₂: Foreign aid utilization under the NDC government yielded less positive returns as compared to the PNDC government.

1.8 Theoretical Framework

Dependency Theory

The study is conducted within the framework of Dependency Theory. The theory offers plausible insight into the economic management in Ghana. The theory was developed in the late 1950s under the guidance of the Director of the United Nations Economic Commission for Latin America (ECLAC), Raul Prebisch. It was developed on the premise that in order for

economies to prosper, countries need to create conditions for development. This is because, the proponents of the theory were concerned with the inequality of economic development between the advanced industrialized countries and the poorer countries. Dependency can therefore be seen as the economic development of a state in terms of the external influences--political, economic, and cultural--on national development policies (Osvaldo, 1969). Dependency, according to Dos Santos (1971) is

“...an historical condition which shapes a certain structure of the world economy such that it favours some countries to the detriment of others and limits the development possibilities of the subordinate economies...a situation in which the economy of a certain group of countries is conditioned by the development and expansion of another economy, to which their own is subjected.”

According to Raul Prebisch, one of the key proponents of this model, in order for countries to create conditions of development, is to allow the inflow of external capital already established in national plans for development. Governments should improve social services, particularly in the impoverished sectors of the economy to enhance competition among all sectors. Prebisch's proposals were recognized as the conventional ideas of Dependency theory. Later on, some scholars such as Dos Santos and Andre Gunder Frank critiqued that the ECLAC's development proposal had no reflection on the realities of the developing world. This argument led a more expounded theoretical discourse on development in the late 1950s. Prominent among the new proponents of dependency theory were Andre Gunder Frank, Theotonio Dos Santos, Enrique Cardozo, Edelberto Torres-Rivas and Samir Amin (Reyes, 2001).

The theory arose as a reaction to modernization theory, an earlier theory of development which posited that all societies progress through structured stages of development, and for this reason, current peripheral states are in a similar situation to that of today's core states at some time in the past, and the task of aiding poor states is to accelerate

their development through structured stages, by means of investment, technology transfers and closer integration into the world market. Dependency theory rejected this view, arguing under three main hypotheses. First, the theory assumes that, with the sharp contrast of development between core and peripheral states in the global economy, it makes underdeveloped and developing countries reliant on developed countries. Secondly, the peripheral states can experience improved economic development when their reliance on core states are minimal, and lastly, the theory assumes that when core states want to reconstruct their economies, they try to flatteringly assimilate peripheral states into the world capitalist economic system to their own benefit (Ferraro, 1996).

The theorists argue that underdeveloped countries are not merely primitive versions of core states, but rather possess unique features and structures of their own which are being exploited by the core states, thus, placing them in the situation of being the weaker members in a world market economy. Indeed, their studies suggested that economic activity in the richer countries often lead to serious economic problems in the poorer countries (Ferraro, 1996). Bakre (2008) posits that the under-development in the global south is due to the continued dependence on the global north. The phenomenon can be traced back to the historical injustices meted to the global south during the colonial era, which paved way for the clear categorization of wealthy states in the North as 'centre' and the poor as the 'periphery'. The result has been the domination of the industrialized capital powers forming the global north, and the economic development of the global south remaining a mirage. The issue of Ghana being a classical example of the global south has therefore constituted another important query to be addressed in this study.

Dependency as a phenomenon can also be traced to the economic crisis faced by developing countries in the 1970s due the phenomenal increase in oil price and the decrease in

the price of major exports. According to Kosack (2003), the effect of the crisis in developing countries created a huge deficit for their economies, in terms of the gap between their national incomes and expenditures. This led to most developing economies securing loans from the major commercial financial institutions, based in the industrialized and well developed western world. The developing countries again encountered economic crisis in the 1980s when the United States increased interest rates on loans. The action created a discomfiting situation for the borrowers who could not offset their debts and could not bear the cost of accumulating interest of delayed payment. (Sayigh, 1991). Heltburg (2004), stated that the solution to the crisis was again disbursement of loans extended to the developing countries by the IFIs which could repay the arrears of the developing countries, while managing the looming threat of economic depression. Consequently, the global south was trapped in a vicious cycle wherein they secure loans from the international commercial banks with the aim of sustaining their economies, thereby benefitting the global north. They, thereafter secure more loans from the IFIs to offset the interest on the original loans, which also tends to benefit the global north.

Key proponents of the Modernisation School, such as Talcott Parson and Max Weber critiqued the dependency theory as being too “ideological”, one-sided in their understanding of the functioning of the global system, and autarchic in their prescriptions for change (Sayigh, 1991). Among the significant deficiencies in the theory of dependency was the acute poverty of class analysis from which it suffered. The theory treats peripheral states as a collection of homogenous units vis-à-vis equally homogenous developed countries may have been convenient for the clarity of the analysis of the roots and dynamics of underdevelopment and dependency; the unacceptable cost was that the class relations underpinning the inter-related processes of domestic and global accumulation were lost from view. Furthermore, in the hands of some of its least nuanced exponents, dependency theory often ran into the risk of being a little too clichéd, rendered as a mechanical answer to the challenge of underdevelopment that

left little or no room for a meaningful exercise of internal factors. The success and failure in development is uniformly explained by the same variable: dependence. This shortcoming reinforced the overwhelming focus of dependency theory on the external determinants and drivers of underdevelopment/development, with little attention to internal factors that are at play and the ways in which both the external and internal get interwoven to shape policy and politics (Sayigh, 1991).

While it is obvious that the world has experienced tremendous change over the period since the current global order was established, it is imperative to note that issues of inequality still remain in global affairs in spite of the advances made by some countries i.e. China and other East Asian countries, the advent of the BRICS (Brazil, Russia, India, China and South Africa), and the relative decline in the influence of some of erstwhile economic driving forces such as Italy, Spain, Portugal, etc. Comparatively, the global south still houses the largest number of impoverished people than the global north. The continuing over dependence of the global south on raw commodity exports and their attendant disproportionate vulnerability to trade-related external shocks speak to their dependence. The terms of trade of the majority of the countries of the global south and the open economy liberalization policies that they mostly embraced during the 1990s under structural adjustment remain highly problematic. The deepening of domestic inequalities rooted in an enduring North- South inequality suggest that dependency theory is still relevant to be explored. Dependency theory in its original form may be in need of refinement to accommodate the changes that are taking place in the international system but its elementary principles offer motivation for those concerned in driving an agenda of reform towards a more sustainable order (Kufakurinani et.al, 2017).

It is, however, germane to mention that dependency theory will form the underlying basis for analysis in understanding the implementation of aid programmes in Ghana.

1.9 Literature Review

Debates on foreign aid in relation to growth and development over the years, have met varying responses from scholars and policy makers due to its mixed results in developing countries. For the past years, the Bretton Woods institutions have attached parts of their aid to economic policy reforms for recipient countries. The IMF initiated aid conditionality as prerequisite for aid in helping to reduce fiscal and current account deficits of recipient countries. In the 1980s, the IMF further tied foreign assistance to structural adjustments, which included reforms in the public sector and privatization of state owned firms to facilitate economic growth and development, yet scholars have purported that the overall results in developing countries to some degree have not been impressive (Przeworski, 2000).

Though most analyses place emphasis on the effectiveness of aid and growth, the advent of the Millennium Development Goals (MDGs) further brought more focus on specific aspects of human development and poverty alleviation. Although there has been a focus shift on development, from an emphasis on growth to one on poverty reduction, Heltburg (2004) contends that economic growth is ‘. . .in practice, the main tool for fighting poverty.’ From this viewpoint, growth remains an indispensable interface between aid and poverty. However, in analyzing the effectiveness of aid on poverty alleviation, there has been, to some degree, lack of information on the specific share of aid that is channelled directly towards the poor (Kosack, 2003). The intent of the following review is to cover the diverse opinions in the scholarly community:

Aid and Governance

Exploring the role of governance in the promotion of development with aid, McGillivray et al. (2006), appeal for further investigation of the link between policy and aid effectiveness, while arguing for a broad selectivity approach combining policy with a number

of other contingencies such as political stability, democracy and structural vulnerability. In accordance, Chauvet and Guillaumont (2004) opine that aid is effective in a politically stable economy. Kosack (2003) also support the assertion that aid's capacity to effectively enhance human welfare can only be achieved under democratic political conditions.

In highlighting the relevance of policy for growth, Burnside and Dollar (2000) and Collier and Dollar (2001), also demonstrate that aid enhances growth only in a conducive policy environment, stressing that institutional quality is a determinant for aid effectiveness. This environment requires governments' ability to implement sound macroeconomic policies. Broadly, an economy that thrives in good governance, ranging from civil and political liberties, to sound economic policy, lack of corruption and solidity of institutions yields positive returns with aid. The consideration of the role played by the good policy environment mentioned above has led to a certain advocacy for performance-based selectivity for aid, emphasizing an anticipated high level of effectiveness of aid on poverty reduction in the presence of friendly and committed governments, as exemplified in the cases of South Korea, East Asian region and Taiwan (Brautigam and Knack, 2004).

Conversely, Asra et al. (2005) conclude that the impact of aid on economic growth is not dependent on the quality of governance and macroeconomic policy, although the latter is relevant for poverty reduction. Put differently, Moss et al. (2008) indicate that foreign aid rather undermines governance. They put forward that governments that are less reliant on domestic sources of revenue tend to be less accountable to their citizens and encounter weaker incentives to nurture effective public institutions.

Svensson (1999) explores aid effectiveness with respect to the effect of democracy, directing the focus to political liberties, with findings showing a positive relationship between aid and growth in countries with institutionalized checks on governance. The institutionalized

checks are expressed to be the democratic institutions, with elected representatives in charge of the offices, political party system, freedom of association and speech. The study concludes that aid is effective in such a democratic environment. Kosack (2003) in studying the effect of aid on the standard of living of the average person, shows that aid in relation to democracy proves a significant relationship whereas aid in relation to autocracy shows an adverse effect. Aid is therefore becomes less effective and poses threat to autocratic political environments. The results demonstrate that, when a country is more democratic, the impact of aid on the quality of life is positive and the quality of life in a more autocratic country is negative. The literature further concludes that for aid to work, it should be operated in a democratic political environment. However, the above assertion does not hold in the case of Ghana under military and democratic governments, where the country rather experienced a mixed bag of positive micro-economic indicators whilst the living condition of the people worsened.

Holmgren (1998), however, disagrees with the notion of donors giving aid to promote development in recipient countries based on their type of governance because eventually, aid is provided to countries with mediocre policies. He further posits that, if donors are interested in promoting development in aid dependent countries, aid should be given based on firm structural reforms.

Aid and Accountability

Ghana implemented market oriented programmes under the directives of the Bretton Woods institutions with the intent to strengthen the country's weak economy, thereby launching the ERP (1983), SAPs (1986) and the National Poverty Reduction Programme (NPRP) in 1997. But the debate on the effectiveness of these aid programmes in Ghana like other developing countries have been contentious. It is in line with this, that Bräutigam and Knack (2004) assess foreign aid, focusing on institutions in charge of aid implementation,

governance and accountability of aid programmes in Sub-Saharan Africa. They posit that foreign aid renders developing countries more aid dependent rather than encourages them to harness their resources for development. The authors describe aid dependence as occurrence where governments fail to undertake most of their core functions such as providing and maintaining existing basic facilities with external assistance, as evident in a number of developing economies such as Zambia, Ghana and Malawi. Foreign assistance, according to the authors, had been used by these countries to fund above 40% of public expenditure for nearly 20 years. In the study, most African governments are characterized by corruption, weak accountability mechanisms, official information inadequacy, poor enforcement of rule of law, ineffective and unresponsive bureaucracies, rendering foreign aid's inability to promote growth.

