IMF ADJUSTMENT POLICIES IN GHANA SINCE 1966

By

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INTRODUCTION

Ghana's long association with IMF adjustment programmes in various periods over the last two decades affords a better than usual opportunity to assess the efficacy of these programmes as instruments for the recovery of African economies in the global crisis. Fund programmes were applied or attempted in 1966–68, 1971–72, and 1978–79; a programme commenced in 1983 is currently in force. Ghana's experiences also raise (by no means for the first time) important questions regarding the political conditions necessary for the application and implementation of these programmes. In Ghana all programmes have been implemented under military governments. In only one case (1971–72) did a 'democratic' civilian government successfully negotiate a Fund programme; however an attempt to implement the programme led to the immediate overthrow of the government. In two other cases (the governments of Dr. NKRUMAH and Dr. LIMANN) negotiations ended in deadlock, in each case broken by violent military overthrow of the government. The present programme in Ghana, in the process of implementation by the government of the PNDC, raises afresh urgent questions of the extent to which these programmes are compatible with popular participation in tasks of reconstruction and development and with the democratisation of politics and of the workplace.

This paper reviews in a general way the most important aspects of Ghana's experiences as a basis for more detailed discussion.

ADJUSTMENT IN THE SIXTIES (1966–1971)

The crisis in the Ghana economy, commencing in the sixties and deepening in the seventies and eighties, was rooted in a particular «development conjucture» the foundation of which was laid between 1960 and 1966 and the basic outlines of which are already well known. The constituent aspects of this «conjucture» were as follows:

- import-substituting industrialisation involving terminal stage processing for a relatively small internal market, on the basis of imported inputs;
- little attempt to evolve a complementary export strategy, or to expand the traditional export base;
- substantial state investment and entrepreneurship in industry and large-scale agriculture;
- large foreign borrowing, particularly of short and medium-term credits;
- relative neglect of domestic agriculture, and non-integration of agriculture with industry.

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The main elements in the crisis, which appeared in the mid-1960s and have remained relatively constant in the last two decades, may be summarised as follows:

- decline in both total volumes and earnings of major exports except for cocoa in the periods from 1959 to 1966, when export volumes (but not earnings) rose by 100 %;
- a sharply deteriorating balance of payments situation, with growing deficits on both current and capital accounts, countered with import licencing and exchange controls;
- an increasing debt service burden (repayment of 75% of principal and interest on total debt due between 1966 and 1970);
- low capacity utilisation in import – substituting industries owing to shortages of imported inputs;
- slow growth in domestic agricultural production and strong price increases in local foods;
- supply shortages in both imported and domestic consumer goods;
- rapid growth in government recurrent and capital expenditure combined with sluggish growth in revenues. Unchecked expansion in budgetary deficits financed largely by drawing on the central bank;
- strong inflationary developments in the economy, (countered with – ineffective – price controls) and development of black market in currency and consumer staples.

It was against this background that the first IMF adjustment programme was applied from 1966 to 1968. The programme concentrated on the standard policy instruments:

- reduction in overall government expenditures (affecting mainly the capital budget) and in the size of the deficit, and recourse to non-inflationary sources of borrowing to cover the remaining deficit;
- reduction in bank credits to both the public and private sectors;
- wage and salary controls;
- large-scale retrenchments in the public and private sectors (over 10 % of total wage labour);
- devaluation of the cedi (by 30 % against the U.S. dollar);
- gradual liberalisation of import and exchange controls and removal of price controls and subsidies;
- short-term rescheduling of the external debt and restrictions on fresh short-and-medium-term borrowing.

Ghana's experiences with the Fund