According to the study, for aid effectiveness with respect to institutional involvement, there is the need for good governance and accountability for the promotion of economic growth and development. However, the processes of accountability with respect to recipients and donors are not broadly covered. Interestingly, aid during the PNDC demonstrates that policy implementation becomes effective under conducive policy environments, where there are no distractions and delays, but rather when governments exhibits high level of commitment to the course of recovering an economy.

An overview of literature on Ghana shows Fosu (2000) arguing that the ERP and the SAP impacted positively on Ghana's economy. The author shows that exports and imports responded positively to Ghana's market oriented programmes, pointing to three (3) important indicators—growths in GDP, per capita GDP and investment. In support of the success stories of the adjustment period, Callaghy (1988) writes that Ghana “instituted the most successful and sustained neo-classical reform effort on the continent.” Toye (1991) opines that Ghana's Structural Adjustment Program was the most successful in Africa. Sowa (1996) writes that

adjustment policies in Ghana, after the first decade of implementation, can be considered a “considerable initial success.” Hilson (2004) posits that ERP and SAP created an investment-friendly environment in Ghana to the extent that, foreign multinationals profited far more than Ghana’s GDP.

Aid and Growth

While there are increasing empirical findings pointing that aid does not contribute to growth, there are some arguments which attempts to ascertain whether good policy environment is a necessary condition for aid effectiveness. Some cross-country studies have given a new energy to the discourse on the effectiveness of aid.

In Africa, Botswana has been a success story in terms of aid utilization. Botswana happened to be one of the poorest economies in the world at the time of independence in 1966. The country survived on grants-in aid for its development expenditure and most of its recurrent budget. However, in subsequent years, Botswana was able to sustain its economic growth rates making it a middle income economy with a GDP per capita above US\$2000 and among the world’s economies with higher economic growth rate. Empirical evidence shows that foreign aid and good policy environment are the indicators the government used strategically in developing the physical and social infrastructure and diversity of the economy (Carlsson et al, 1997). Attesting to the above, Kenya has also benefited immensely from aid inflows in diverse forms. The country embarked on SAPs when faced with economic decline in various sectors of its economy in the 1980s. Its GDP was below 1% due to factors including political instability and economic recession. The economic growth rate of the country improved to 4.8% and 5.5% in 1985 and 1986 respectively due to expansionary policies under SAPs. In the 1990s, its GDP growth fell to less than 4% as a result of low agricultural productivity, conflicts with donors over democratization and other conditional ties accompanying structural adjustment. Consequently, this resulted in decrease of aid inflows in 1992. The occurrence further led to

drastic fall of economic growth of 0.5% and 0.2% in 1992 and 1993 respectively. However, when the government rethought its position on reforms, particularly in the public sector, aid inflow increased and the economy resumed recovery growth rate of 3% and 5% in 1994 and 1995 respectively. Major improvement was also recorded in the health sector (Carlsson et al, 1997).

Countries like Ethiopia, Sudan and Nigeria under undemocratic rule in the 1980s could not utilize foreign aid effectively due to corrupt practices, weak institutional mechanisms, lack of political will and aid conditionality that were not suitable for the institutional systems, which eventually led to massive poverty and heavy indebtedness of these countries. Regardless of excessive aid flows to developing countries, most of these economies have been worsened despite debt forgiveness (Easterly, 2003).

Bhattarai attempts to join the debate using Nepal from 1983-2002 as a case study. Nepal, a South Asian landlocked country with per capita income below US\$ 250 is considered among the poorest of countries in the world and of the South Asian countries. As an agrarian economy with a total population of over 23 million, agriculture contributes 40% to the economy's GDP and 80% of the populace rely on agriculture for subsistence. Nepal's implementation of SAPs significantly enhanced the country's policy environment in the mid-1980s. The institutional capacity of the country was enhanced by technical assistance. Most significantly, effects of foreign aid in the short-run on the economy of Nepal was negative (Bhattarai, 2009). Based on this growing mixed results of aid effectiveness in developing countries, the question that rises is why the donor community continued to give foreign aid attached to the same set of policies to all distressed economies.

Kraus (1991), on the other hand, concludes that SAP policies were responsible for the economic recovery under the PNDC, but cautioned about the key shortfalls of adjustment, namely, the indifference of the IMF and the World Bank to the living standards of Ghanaians.

Though Parfitt (1995) acknowledged the improvements in Ghana's economy resulting from the aid programmes, he was concerned of Ghana's vulnerability in her inability to diversify traditional exports. Jeong (1996) also provides a mixed assessment of adjustment programmes in Ghana, contending that though, the ERP successfully reduced the high level of inflation and reduced government deficits, institutional reforms were unsuccessful. As the discussion goes on, the short lived successes of aid programmes in Ghana is examined in this study with respect to how the country utilized foreign aid.

Donor Interests

Aid effectiveness has been refocused to analyse how the ineffectiveness of aid can be attributed to the specification of aid supply from industrialized countries. Findings attest to the claim that most importantly, bilateral aid is supplied in compliance with strategic political considerations. Aid is in most cases not provided based on the ability of the country to undertake healthy reforms or good policies. A country with weak political institutions and policies, in friendly relations with donors, is offered more foreign assistance than one with sound economic and political and institutions. Also, democratized countries are offered more aid than countries that are un-democratized, irrespective of colonial history or strategic political considerations (Alesina & Dollar, 2000).

In line with this argument, there is also the assertion that the effectiveness of aid can be dependent on donors' strategic interests. When the donors show a larger strategic interest in the recipient country, foreign aid fails to be effective as there will be ineffective enforcement of conditions by the donors for economic reform. Owing to this, aid conditionality has not received much relevance by recipient governments, because, so long as the donor community benefits strategically from aid distribution, inflows will likely be sustained even if recipient governments are unable to adhere to prescribed directives (Bearce & Tirone, 2010). Killick et al (1998) conclude that generally, conditionality is an ineffective measure for the promoting of

economic policies in recipient countries. The lack of credible threat of punishment for non-implementation further makes governments relaxed on the objectives and priorities of foreign aid. In situations where the donor community is not interested in any strategic interests, the sanction of withdrawing aid is highly probable.

1.10 Clarification of Key Concepts

The following are some key concepts that have special meanings within the context of this study that are worth clarifying:

- **Foreign Aid**

Foreign Aid is the financial and technical support programmes provided by external donors to developing countries for sustainable economic growth and development.

- **Economic growth**

Economic growth is an increased capacity of an economy to produce goods and services, compared from one period of time to another. It can be measured in nominal terms, which include inflation, or in real terms, adjusted for inflation. For comparing one country's economic growth to another, GDP or GNP per capita should be used, taking into account population differences between countries.

- **Economic Development**

Economic development is the “expansion of capacities that contribute to the advancement of society through the realization of individual, firm and community potential. Economic Development is measured by a sustained increase in prosperity and quality of life through innovation, lowered transaction costs, and the utilization of capabilities towards the responsible production and diffusion of goods and services. Economic development requires effective institutions grounded in norms of openness,

tolerance for risk, appreciation for diversity, and confidence in the realization of mutual gain for the public and the private sector. Economic development is essential to creating the conditions for economic growth and ensuring economic future.

- **Structural Adjustment**

It is a set of free market economic policies often given to distressed economies, particularly developing countries in exchange for loans from the Bretton Woods institutions i.e. World Bank and International Monetary Fund (IMF)

- **Underdevelopment**

It describes an economy with less developed industrial base and low Human Development Index (HDI) compared to other countries.

- **Modernization**

It is a model used to compare the political systems of different countries with social development reflecting the linear progression of socio-economic and political institutions.

1.11 Sources of Data

The study employs primary source of data, derived from interviews with selected policymakers and secondary data from books, journal articles, documents and reports from online source references and the libraries of the Legon Centre for International Affairs and Diplomacy (LECIAD) and the Institute of Social Statistical and Economic Research (ISSER).

1.12 Research Methodology

The primary data was derived from interviewing six (6) selected economic policymakers. The interviewed was conducted in an unstructured form, where respondents agreed to be recorded

for usage in the analysis of findings. The six (6) respondents were purposefully sampled for the benefit of the study because of their in-depth knowledge of the topic. The study also secondary sources of data for a comprehensive content analysis. The secondary research methodology was used for its inherent advantages of convenience in accessing the secondary data sources which requires low cost and the option of further clarification of the research questions. It also attempts to ascertain the validity of the literature with primary data. The study in all uses comparative case studies of Ghana's use of foreign aid under military and democratic dispensations to establish which of the several possible arguments on aid effectiveness is consistent with the chain of evidence in the case of Ghana.

1.13 Arrangements of Chapters

The study is presented in four (4) chapters as follows:

Chapter One consists of the Introduction. It basically focuses on the background of the problem, statement of the research problem and scope of the research, Research questions and objectives, rationale of the study, clarification of key concepts, literature review, hypothesis and the theoretical framework of Dependency Theory, explaining the context of the questions and objectives set out in the study.

Chapter Two covers an overview of Foreign Aid utilization in developing countries. A brief history of foreign aid is given, followed by a review of aid effectiveness in developing countries. A look is taken at the nature and trends of foreign aid in Ghana from 1983 to 2000.

Chapter Three focuses on the analysis of data on aid utilization and its effectiveness in Ghana under the PNDC regime from 1983 to 1992 and NDC government from 1992 to 2000.

Chapter Four summarizes the findings. And conclusions and recommendations are made.

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CHAPTER TWO

OVERVIEW OF FOREIGN AID UTILIZATION IN DEVELOPING COUNTRIES

2.1 Introduction

Development in developing countries has been sluggish. Their economies have recorded stunted growth over the past years. Countless efforts have been employed to alleviate world poverty, yet a large number of the global population live in low living standards (Global Issues, 2010). In the global south, particularly South Asia and sub-Saharan Africa, poverty has been associated with the political landscape of the region (World Bank, 2011). In addressing such massive and widespread poverty and deprivation, the Overseas Development Assistance (ODA) among other forms of external assistance have been the main tools in addressing the phenomenon (OECD, 1999). This chapter provides an overview of aid utilization and its impact on economic development in developing countries and on the political economy of Ghana under the PNDC and NDC governments.

2.2 Nature and Trend of Foreign Aid in Developing Countries

Foreign aid is an essential determinant of economic development in developing countries. Most developing countries are confronted with the problem of scarcity of economic resources. The intent of foreign aid is to supplement domestic resources to enhance investment and capital stock in countries, where development needs could not be supported with domestic resources (Anwar et al, 2017). As an institution, foreign aid emerged in 1947 with the introduction of the Marshall Plan (Hutchful, 1997). The urgent need for most European countries devastated by the effect of World War Two to receive aid for the reconstruction of their countries formed the basis for institutionalizing foreign aid. There was an earlier

establishment of the Bretton Woods institutions – the International Bank for the Reconstruction of Development (IBRD), often referred to as the World Bank and the International Monetary Fund (IMF) to manage global finances and coordinate global monetary system. During the Cold War, foreign aid became the political tool of western countries to curb the expansion of communism (Anwar et al, 2017). The western bloc, under the directives of the Organization for Economic Cooperation and Development (OECD), developed aid programs to advance core Western values such as democracy and liberal markets. The Soviet bloc and its allies retaliated by developing aid programmes and projects to further expand communism. The dueling aid system ceased as a result of the end of the Cold War, making Western countries the primary financiers of foreign aid in the world under a codified code of conduct by the OECD (Hutchful, 1997).

According to the Development Assistance Committee (DAC) of the OECD, “Foreign Aid (or the equivalent term foreign assistance) is the financial flows, technical assistance and commodities that are (1) designed to promote economic development and welfare as their main objective (thus excluding aid for military or other non-development purposes); and (2) provided as either grants or subsidized loans” (Randhawa, 2012). Foreign aid has been grouped into three categories: Overseas Development Assistance (ODA) which involves aid given to middle and low income economies by donor governments; Official Assistance (OA) involves aid supplies to economies with per capita income higher above approximately US\$ 9,000 and also provided to former member of the Soviet Union and its satellites; and private voluntary assistance involves grants from non-governmental organizations (NGOs), charities, private firms and religious bodies (Randhawa, 2012). Foreign aid therefore means any form of assistance from a donor to recipient in order to assist the latter in financing development. Foreign aid can be bilateral or multilateral, and operated through Project Aid or Programme Aid.

The strategy for allocating aid for a favourable impact on the average citizen in developing countries has changed over time. Over the years, the improvement of economic growth remained the primary development strategy and suitable requisite for foreign aid to alleviate poverty in the long run. The development strategies moved from direct funding of infrastructural development on large scale in the 1950s to neo-liberalism in the 1980s (Gilbert & Vines, 2000). The International Financial Institutions (IFIs), therefore, devised aid programmes to revamp the low economic status of developing countries through market mechanism policies such as the SAPs. The SAPs, tailored for distressed economies, are economic liberalization policies designed by the World Bank and the IMF for developing countries. The policies are conditions which recipient countries undertake to qualify for, or in exchange aid from IFIs. These policies included reduction of government expenditure through cuts in social services, business deregulation, trade liberalization, wage suppression, and reduction of tax on high earners (Danaher, 1994). The 1990s witnessed a paradigm shift from the neoliberal stance underpinning SAPs towards the concentration on human rights (Liew et al, 2012). The last decade rather saw the emphasis on democracy and good governance as mechanisms for the reduction of poverty to the barest minimum in order to improve economic growth and development.

2.3 Foreign Aid Trends in Ghana

From the early 1960s to the late 1980s, the world witnessed an era of intense superpower competition, where strategic alliance became the basic condition for foreign assistance in developing countries (Brown, 2005). Aid flows in Ghana spans a great space in the country's economic and political history, further determining the country's foreign policy and alignment with the super powers during the Cold War.

The success story of Ghana's economy, following the adoption of state led approach under the Convention Peoples' Party (CPP) led by Dr. Kwame Nkrumah earned Ghana the accolade "Black Star" of Africa. The country was recognized as one of the strongest economies in Africa, being the world's lead exporter of cocoa. The socialist strategy of Nkrumah which rested on import substitution, enabled the government to provide social service such as education, health care, housing, employment among others to relieve the citizens of high cost of living. When cocoa prices fell in the world market in the 1960s, the Nkrumah government was unable to fund the welfare programmes it initiated, following allegations of mismanagement of the economy, over staffed public service and corruption. This led to the government being ousted out of power by military officials, which formed the National Liberation Council (NLC) in 1969, under the chairmanship of Lt. General J. A. Ankrah (Hutchful, 2002).

It is pertinent to note that, the NLC is the precursor for neo-liberal economic development since independence (Oquaye, 2004), even though the CPP, which was not pro-West solicited foreign aid from the Bretton Woods to help resolve her balance of payments deficits as well as the funding of the Akosombo hydro-electric dam in the 1960s. Ghana, under the NLC, established strong relationship with the Bretton Woods institutions. Chairman Ankrah is documented to have stated forcefully that Ghana

"shall make full use of the IMF and the World Bank and its associated institutions"
(Boafo-Arthur, 1989).

The NLC's decision to align itself with the IMF, was a total deviation from Dr. Nkrumah's agenda of state-oriented policies. Subsequent governments after Nkrumah's administration such as the NLC, National Redemption Council (NRC) and the Armed Forces Revolutionary Council (AFRC) could not thrive without foreign aid, as they claimed to have inherited a weak economy. The NRC, for instance, introduced rigorous measures such as tax

imposition on levies; abolishment of free education; withdrawal of subsidies; devaluation of the cedi; and liberalization of Aid, yet the 1970s saw an era of gross domestic economic mismanagement (Killick, 2010).

Col. Ignatius Kutu Acheampong's repudiation of some external debt in 1972, for instance, rendered Ghana blacklisted for foreign assistance from IFIs (Ayee, 1998). However, the emergence of democratic rule by Dr. Hilla Limann in September 1979 ushered in the rise of foreign aid inflows continuously for two years. The trend took a reverse turn after the 1981 coup d'état by the PNDC. The 1980s, however, saw a return of uninterrupted increase in aid flows when the donor community perceived great devotion and diligence by the military regime to improve economic management and economic reform in the country. Indeed, it is recorded that between 1985 and the early 1990s, total aid flows to Ghana, basically grants and concessional loans, increased to US\$450.8 million from a previous total amount of US\$150.7 million (Sowa, 2004).

2.4 Ghana's Political Economy under the PNDC (1983-1992)

According to Gyimah-Boadi, the "Third Republic, inherited a collapsing social infrastructure, shortage of foreign exchange, scarcity of consumer goods, and weak state institutions. Mismanagement under the NRC/SMC had resulted in an era in Ghanaian social life where destitution and despondency became the order of the day" (Gyimah-Boadi, 1993). Ghana saw gross economic mismanagement during the 1970s where industries performed abysmally. There was decline in all sectors of the economy. Agriculture, which happened to be the backbone of the economy, fared poorly as prices of cocoa, the main source of foreign exchange fell drastically at the world market (Oquaye, 2004). Since Ghana depended heavily on the revenue from cocoa production, the country was described to have caught the "Dutch disease". Due to the above situation, the Limann government's prime focus was macro-

economic (Shillington, 1992). However, the country remained saddled with the same plight until the government's overthrow by the PNDC in December, 1981.

The PNDC, faced with these challenges was compelled to seek refuge from the Bretton Woods institutions. According to Herbst (1993), the PNDC administration in its early days, inherited economic decay, with its accompanying fiscal deficits and domestic public debt, resulting in the rise of high inflation rates and currency depreciation. Additionally, the period of economic hardship was coupled with severe drought and huge repatriation of Ghanaians from Nigeria. So the need for the regime to seek economic reforms was crucial. The regime was more interested in the national survival as it had promised the masses of correcting the "wrongs" of its predecessors and for that matter took measures geared towards revamping the economy to a desirable level for the benefit of the citizens. The urge to salvage the economy pushed the PNDC, under the leadership of Flt. Lt. J.J. Rawlings to resort to drastic economic reforms in the country with directives from the Bretton Woods institutions under the SAPs launched locally as the ERP. In April 1983, the PNDC regime officially introduced the World Bank/IMF sponsored ERP with the prime target of reversing the decline in the economy due to military adventurism in the country's politics (Boafo-Arthur, 1999).

The facilities the IMF made available for Ghana under the SAPs included:

1. Standby Agreement (SA): This involved an interest rate of the loan based on market rate to be financed within 3 to 5 years' time period. Under this facility, Ghana received SDR 238.5 million on August 3, 1983; SDR 180 million on August 27, 1984 and SDR 81 million on October 15, 1986.
2. Extended Fund Facility (EFF): This facility was to be financed within 7 to 10 years with market rate attached with some policy conditionalities and performance requirements. Ghana received SDR 97.6 under this facility on November 6, 1987.

3. Compensatory Financing of Export Fluctuations (CFF): This comprised a package facility given to countries that had suffered shortfall from major export products earnings from which they accrue their foreign exchange revenue. The facilities utilized under CFF included SDR 120.5 million on August 3, 1983 and SDR 58.3 million on December 4, 1984.
4. Structural Adjustment Facility (SAF): This facility was mainly a mechanism which provided special assistance to countries undertaking SAPs. The interest rate was one-half of 1%. Ghana had access to SAF of SDR 40.9 million on November 6, 1987.
5. Enhanced Structural Adjustment Facility (ESAF): The funding for ESAF was greater than under SAF in terms of the amount of funding available. The terms of both however were more generous than the other facilities. Ghana under this facility enjoyed SDR 368.1 million on November 6, 1988.
6. However, from 1986 countries like Canada, Germany, Japan and the United Kingdom started engaging in bilateral engagements with, thus contributing to the aid stocks of the country. In the same vein, multilateral donors contributed to about 75% of aid inflow into Ghana, whereas between 1986 and 1988, total bilateral contributions summed up to US\$768 million (Oquaye, 2004).

2.5 Ghana's Political Economy under the NDC (1993-2000)

The donor community, for some years gave out foreign aid irrespective of the political system of the recipient countries. Aid was given to democratic or undemocratic governments, since the main focus was placed on economic policies. However, by the end of the 1980s, the donor community was reluctant to assist undemocratic governments. Based on the report on adjustment in Africa in the World Bank 1989 publication, the International Financial Institutions (IFIs) measured economic development to political situations and raised the urgent

need for political reform, advocating a new direction on governance where transparent measures and policymaking consultations were vital (Boafo-Arthur, 1999). Africa then witnessed a critical point signaling a change in the continent's politics in the 1990s. The 'third wave' of democratization experienced a drastic transformation of Africa's political landscape resulting in the collapse of undemocratic regimes and the rise of democratic governments. As democratization was pegged to economic policies, most scholarly analyses have tended to focus on how the new democratized states have harnessed resources for the promotion of economic growth and development (Debrah, 2008).

In Ghana, not only did democratization conditioned by SAPs account for the reason for the transition of a military regime to a democratic system, but also domestic discontent of the citizens. Undeniably, the ERP demonstrated noticeable improvement on the economic growth of Ghana quite early. For instance, inflation fell from 120% in 1983 to 10.4% in 1985, and GDP grew by 5%, among others. Notwithstanding marginal improvement in the economy, difficulties were persistent; the population suffered deprivation. Although the SAP was to speed up economic reforms, it failed to achieve the robust economic growth necessary to improve the living standards of majority of the population. There were growing concerns in the early 1990s concerning the sluggish growth in real GDP and per capita incomes, increasing deterioration in trade balance and overall balance of payments deficits. The rate of growth of real GDP and GNP dropped from 5.0% in 1991 to 3.5% in 1992. Imports exceeded exports causing the economy's trade balance to suffer wide imbalances. As a result, the current account of the economy sharply deteriorated. Total employment in the public and private sectors decreased by 52% and 40% respectively between 1985 and 1990 (ISSER, 1993). Surveys on poverty levels in the country during the period showed lack of progress in the living conditions of rural and some urban populations. Poverty headcount indices was indicated that about 36.9%, 41.8% and 31.4% of the population were poor in 1988, 1989 and 1992 respectively

(World Bank, 1995). Appiah et al (2000) affirms that poverty was indicated to have increased in all areas (social indicators) between 1988 and 1992 with the exception of rural coastal and urban areas other than Accra.

In spite of the modest economic gains in 1980s, there was an overwhelming number of Ghanaians showing their disappointment at how the economic reforms failed to effect changes in the low standard of living of the average citizen (Appiah et al, 2000). The turn of events called for hastened popular revolt against the PNDC. The 1989 strike action by the Trades Union Congress (TUC) initiated the public servants' demonstrations against the negative effects of the ERP on the working population. By 1991, the PNDC became increasingly insecure about populations' displeasure to its economic programs. Even, its core support group, on whose support it had legitimized itself, was discontent with the economic situation. Undoubtedly, the unemployed, working class, civil libertarians and journalists, among others were mobilized by leading political elites to voice out their predicaments, arguing that the consequences of the regimes' ERP was poverty and deprivation (Ninsin, 1998).

In many cases, the protests were centred on the argument that the military lacked the competence to manage the economy and were less responsive to the suffering of the ordinary citizen. The populace therefore relied on the conviction that democratic systems would rather be responsive to popular opinion to offer a platform for citizens to voice their concern about social and economic issues. The change of the economic situations of Botswana and Mauritius under democratic systems provided the justification for popular optimism about economic advancement once Ghana returned to a democratic system of government. The PNDC, in response to this reaction, announced in May 1992 of a time table for a return to democratic elected rule. The decision of the regime was met with fervour by Ghanaians. Multi-party elections were held in December 1992 which ushered in a constitutional rule in January 1993,

with J.J Rawlings the flag bearer of the NDC party, retaining power as the first president of the Fourth Republic of Ghana (Oquaye, 1995). The NDC government was committed to continuing the adjustment programmes under the Bretton Woods institutions. The participation of other committed donors to the promotion of growth in the democratic dispensation also increased. For instance, in June 1993, a short period after the transition to a constitutional system, Ghana was offered foreign aid to the tune of USD 2.1 billion for period of 1993-1994 at a donors' meeting in Paris chaired by the World Bank. The commitment was an absolute vote of confidence in the programme and how it had been handled by the PNDC which metamorphosed into the NDC government (Boafo-Arthur, 1999).

Arguably, the democratic dispensation did not facilitate the robust economic growth and development sought after by the Ghanaian citizenry at the time. The government faced mass demonstration by trade unions and the opposition parties due to their dissatisfaction with the government's strategy in tackling economic policies prescribed by the donor community. The economic conditions were unevenly distributed among the population; positive social effects were recorded in the rural communities than other parts of the country. By 1997 to 1999, the economic deterioration of the economy was plagued with high inflation and high interest rate, rapid depreciation of the currency and high external debts. Domestic debt stood at 35%, posing threats to macro-economic stability and growth. The value of Ghana's debt in relation to its total export stood at 175%, as per capita stood US\$390 at the end of 2000. By the close of 2000, poor economic performance had placed Ghana in the World Bank category of the severely indebted low-income countries group (Debrah, 2008). For this reason, when the New Patriotic Party (NPP) assumed office in 2001, its core pledge was 'economic accountability' in Ghana's politics. Hence, its priority was to address the imbalances that had caused sluggish economic growth and development since 1997. The economic difficulties compelled the NPP

to accede to the Highly Indebted Poor Country (HIPC) initiative - a debt forgiveness programme under IMF and World Bank for economic growth and poverty reduction.

From the above discussion, it is evident that most developing countries have accepted foreign aid as a developmental tool for their economies. However, the performance of the utilization of aid has generated varied outcomes in some of these countries. While some countries can attest to the positive impact of aid on their economies, others cannot do same. In the case of Ghana, the outcome since independence has been mixed. It is for this reason that the next chapter will analyse aid utilization in various sectors of the economy under the PNDC and NDC governments and its impact on the economic growth and development of Ghana.

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CHAPTER THREE

ANALYSIS OF DATA: FOREIGN AID UTILIZATION IN GHANA UNDER THE PNDC AND NDC GOVERNMENTS

In this chapter, the core objectives of the study are analysed. This constitutes the analysis of the performance of aid in the various sectors of the economy of the period under study in relation to the research objectives.

3.1 Foreign Aid under the PNDC (1983- 1992)

Foreign aid inflows from bilateral and multilateral sources during the SAPs period was enormous as the donor community was eager to render support to ‘successful reformers’. In the quest to transform the economy, the PNDC regime pursued macro-economic stability policies through stronger free-market enterprise, and carried out aid programmes on the directives of the donor community. For the purpose of this study, the impact on foreign aid on the educational, health, agricultural and human resource development sectors of the economy is examined. The aforementioned sectors are selected because, according to Rothchild (1991), they are the key driving forces of developing economies desiring to realize sustainable economic development.

3.1.1 Sectoral Economic Performance

a) Education

The educational sector in Ghana was deteriorating gradually from 1970s to 1980s as it suffered from faulty governmental policies and lack of attention (Dei, 2004). This occurred basically due to the fall in government’s revenues, which required huge cutbacks in the financing and investment of the sector. The pattern of enrolment remained unsteady, amidst the economic decline which adversely impacted on basic education. Gross enrolment ratios (GER) in primary education rose right through most of the 1970s, but began to fall drastically into the early 1980s (Colclough, Lewin and Chiswick 1993). Expenditure on a primary school

pupil declined from USD 41 in 1975 to USD 16 in 1983 (Demery et al, 1995). Baah-Boateng (2002) adds that the sectors overall funding was ill-advised as a large portion i.e. 88% was allocated towards the wages, salaries and allowances of the educational staff, while 12% was left for the provision of construction of classroom units, equipment, teaching aids, instructional material and teachers' training in the basic and secondary schools. Higher education in the country also suffered the same fate in terms of infrastructural deficit, inadequate government financing, and lack of qualified faculties.

In addressing these challenges faced by the sector, The PNDC government wasted no time in embarking on a nation-wide implementation of the reform. (World Bank, 1989). The initial phase of the educational reforms began in 1987 which was designed to improve access through provision of infrastructure and make the curriculum more relevant to the social and economic needs of the country (Ministry of Education [MOE], 1998; Yamada, 2006). According to the MOE (1998), the educational reforms were intended to salvage the educational system in order to give it a more relevant appeal for nation building. The 1987 reforms were categorized into: restructuring the pre-university period from 17 years to 12 years to achieve universal primary education; revision of curriculum to provide pupils with literacy skills in their own language; to nurture vocational and technical training skills (Government of Ghana, 2003, 2006; IMF, 1999); introduction of book user fees, the removal of boarding and feeding subsidies for secondary and tertiary education (World Bank, 1989); and equipping an appreciable number of basic school dropouts to become productive modern farmers with support from agricultural extension services.

The government of Ghana thereby received huge funding from donors to support the implementation of the reform. However, much of the external resources were concentrated on basic education, technical and vocational education (Acheampong et al, 2007), an agenda pushed by the donor community, because the international community regarded basic

education one of the most effective means to eradicate poverty in developing countries. The substantial donor support was received in various forms, including grants, loans, credits and technical assistance (Mettle-Nunoo, & Hilditch, 2000). The World Bank and other donors provided the sector with two (2) sector budgetary support, i.e. the Education Sector Adjustment Credit (EdSAC I) from 1986-91 for educational projects including a Community Secondary School Construction Project and the Literacy and Functional Skills Project. The EdSAC I was co-financed by several donors including United Nations Educational, Scientific and Cultural Organization (UNESCO), UNICEF, United States Agency for International Development (USAID), UK's Department for International Development (DFID), African Development Bank (AfDB), Norway, Switzerland, and the German Technical Cooperation (GTZ) (Oquaye, 2004).

Due to the huge infrastructural deficit that existed prior to the adoption of the educational reform, the external resources received were largely devoted to school infrastructure, provision of text books for school children and hiring of tutors. The World Bank provided funds for the construction of more than 8,000 classroom units and procured over 35 million textbooks for basic schools. As a result of the expansion, the GER in primary education increased from 76% to 79% between 1987 and 1991 (Thompson and Casely-Hayford, 2008). Net enrolment in primary schools increased from 62% in 1987/88 to 78% in 1991/92. Granted that the enrolment in secondary schools was below expectation, net enrolment nonetheless rose from 32% in 1987/88 to 38% in 1991/92 (Ghana Statistical Service, 1995).

However, appraisal of the result of the educational reform suggested limited success as most of the shortfalls in the sector persisted. More than half of the country's population mostly centred in the rural communities was illiterate. The cost borne by parents, including uniforms, books, and Parent-Teacher Association (PTA) dues compounded to large expenses which were

previously covered by subsidies. Although, there were positive indicators such as high enrolment rates and the proportion of public expenditure in education relatively larger, the absolute amount released for implementation of the policies was inadequate. This resulted in some challenges including inadequate trained staff, insufficient textbooks and classroom furniture, and the outcome of such shortcomings was the poor performance of graduates (Nyarko, 2018).

b) Health

Similar to the conditions of the educational sector prior to the PNDC administration, the health sector, an equally important public sector, also suffered immensely from faulty government policies. The sector was in great disarray of insufficient funding, inadequate district level health facilities and services, lack of accessibility to health services by the majority of the Ghanaian rural population, employment of unqualified staff, and non-availability of requisite drugs, both lifesaving and routine (Agyepong, 1999).

The PNDC government's commitment to recover the health system waned with the reduction of donor support in the sector. Though in 1983, 4.4% of the national budget was allocated to health and improved to 8.5% in 1984 and to 10.1% in 1989 to 1990, allocation of resources in the early 1990s was fairly low (ISSER 1994; 1996). The private sector funded a larger share of the health cost which constituted to about 51%, with government only providing about 37% and Non-Governmental Organizations (NGOs) covering 12%. Not only did patients have limited access to health facilities where people had to travel several kilometres to reach a health centre, but were also required to pay for most expenses at health centres with the introduction of the Hospital Fee Act. There was however growing concerns of the rapid waning of health services which did not warrant the introduction of the user fees. The cutback on social services inferably had severe constraints on primary health care at the community level. This restricted the works of mobile health centres, field supervisors and deliveries of medical

supplies (Abukari et al, 1996). The distribution and management of limited resources posed an inequitable social system which adversely affected the most vulnerable people in the country. By 1986, about 75% of the Ministry of Health's budget was directed to the payment of wages, which was 44% in 1978. In 1989, the total government expenditure for the health sector was only 12.2% which reduced to 11.6% in 1992 (Abukari et al, 1996).

c) Agriculture

As an agrarian country, foreign aid was focused on the agricultural sector. The regime improved cocoa storage facilities and construction of infrastructure to make the transportation of goods to the market easier. It also increased the provision of insecticides and sprayers. Cocoa production started to increase after several years of steady decline. A cumulative purchase for the 1985-86 season was recorded at 166,995 tons as against 136,955 tons for the period of the previous season. The regime also took important measures, which resulted in high productivity of cocoa in four-fold, influenced by the increment of farmers' pay of 1,698 cedis per head-load of 30 kilos in 1986 as compared to 360 cedis in 1982 (Oquaye, 2004).

Small scale farmers engaged in the production of cocoa benefited from major cocoa policies and devaluation. Wage laborers were employed for various agricultural activities such as planting, weeding, spraying and harvesting in cocoa production and so forth (ISSER, 1994). The government's quest for self-sufficiency attracted a substantial donor support. In conformance to this, the World Bank and the PNDC formulated and launched a comprehensive programme labelled the "Medium Term Agricultural Development Programme (MTADP)". It aimed at providing an environment conducive for agricultural growth with the involvement of the private sector to ensure food security, boost exports, create rural employment and improve balance of payment situation. The government also initiated a programme to enhance irrigation development through the arrangement reached by the Ghana's Irrigation Development Authority (IDA) and Rural Development Corporation (RDC) of South Korea (Oquaye, 2004).

d) Industry

From the late 1960s, the average capacity utilization in large and medium-scale industries in the country fell. The annual growth for the GNP with regard to industrial growth in 1960-70 was recorded at 2.5%. Annual growth rate for price manufacturing recorded 8.8% with increase in manufacturing output and industry processing recording 3% and 4% respectively. Most importantly, the sector recorded almost 90% increase in industrial employment. A respondent stated that:

“Thereafter, in 1980s, the growth rates fell drastically. Among the reasons attributed to this reversal economic condition were: the under-utilized industrial capacity; lack of interest of industrial development on the part of the Ministry of Industries; low labour productivity rates; obsolete industrial machineries and high dependence on imported goods”.

Due to the aforementioned reasons, the PNDC government upon assuming office aimed at the improvement of the export sector to generate foreign exchange, as greater emphasis was placed on production as against consumption (ISSER, 1996). It introduced trade and industrial policy reforms in three (3) main areas i.e. reviewing of the reward system; enhancing motivation of workers; and also fostering healthy competition amongst the Ghanaian manufacturers and producers as remedies to rescue the declined sector. The government also focused on adding value to resources, for example, adding value to the worth of timber instead of transporting it as logs. For this reason, the Forest Product Inspection Bureau (FPIB) was established to replace the Ghana Timber Marketing Board (GTMB), to supervise and observe the quality control of sawmills in order to facilitate the export of processed timber in order to earn the required foreign exchange. This initiative further led to the establishment of the Timber Export Development Board (TEDB) (Oquaye, 2004).

The mining industry, a major contributor to the Ghanaian economy, was neglected in terms of policies prior to the PNDC regime. Akabzaa and Darimani, (2001) opine that the period between 1957 and 1986 was the most progressive in the mining history of Ghana since

the control and supervision of production and extraction operations was in the hands of Britain and other western powers. However, mining activities speedily deteriorated once the Government of Ghana assumed control and management of the industry in 1986. The mining industry lacked adequate requisite investment which resulted in the decline in the exploration activities. A former Executive Secretary of AGI stated:

“Only two mining operations were making economic gains i.e. the Ashanti Goldfields Corporation (AGC) and the Manganese Corporation (GNMC). Whereas, substantial losses were recorded by the Bauxite Company (BAC) and the State Gold Mining Corporation (SGMC), which forced the latter to close down its Konongo and Bibiani mining operations”.

The Bretton Woods institutions thereafter proposed policy guidelines in five (5) areas i.e. investment; financial reforms; privatisation; institutions; and legislation, which brought into force the 1986 Minerals Commission Law (PNDC 154); the 1986 Mineral and Mining Law (PNDC 153); the 1987 Minerals and Royalty Regulations (L.I. 1349); and the 1989 Small Scale Mining Law (PNDC 218). According to official reports, a USD298 million action-programme was prepared to revamp the mining industry from 1987-1990, to ensure high productivity in iron ore and gold. Rehabilitation programmes were also initiated to replace and refurbish mines equipment and infrastructure with technical assistance from donors. (ISSER, 1996).

With the government’s pursuit for economic growth, it was however surprising that it failed to boost the private sector for development in the country. According to a respondent,

“The regime criminalized indigenous efforts, particularly, successful Ghanaian entrepreneurs and other foreign counterparts. The military regime called for the boycott of locally manufactured goods by indigenous entrepreneurs such as Appiah- Menka and Dr. Addison. It failed to appreciate that indigenous entrepreneurial efforts fosters economic take-off in every nation”.

e) Human Resource Development

The public sector was plagued with over-employment when the PNDC took power. By 1983, 58.9% of the labour force was employed in the civil service. However, SAPs also contributed to increased unemployment due to deployment exercise. During the deployment, 25% of the work force was deployed. Ashanti recorded 19%, Eastern, 14%, Central, 9.2%, Brong Ahafo, 8.3%, Northern 7.2%, Volta, 5.2%, Western, 4% and Upper East Region 3.7% (Oquaye, 2004). This event was followed by a massive public outcry of hardship. In creating job opportunities for the people, the regime launched Mobisquad throughout the country to cultivate several hectares of land to help advance the ERP. In the Hohoe district of the Volta Region, mobisquad rehabilitated over 4000 hectares of abandoned cocoa farms from between 1984-86. This served as a source of employment during the period for the unemployed in several communities.

3.1.2 The Implementation and Effects of PAMSCAD

In acknowledging the social cost i.e. unemployment, costly living and consequently low standard of living of the majority of the population associated to the adjustment programmes, the PNDC received foreign aid to alleviate the conditions of poverty and deprivation of the citizens through a 3-year arrangement formulated by the regime and donors labelled as Programme of Action to Mitigate the Social Cost of Adjustment (PAMSCAD) in 1987 (Aryeetey, 1995). The government solicited help from UNICEF and the World Bank for the number of projects with respect to employment, healthcare, infrastructure, housing, job training, provision of small loans and equipment to settle the redeployed and empower women. The programme attracted an amount of US\$88.4 million in commitments whilst other bilateral donors including the Canadian International Development Agency (CIDA) and Japan International Cooperation Agency (JICA) got involved. The government was able to implement the programme mainly through community initiatives which saw the rehabilitation

and construction of social and economic infrastructures such as health centers, school, public toilets facilities and hand dug wells. These were also designed to indirectly generate employment for the masses (Annin, 1995).

Undeniably, one of the successful components of the PAMSCAD was the effective implementation of the Enhancing Opportunities for Women in Development (ENOWID) by adequate remunerated staff (Abukari, et al, 2015). The project had appreciable support from donor agencies.

3.1.3 Ghana's Political Environment under the Implementation of Aid Programmes (1982-1992)

The political system and leadership of the administration is examined to determine how aid resources were effectively and efficiently utilized for the realization of its goals.

a) Policy Implementation

The issue of public policy implementation in Ghana has been plagued with considerable concerns, particularly based on its elitist character. The rationalizations for adopting an elite model is rested on the belief in the technocrat's competence, trust in the expert's ability to choose, confidence in the ruler's capacity to offer leadership and direction, and the bureaucrat's possession of information and technical expertise (Dye & Zeigler, 2000; Steelman, 2001). Per the elite approach, the involvement of the public can be disruptive, costly, arduous, and inefficient, owing to the argument that they are not capable of participating effectively. This line of thought might have influenced the approach to policy making in the one-party system and military regimes in Ghana prior to 1992, or simply because it was an autocrat regime. However, in most scenarios, implementation of policies are undermined by lack of policy ownership due to lack of political will and donor influences. In the case of Ghana, policy implementation has been characterized with inconsistencies in terms of policy priorities and

selection, as government alternates between political parties possessing different ideologies and unstable political environment. Such developments have imposed dire consequences on the economy.

However, the successes of the SAPs recorded under the military rule has been attributed to the PNDC regime's ultimate policymaking authority though executed in weak institutions. The aid programmes formulated under the Rawlings' military rule were executed with little, if any, public involvement (Gyimah-Boadi, 2001). Chazan points that, from 1983 to 1991, the country was insulated from formidable interest group activities. The political environment was devoid of any relationship with the people for consultation and decision making processes unlike previous governments (Chazan, 1983). In place of masses' involvement were the Workers' Defense Committees (WDCs) and Peoples' Defense Committees (PDCs). The political environment at the time also lacked viable opposition parties since the regime prohibited all political parties from operating right after the December 31 1981 coup. The Trade Union Congress (TUC) and the National Union of Graduate Students (NUGS) were important supporters of the regime in the initial stages of the regime, but they did not have any significant impact on economic policy. They later became pressure groups for political reform and to some degree influenced economic reform. But the decision of the regime was paramount. Decision making under the regime was quite centralized, in the hands of a small group of technocrats in charge of the economy. The small high quality group of professionals, including the likes of Dr. Kwesi Botchway, Dr. Obed Asamoah and Dr. Joe Abbey, paid much attention to finding lasting and practical solutions to problems of the economy as they made stringent economic decisions for the transformation of the economy (Herbst, 1993).

The decisions were taken without delays and disapproval by any institution since there was no strong opposition to hold the regime accountable on the utilization of foreign aid. Due to this, the regime was able to follow the directives of the donors who became impressed of the

former's efforts in transforming the economy. However, the later decline of the economy in the early 1990s is somewhat attributed to the reposting of the regime's technocrats to oversee other functions. For instance, in the latter years of the 1980s, Dr. Abbey, an instrumental member of the technocratic team, was appointed as Ghana's High Commissioner to the United Kingdom and later ambassador to the United States. The ambassadorial appointment, though enhanced bilateral relations, apparently weakened the team. Other reasons attributed to the economic decline were the regime's action of hiking salaries of civil servant, and undertaking other infrastructural projects which were not in the directives of the donors, but rather aimed at canvassing votes in the 1992 elections, hence causing excessive macro-economic imbalances which did not go down well with the donor community. (Herbst, 1993; Oquaye 2004)

b) Political Leadership

Harman notes that, "Leadership requires a value orientation that should be accepted, adopted and translated into a vitalizing vision." "The leader", he concludes, "is then responsible for articulating the kind of vision that the community validates based on the leader's perception" (Harman, 1998). Rawlings, an autocrat, realizing the deteriorated state of the economy and the cry of the masses to correct the wrongs of previous administrations took the country through rigorous economic reforms and succeeded to some degree in stabilizing the economy (Adedeji, 2001). The leadership of the PNDC exhibited boldness in the implementation phase of the economic policies with foreign assistance, and donors were initially impressed that funds were being utilized according to directives (Oquaye, 2004). Chazan (1983) observes that Ghana under the ERP would not have survived without Rawlings' strength of character and resoluteness. Rawlings demonstrated a leadership role of strong political will and served as a "watchdog" for the average citizen in attempting to solve the issue of incompetence, injustice and corrupt activities in the public sector, hence the successes of the reform.

The political leadership of the PNDC disregarded conventional wisdom which stipulates an adverse effect of economic stringency on social and political support, considering the fact that SAPs mostly entails economic costs which are advantageous to some group and hurt others. This affirms Wilhelm's (1996) assertion that "effective leaders have the vision required to see things differently from others" and leadership "is the ability to have a vision of where they are trying to go and to articulate it clearly to potential followers so that they know their personal role in achieving that vision." The achievement of the leadership of the PNDC during the 1980s encompassed a multi-dimensional outlook of leadership which embodied authority, good sense of judgment and strong political will. These qualities were reflective in the regime's emphasis on economic recovery, exposure of corrupt practices, enforcement of price controls and curbing of smuggling activities in Ghana, thus helping in reversing the decline of the economy (Adedeji, 2001).

3.2 Foreign Aid under the NDC (1993- 2000)

External influence was very pivotal in the return of a multiparty system and maintenance of democracy in Ghana. Between late 1992 and mid-1993, Ghana's aid programmes were slowed as the period experienced disruption of multilateral aid flows due to the World Bank's suspension of disbursements. The cause was the fiscal dislocation in connection to the 80% wage increase offered to civil servants before the 1992 elections. The immediate effect was a fiscal deficit of about 5% of GDP in 1992 as money in circulation rose to 50%. Another fiscal slippage which occurred in 1996 forced the IMF to halt negotiations concerning the second annual ESAF and the Policy Framework Paper for a whole year. The government undoubtedly encountered challenges in the implementation of IMF policies. Ghana had to survive these temporary halting of foreign aid through stringent macro-economic policies with help from some bilateral donors (Boafo-Arthur, 1999).

Subsequently, loans from both multilateral and bilateral sources increased making Ghana one of the highest recipients of foreign aid than any other developing economies at the time. The type of aid was basically concessional loans like the IMF Extended Fund Facility and the ESAF (Debrah, 2008). From 1991 to 1995, loans from multilateral agencies increased from 50.71% to 55.31% and similarly, loans from bilateral sources increased from 13.49% to 20.28% of total external public debt. Inflows of aid and investment helped to control the balance of payments deficit; without it, the budget would have faced deep deficit. Total foreign debt was reduced by partial debt forgiveness to about USD 4 billion, a moderate 50% of the GDP. The debt service ratio declined to about 18% in 1994, down from nearly 50% in 1989 (ISSER, 1996). However, the sharp devaluations of the Ghanaian cedi between 1994 and 1996 meant that servicing the foreign debt required more foreign assistance. In response to the economic difficulties, the donor agencies pledged US\$ 1.6 billion in loans and grants to the country at the Ghana's biennial Consultative Group meeting in June 1995 (ISSER, 2001).

The constitutional rule enjoined the government to lay down a long-term programme aimed at addressing the persistent socio-economic issues confronting the country. In 1995, the Ghana government, with assistance from the IMF, launched a new policy framework, the National Coordination Program for Social and Economic Development which was dubbed “Ghana Vision 2020” as a blue print for sustainable development. The programme was categorized into two (2) periods: medium term (1996-2000) - to consolidate the successes of the ERP and accelerate growth; and long term (1996-2020) - to boost the socio-economic status of the citizenry (IMF, 1999).

The major objective of Vision 2020 was to restructure monetary, fiscal and social policies to encourage the involvement of the private-sector, expansion of export, and ensure equitable social and regional development (IMF, 1999). While the government and its development partners regarded this as the basis for Ghana’s strategy for improving standards of living and

reducing poverty, some critiqued it as a simple assemblage of policy statements that was short of implementation focus and consistency (Thompson, 2003). For instance, the Ministry and Local Government and Rural Development used the development goal of the Vision 2020 to formulate the National Action Plan for Poverty Reduction (NAPPR) to improve the quality of lives Ghanaians, however, there was lack of commitment to the social policy and therefore the NAPPR was disregarded as a meaningful document by many donor agencies (IMF, 1999).

3.2.1 Sectorial Economic Performance

a) Education

The government of Ghana set up the Education Reform Review Committee (ERRC) in 1994 to review the feats of the ERP. In accordance with the World Bank and other donor agencies, the 'Free Compulsory Universal Basic Education' (FCUBE) was subsequently introduced in 1996 to address the weaknesses of the educational reforms. The World Bank Primary School Development Project (PSDP) supported the implementation of the FCUBE to achieve its objectives. According to the World Bank (2004) report, the PSDP was structured into two main areas of activity: investment in physical infrastructure i.e. construction of classrooms and construction of head teachers' housing; and policy and management changes i.e. reduction of student user fees and levies, increasing instructional time, improving the skills and motivation of head teachers, community involvement in the selection of head teachers, conducting school mapping, supporting school supervision and providing orientation for district officials and community leaders(World Bank, 2004).

The government secured substantial education sector credits during this period. These funds were expended on many inputs, including 35 million textbooks and 8,000 school pavilions (World Bank, 2004). Some of the projects undertaken included a Community Secondary School Construction Project (1991-1995), the Literacy and Functional Skills Project (1991-1995), Tertiary Education Initiative (1992-1998), Primary School Development Project

(PSD, 1993-1998), the Basic Education Sector Improvement Project (BESIP, 1996-2002), Vocational Skills and Informal Sector Project (1995-2001) and a National Functional Literacy Programme (1999-2004) (World Bank, 2004).

However, the geographical disproportional enrolment recorded in 1996 was quite obvious. While the national enrolment rate in primary schools was 67.4%, the rural enrolment rate stood at 54%. Regional breakdown indicated a 66% attendance rate in the Greater Accra Region, 28.6% in Upper East Region and 29.8% in Upper West Region (ISSER, 1996), and per this pattern, the outcomes were similar. More than half of the country's population, constituting 51.2% were illiterate, mostly dwelling in the rural communities. Male illiteracy rate constituted 39.2% and that of female stood at 61.5% in 1995 (ISSER, 1996). There was also uneven distribution of qualified teachers and teaching resources across the country, with large cities getting a larger share of resources. This resulted in desirable learning outputs in private schools and some public schools situated in large towns and cities than majority of public schools in rural areas. The challenges in the sector were ascribed to the government's reliance on the dictates of the donor agencies which did not incorporate the views of the general public or most importantly major stakeholders of the educational system, including the Ghana Education Service. Contrarily, the World Bank's evaluation of its impact on the educational policies and outputs over the period 1989-2004 showed positive (World Bank, 2004).

b) Health

The expenditure on health care continued to suffer of inadequate funding. The Ministry of Health was underfunded as per capita expenditure of only USD 6 was allocated to the ministry compared to USD10 in 1978. Government spending was relatively low, with the private sector being the major contributors. By 1995, the allocation of government support had declined from 10.1% in 1989/90 to 6%. Particularly, from 1990 to 1994, the government's spending on health

averaged 1.2% of GDP, while the average across most developing economies remained 2% (World Bank, 1995a). Patients were expected to pay for all expenses of their health care. Abukari (1996) stated that most people could not afford health care in both rural and urban areas.

The quality and accessibility of healthcare was questioned by the public. There were concerns of inefficient use of the scarce resources directed to the sector, amidst weak collaboration with the private sector for delivery mechanisms. This led the public to steadily call for the discontinuation of the “cash and carry system”, which ensured that patients satisfied their financial costs before they could have access to health care. A decade after the reform, the public outcry grew appreciably. However, on a positive note, per 1000 live births and infant mortality recorded in 1994 stood at 66.4% and children under 5 years was recorded at 119.4%, which showed an impressive indicator better than the average for sub-Saharan Africa (Abukari, 1996).

c) Agriculture

With foreign assistance, there was an increased output for all the major crops from 1994 to 1995. The significant increase in growth of the agricultural sector was partially due to the cocoa sector which grew at 11.1%. For a sustainable growth of the sector, the Ministry of Food and Agriculture implemented the Accelerated Agricultural Growth Strategy in 1997 with the target of getting the sector to grow at 5-6% per annum. By 2000, in spite of the government's effort, the agricultural sector's growth was the lowest since 1995. The sector grew at 2.1% as compared with 3.9% in 1999 and previous growth of 5.1% in 1998. There was therefore a decline in agriculture's contribution to government revenue generated mainly from levies imposed on cocoa exports. The contribution to tax revenue was 4% as compared to 7.5% and 14.7% in 1998 (ISSER, 2001).

d) Industry

The government's implementation of projects and programmes to enhance the capabilities of exporters in relation to the volume of non-traditional exports aimed at solving the balance of payment deficits encountered by the economy paid off. These programs included:

- **Medium Term Plan for Non-Traditional Export (MTPNTE)** which spanned from 1991 to 1995.
- **USAID-Sponsored Trade and Investment Programme (TIP)**- A 5-year programme which started in 1993 to 1997 aimed at increasing the country's total earning, creating more jobs, attracting more business and investments into export production and improving the individual exporter's earnings.
- **Private Enterprise and Export Development (PEED)** – An export development programme targeted at promoting and enhancing the private sector to produce and export non-traditional export products. The government of Ghana in conjunction with the International Development Association (IDA) and the World Bank undertook the \$51 million-project to promote non-traditional exports, strengthen the financial sector and improve the efficiency of the private sector.
- **Funds for Small and Medium Enterprises Development (FUSMED) Project** –an International Development Association (IDA) credit facility of \$30 million aimed at financing the development of informal small and medium enterprises in the production related industries of the economy so as to generate employment opportunities, high productivity and incomes (ISSER, 1996).

By 1995, the industrial sector achieved a growth of 3.3% from the mining, quarrying, and construction sub-sectors. To generate high productivity in the sector, the government

continued the electrification scheme in various parts of the country, including the Upper west capital, Wa and other 11 district capitals were connected to the national grid. Road construction featured prominently in the development programme of the government. The Ghana Highway Authority completed 3175 km of roads. The Department of Feeder Roads rehabilitated a total of 1042 km of roads in 1995. Also, under the Cocoa Roads Programme, 800km of roads were completed. However, as of 2000, the industrial sector had a sluggish growth of 3.8% as compared to 3.2% in 1998 when the country was faced with energy crisis, though it recorded 4.9% in 1997. The sector obtained 27.8% to real GDP in 2000 which was not too different from its contribution over the previous five years, due to poor performance of the manufacturing sub-sector (ISSER 1996; 2001). Private businesses were not fully incorporated into the economic transformation process as many were driven out of business due to aid. A participant observed that:

“Due to free distribution of goods and services, a lot of indigenous businesses were driven out of business. For e.g. A man in the Northern Region who sold mosquito nets lost his job because CIDA was also distributing free mosquito nets”.

e) Human Resource Development

In connection to the development strategy of the country, the government targeted at improving the quality of life of Ghanaians. Attempts were made to expand existing social facilities and formulate programs to raise the low standard of living of a large number of the population. As a result, 61% of the urban population had access to healthcare, while most of the rural population resorted to herbal and unorthodox healthcare sources (ISSER, 1996; 2001). Despite government's attempts, there was widespread poverty and acute deprivation. Only 40% of the rural populations had access to potable water as compared to 93% of the urban population. According to the Ghana Living Standards Survey, about 40% of the population aged 15 and over were not under formal education and only 6% had secondary or higher education. Though the Human Development Index (HDI) revealed an improvement in the lives of Ghanaians,

almost 53% of the people had shortages in cash income. Social surveys conducted in 1992 and 1999 revealed that only 14% of the population were wage earners (Andrews, 2010).

The TUC, for these reasons called attention to the low levels of income and its effects on economic development. While poverty rates reduced, unemployment and underemployment rates were very high, as per capita incomes were low. By 1999, 20.3% of the labor force was unemployed. Effects of cutbacks in the health sector was a contributory factor to brain drain of health care practitioners, causing overall shortage, inefficiencies, spatial disparity and unequal distribution of healthcare urgently needed by many (Andrews, 2010).

The economy deteriorated in 1998, 1999 and continued in 2000 due to fiscal imbalances and excessive money supply amidst external factors, including high crude oil prices. The government proposed a 5% growth rate of GDP for 2000 based on a projected growth of 4.2% for agriculture, 5.1% growth for industry, and a growth of 5.9% for services. But at the end of the year 2000, GDP grew only at 3.7%, the lowest since 1991. Service sector recorded the strongest performance of growth at 5.4%, Industry at 3.8% growth rate, and agriculture with a dissatisfactory growth of 2.1% (ISSER, 2001). By 2000, the economy was again plagued with high inflation rates, high interest rates, free fall of the cedi and a huge external debt. An official of the Institute of Economic Affairs (IEA) stated that:

“...Ghana's external debt rose to US\$6,021 million in 2000 due to its dependency on foreign aid to support its economic development. It didn't come as a surprise when the country was adjudged HIPC at the time HIPC Initiative was introduced by the Bretton Woods institutions”.

3.2.2 Ghana's Political Environment under the Implementation of Aid Programmes (1993-2000)

The quest for constitutional rule demanded elections to be held in 1992, and Rawlings on the ticket of the NDC, won with over 50% in every region with the exception of the Ashanti Region. The NDC government gained massive support in the rural communities arguably

because of its concentration of development in the rural areas during the military regime. The NPP, the main opposition party, rejected the results on the grounds of not being free and fair, and subsequently boycotted the parliamentary elections, making the political environment not too difficult from that of the military regime. The NDC government still held absolute power in the executive and legislature. However, the 1996 elections were deemed free and fair and the results were accepted by all. The NDC retained power, but with a reduced majority in parliament. The form of government, as stipulated by the 1992 constitution prevented the excessive wielding of power by the executive or any organ of government. Under the constitutional rule, fostering of tolerance and the concept of power sharing was imperative. The executive and the legislative arms shared power with an independent judiciary (Oquaye, 2004).

Under the democratic system, the economic growth indicators in Ghana declined tremendously in the early 1990s due to political factors such as: the effect of the political transition and activities of unions. Prior to the 1992 elections, the 80% wage hike for all civil servants was followed by large fiscal imbalances and monetary growth constraints. Being the ruling government, the PNDC had the ability to use state resources to canvass for votes. The regime undertook several infrastructural development and social intervention initiatives in the rural communities. In relation to infrastructure, the PNDC expanded the national grid to provide electricity for some regions (Oquaye, 2004).

Also, another general fact which contributed to the decline of economic growth was the significant increase in the number of unstructured economic decision-making consultation agencies in the democratic dispensation. It is also pertinent to note that there no comprehensive and extensive popular support for macroeconomic reforms unlike the initial calls for economic reforms under the military rule (Nugent, 1996). The government encountered great difficulties, including public protests regarding economic reforms. For instance, in 1995, seven people lost their lives during the protest against the Value Added Tax (VAT).The tax was withdrawn after

several riots, because it would worsen the plight of the ordinary citizen. After an extensive public education, it was later revised and introduced in 1998 at a low level of 10% compared to the initial 15 %.

The Ghana's democracy rather challenged the progress of reforms unlike periods of rigorous economic reforms in Ghana which were undertaken under the military government, possibly because the gains of the reforms under the PNDC was short lived. It can also be argued that Ghana had then not fully appreciated the tenets of democracy and for that matter, the country's level of maturity in a democratized system was relatively low. Again, as a result of the opposition's boycott of the 1992 parliamentary elections, the democratic system under the first term of the NDC was not vibrant enough to hold the executive accountable for economic growth performance (Dollar and Svensson, 1997).

At the same time, the general policy environment within which policies in all sectors were formulated, had changed. With a change in the political legitimacy of government after 1992, the rules of the political game had also changed. Influence had become more indirect and informal. A number of groups gained a political voice, including the media, trade unions, parliamentarians and civil society groups. The new policy environment changed the way donors influenced decisions of programme implementation in the country. Donors could no longer rely on government alone to drive through reforms (Pedley and Taylor, 2009). Ghanaian political commentators agreed that the nature of donor influence on national policy agenda waned. The avenues within which donors could influence and negotiate became very unclear unlike the earlier regime where the donors could participate and knew the exact authorities to negotiate with in governmental departments and agencies.

3.2.3 Agencies of Accountability of Aid Utilization under the Democratic Rule

Lindberg opines that the structures of the democratic system of Ghana were characterized by neo-patrimonialistic rule which violates the norms of liberal democracy. Evidence showed that Members of Parliament (MPs) in Ghana are usually faced with constituents who expect them (MPs) to take time and public funds to address their (constituents) private concerns; usually involving patron-client relationships to boost their political power (Lindberg, 2003). According to Hasty (2005), “the forms of desire that fuel corruption are not merely selfish and private but profoundly social, shaped by larger socio-cultural notions of power, privilege and responsibility”. In connection to this assertion, resources that needed to be directed to a particular avenue for developmental projects were re-directed to serve personal interests. Aid bureaucrats who do not even seek for votes also faced demands due to their affiliation with family and religious bodies. It again affirms Hasty’s argument that in Ghana, the “pleasures of corruption are the pleasures of the state itself; its power to satisfy desires for social, cultural and material plenitude as well as legitimacy and solidarity”. The idea that government resource is not a family property hinders how well public officials manage public resources placed in their care. Also, the likely situation that corrupt public officials go unpunished does not deter public officials from using foreign aid as well as other public resources unwisely (Andrews, 2010). According to one participant,

“The government was mistrusted by the donors due to misappropriation of funds by public officials. They (donors) decided not to give out physical cash. They started to operate extensively through their respective NGOs”.

Admittedly, political accountability is a driving force of democracy, and the degree of accountability depends on the capacity of civil societies to curtail the hegemony of the state. A strong state and the strength of civil society can have a positive impact on a democratic state (Herbst, 1983). To a certain extent, the ban lifting on party politics in 1992 revived civil society

activities. The government stopped shutting down media houses, released political prisoners and allowed long-banned political parties to criticize it. The democratic dispensation witnessed the upsurge of print and electronic media to push for the demands of the citizenry. Political parties, interest groups, and the mass media began to play an important role by transmitting information concerning demands of the masses to the state. The mass media made public most government decisions and policies geared towards the attainment of economic development. Government officials began to accept the importance of civil society groups. At the Global Coalition for Africa meeting held in Benin in March 1995, Dr. Kwesi Botchway, the principal architect of Ghana's liberal economic reform, stated that:

"Our people want a more open society. They want to participate in the decisions that will affect their welfare. We can do a better job of informing people about structural adjustment and to demonstrate that the sacrifices required for economic recovery are being shared equally." (Ghana, Roots of Student Protest, 1995).

The strong civil societies in the country pushed for the improvement in economic conditions of the population, including basic health, education, and sanitation services, and the protection of nutritional status (Jeong, 1998).

The Legislative arm of government under the 1992 constitution was to serve as check on the executive arm. The opposition in parliament voiced out the grievances of the ordinary Ghanaians' high living costs, attributed to the government's economic policies, and demanded for an equal share of the national cake in all areas of the country. On the other hand, the executive enjoyed much support from the rural communities on the account of providing them with new electricity, water, and toilets, as well as roads (Oquaye, 2004). Activities of corruption of public funds were also investigated and made public for the accountability of domestic and external funds (Oquaye, 2004).

3.3 Ownership of Aid Programmes under PNDC and NDC

The donor community contributed immensely to the socio-economic policies in Ghana during the PNDC and NDC administrations. For instance the European Union (EU) pledged to assist Ghana in the areas of health, education, poverty alleviation, governance, private sector development and human rights. The United Nations Development Program (UNDP) assisted in the areas of capacity building, private sector development and poverty alleviation. Other bilateral donors like the Canadian International Development Agency (CIDA) and the Department for International Development in the United Kingdom also assisted in specific sectors of the economy. A notable number of projects were also undertaken by international NGOs throughout the periods.

The donors acted as catalyst in the implementation of most national plans. For instance, the NAPPR was formulated as a result of donor pressure on the government to develop a specific institutional framework for poverty alleviation. Also, bilateral donors persuaded the government in setting up the National Steering Committee to coordinate both national and donor policies and programmes for poverty alleviation. The donors ensured the Committee was headed by a direct representative of the president and assisted by Technical Committee on Poverty of the National Development Planning Committee (NDPC). Yet, the government maintained that the implementation of aid programmes enjoyed maximum Ghanaian ownership.

“We drafted the programmes of the economic reforms...the ERP. We undertook preliminary study and were in full control of the programmes”. (a member of the economic team of ERP).

The government also holds that the introduction of PAMSCAD was not only based on UNICEF’s concerns of the effect of the reforms, but included government concerns as it held major discussions with the World Bank/IMF teams to set out limits of the reforms. For the

government, ownership of aid programs were implemented in a more gradual manner than the Bretton Woods Institutions anticipated (Ghana Country Assistance Review).

Under the NDC, ownership of aid programmes was seen to have declined due to several factors, including changes in portfolios of public officials who constituted the technocratic team. This in turn posed the challenge of finding equally competent personnel to fill the positions in order to suppress the influence of donors. This was evident in the wake of the 1992 and 1996 election victories, when the government was pressed by the World Bank and other donors to pursue its privatization programme much more vigorously. In a country strategy paper, the World Bank bluntly warned the government that it would cut project financing from \$1,500 million to \$800 million if economic reform lost momentum. Donors also put the government under pressure to make sweeping cuts in public spending. They maintained that if the government failed to do so, Ghana was going to lose the opportunity for growth. Because of breaches in the loan agreements, donors withheld sectorial disbursements of loans amounting to USD100 million to USD 300 million every year since 1992. In this sense, state regulatory power was severely limited by the intervention of multilateral institutions in economic policymaking (Panford, 1994).

While trying to satisfy voters, Ghana was to implement unpopular policy conditions prescribed by the donors. As part of the World Bank's USD80 million Agricultural Sector Adjustment Programme, COCOBOD was to be disbanded by the middle of 1996. In its confidential Country Sector Adjustment Programme paper on Ghana, the World Bank reported that, together with the privatization of 60% of the banking sector, their policies would signal the government's seriousness toward changing the future role of the public sector. Other essential concern to the donors was the promotion of the private sector. International business groups were given opportunities for consultation and participation in Ghana's economic policies. For instance, the chairman of the largest multinational organization, U.A.C. Limited,

was among Ghana's official delegation team to the May 1991 Consultative Group meetings organized in Paris France (Jeong, 1998).

Local ownership is deemed critical to the sustainability of socio-economic projects, yet the issue of ownership in the case of Ghana has been questioned. According to Aryeetey (1995), about 35% of proposals for bilateral projects were prepared with extensive donor input, and project designs were either completely or partially controlled by the donor.

It can however be concluded from the discussion in this chapter that aid programmes in Ghana were directed at recovering the economy in the areas of education, health, industrial growth and improvement of the lives of the citizens to boost economic development. The programmes in the education and health sectors were geared at enhancing of the quality of services and improving public accessibility and supervision. The educational, agricultural and industrial sector recorded appreciable growths under the PNDC government. However, the growths were not translated into sustained economic development due to government's failure to address the disproportionate budget allocation of funds which rendered welfare services costlier with the introduction of service charges, while the private sector was neglected in terms of policies. Though attempts were also made to improve the lives of Ghanaians, the SAP rather created unemployment with the resultant being low standard of living.

The feats of aid programmes were chalked partly due to the political environment at the time. The government exuded great commitment and political will with less distraction in the implementation of aid programmes based on the directives of the Bretton Woods institutions. Accountability of external funds to Ghanaian under the PNDC was non-existent, since there was no vibrant opposition. It could be appreciated that from 1996, the voice of the media and other pressure groups was pronounced, but it did not reflect in the accountability of external funds. The government was somewhat only accountable to the donor agencies based on the latter's directives, contrary to which warranted suspended disbursements.

The growth rates in the various sectors as discussed under the NDC government were relatively lower as compared to the PNDC government due to waned political will to transform the economy and donor fatigue. Contrarily, a participant holds a different view to this assertion.

He argues that:

“Foreign aid is just effective in the short term and has very disastrous effect in the long term...it is not necessarily due to the type of government executing it...and that it what we experienced”.

At the end of 2000, Ghana’s dependence on foreign aid has accumulated to external debt of US\$6,021 million which supports Brautigam and Knacks (2004)’s argument that aid renders developing countries dependent rather than encourages them to harness their natural resources.

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CHAPTER FOUR

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

This chapter presents the summary of the main findings of the study. It also discusses the key conclusions derived from the findings and the final part is devoted of the recommendations.

4.1 Summary of Findings

Foreign aid remains an integral part of Ghana's development complexities, however, its utilization in Ghana with the quest of advancing economic development has been questionable and therefore opened debates on aid effectiveness in the country's economic condition. The economic situation of Ghana prior to the PNDC administration was deteriorating amid myriad challenges in the face of little political will to push for economic growth and development. Foreign aid inflow increased under a democratically elected government led by Dr. Hilla Limann in 1979 but later decreased following the coup d'état in 1981 by the PNDC military government. The relationship between the regime and the donor community improved when the regime exhibited greater commitment for better economic management and reforms.

Under the regime, the international donor community, led by the Bretton Woods institutions became a major contributor of the economic reforms. The World Bank played three (3) key roles in support of the aid programmes terms of the provision of financial support, the provision of technical assistance for policies that contributed to planning, policy and implementation and the mobilization of support for the programme from other donors. The government's implementation of aid programmes resulted in a well stabilized economy. Ghana recorded a sustained average GDP growth of 5% over the years up until the early 1990s. Inflation was reduced from its previous rate of 77% in 1981 to 9.5% by 1992. The major sectors of the economy improved considerably.

The agriculture sector, a major source of foreign exchange of the economy improved, though measures for its improvement favored cash crop farmers and export-oriented industries as against food production, leading to importation of major food staples. Aid programmes were also advantageous to the rural settlers where both devaluations and producer price increases helped increased productivity. As stated earlier, much attention was also paid to the educational sector. For instance, the government received substantial education sector credits between 1986-91 and 1990-94 for educational projects including a Community Secondary School Construction Project (1991-1995), the Literacy and Functional Skills Project (1991-1995), Tertiary Education Initiative (1992-1998), Primary School Development Project (PSD, 1993-1998), Informal Sector Project (1995-2001), the Basic Education Sector Improvement Project (BESIP, 1996-2002), Vocational Skills and a National Functional Literacy Programme (1999-2004). Between 1986 and 2002 the Bank disbursed USD269 million. This fund was used to procure many inputs, including 35 million textbooks and 8,000 school pavilions (World Bank, 2004).

The economy saw infrastructural developments in term of construction of roads and the expansion of electricity to the remote areas. The regime also made efforts for industrial expansion, however, there was uneven distributions of most of these projects which were concentrated in the rural communities. Conversely, the government failed to integrate the private sector in the development agenda of the country. Similarly, the health sector and the welfare of the citizenry suffered deprivation of resources. The unequal rural-urban allocation of healthcare budget, consistent increase in unemployment due to the cutbacks particularly in the public sector created low standard of living.

The successes recorded under this period could be attributed to strong political will and agenda for change shown by the government. The strong political will for economic reforms, particularly on education was evident in the 1980s through the 1990s with the shift from policy

formulation into policy implementation. As the donor community was very active in its support for the rigorous economic reforms, it is however evident that the funding of economic programmes in Ghana through the 1980s and 1990s turn out to be donor-dominated spearheaded by external policy makers.

It is found that international economic ideas and practices influenced domestic policy formulation during the period of study in various ways. Among these include the influence of the donor community, particularly practices borrowed through conferences, professional associations, networks of foreign consultants, advisers and delegates and of accountability systems associated with so-called global standards. Though the Operations Evaluation Department of the World Bank, contrasts this view of its operations in Ghana in the 1980s, maintaining that the World Bank did not own the economic policies of the country but rather helped a reform process that was owned by the PNDC military government and the NDC administration (World Bank, 2004), it is evident that there existed a co-opted economic diplomacy between the government of Ghana and the Bretton Woods institution.

Under the NDC government on the other hand, inflow of aids was slowed due to fiscal slippage which led to challenges in the implementation of aid programmes. However, when the government made efforts to continue with the economic reforms, foreign aid began to increase. In the face of the government's efforts of implementing aid programmes, growth in the various sectors of the economy was comparatively low with regard to growth recorded under the PNDC. Case in point, despite the government's implementation of the Accelerated Agricultural Growth Strategy, the agricultural sector's growth recorded at the end of the NDC administration in 2000 was the lowest since 1995. The sector grew at 2.1% from a previous growth of 5.1% recorded in 1998. Its contribution to government revenue decline from 14.7% in 1998 to 4% in 2000.

The industrial sector's growth declined from 4.3% in 1994 to 3.3 in 1995 due to stagnation and depreciation of the currency owing to the government's inability to control its spending triggered by the expansion of government machinery. Again, in spite of the NDC's attempt to improve on the quality of lives of the citizenry, there was widespread poverty and acute deprivation. According to the Ghana Living Standard Survey in 1999, only 14% of the population were wage earners, 20.3% of the labour force was unemployed amid deficiencies in the education and healthcare services. The effect was the brain drain recorded particularly in the health sector and other sectors of the economy. By 1998 through to 2000, the economy had deteriorated which ushered Ghana to accede to the Highly Indebted Poor Country (HIPC) initiative in the early periods of the 2000s. Other reasons for the decline of the economy could also be attributed to corrupt activities and weak accountability mechanisms. This affirms Brautigam and Knack (2004)'s assertion aid cannot work in economies characterized with corruption, weak accountability mechanisms, poor enforcement of rule of law, ineffective and unresponsive bureaucracies.

Ghana's experience with foreign aid under the period of study however, refutes Svensson (1999)'s assertion that aid effectiveness is possible only in other democratic environments. In the same vein, it contradicts Kosack (2003)'s position that aid in relation to autocracy shows adverse effects. This point could stand with respect to the social cost experienced by the citizens as a result of the SAPs.

4.2 Conclusions

The principal argument driving the study aimed at questioning the political leadership, accountability processes and ownership of aid under PNDC and NDC governments, in contributing to economic development in Ghana.

The examination of the implementation of foreign aid programmes in Ghana has led to the conclusion that Ghana had mixed bag of results with respect to economic development. The performance of aid under the PNDC yielded more positive results because of its execution in the short term as compared to the NDC. Growth was recorded in major sectors of the economy, for instance, the agriculture improved with massive governmental inputs i.e. construction of cocoa storage facilities, construction of infrastructure for easy transportation of goods to the markets. The efforts to boost production, actually yielded increase in cocoa production after years of steady decline. The production of other cash crops also improved substantially under the implementation of the MTADP.

Education also had its fair share of external funds between 1986 to 1991 in terms of extension of infrastructure and the revision of educational syllabus. The effort manifested in increase of enrolment in the primary and secondary schools. Though the health and industrial sectors received relatively limited attention from the government due to uneven distribution of resources and the failure on the part of government in integrating the private sector in driving the economy, the overall micro-indicators were positive. The relatively low economic returns under the NDC could however, affirm the argument that aid is ineffective in the long term because aid programmes under the NDC was an extension of the PNDC.

The successes chalked by the PNDC was partly determined by the political environment, where the administration exuded great commitment and political will. The government in the initial stages made relatively good use of external funds in its attempt to

recover the economy. However, the patron-client relationship existing in the society, saw public officials directing resources for developmental projects to serve private needs. Issues of corruption were recorded especially in the wake of democracy in an attempt to garner electoral votes into public offices.

Ownership of aid programmes were basically dictated by the international donor community in both governments to the neglect of local ownership even though the leadership on several platforms maintained that aid programmes enjoyed maximum Ghanaian ownership. The donor community focused their directives on macroeconomic policies for a hasty economic recovery which rather led to a neglect of essential social factors including the creation of employment opportunities, provision of social services and the development of physical infrastructure. The unequal distribution of resources (regional inequalities) in policy directives under the period of study also served as a major cause of failure of the foreign aid programmes as most of the social services including healthcare policies were unsuccessful in addressing the needs of the impoverished citizens. Instead of the economic programmes favouring Ghana, it was implicitly implemented by the IMF and the World Bank in compliance with the economic interests of the western powers as evident in the selective development of infrastructure in the southern part of Ghana which happens to be the centre of exports of raw materials intended for the west. This affirms the dictates of the dependency theory that outlines that debt is a form of colonialism enforced through the mechanisms of the Structural Adjustment, which eventually harms the host country but greatly benefits the western world.

The study also concludes that the implementation of the aid programmes under the NDC was not only unsuccessful in alleviating poverty in Ghana but also worsened the plight of poor people in the country. The key reason attributed to this failure was rooted in the prescriptions of the dependency theory where it outlines the negative effects of the conditions

ted to foreign aid from the Bretton Woods institutions, which consequentially marginalizes the poorer group of the population.

It is therefore evident from the study that aid utilization under the PNDC yielded more positive returns as compared to the NDC government which affirms the hypotheses of the study.

4.3 Recommendations

Admittedly, Ghana has moved from engaging in aid programmes due to her middle income status. However, since the country is not completely disengaged with the Bretton Woods institutions, it is imperative to make some recommendations for economic policies based on the previous chapters. Findings showed that aid programmes under the period of study were usually in conflict with local priorities particularly regarding geographical inequalities. The directives of the Bretton Woods institutions led to social discomfort, thereby compounding the hardships of Ghanaians. Basing upon the adverse impact of aid programmes, economic policies must be built on detailed and comprehensive enquiry based on country-specific context and local needs to serve as guidelines for designing relevant policy measures.

Since the government exercised limited role on the utilization of aid, the effect was negative in the long run. Based on this premise, it is recommended that governments involve local participation in the formulation and implementation of foreign aid activities for clear-cut identification of developmental urgencies in accordance with local and cultural realities for poverty alleviation.

To ensure effective utilization of aid, policies should be designed to ensure a human resource developmental orientation based on redistributive justice and labour intensiveness to curb the unemployment menace in the country, through empowerment of the deprived people of the country. The solution to unemployment would in turn improve the standard of living of the people.

It is recommended that Ghana should focus more on technical assistance i.e. transfer of knowledge approach for a long term economic transformation since it does not accumulate excessive debt that impedes the growth of the economy. This will improve brain gain as against brain drain.

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APPENDIX 1: INTERVIEW GUIDE

To be read to all respondents prior to the interview:

Thank you for agreeing to be interviewed. I am grateful for your time. The purpose of this interview is only to gather first hand data for the conduct of a research on *An Examination of Foreign Aid Utilization under the PNDC and NDC governments (1982-2000)*. With your permission of course, I will like to record this interview session for easy reference and transcription in order to enable me undertake adequate analysis of your views. Before getting on with the interview, is there anything you would wish for me to clarify before we commence?

Section A: Demography

1. Gender: M [] F []
2. Age.....
3. Occupation.....
4. Rank / Position.....
5. Marital status.....

Section B: Foreign aid utilization in Ghana

1. In your opinion, how different were the implementation processes of Foreign aid programmes under the PNDC (military) and NDC (democratic) governments?
2. How will you describe the accountability processes of foreign aid programmes under the PNDC government (1982-1992)?

- 3. How will you describe the accountability processes of foreign aid programmes under the NDC government (1993-2000)?**

Section C: The effect of Foreign Aid on Ghana's Economic Development

- 4. In your opinion, how did foreign aid fared differently under the PNDC and NDC governments**

Section D: Ownership of the Implementation of Foreign aid Programme in Ghana

- 5. In your opinion, what was the country's level of ownership of foreign aid programmes under the PNDC government?**
- 6. In your opinion, what was the country's level of ownership of foreign aid programmes under the NDC government?**

THANK YOU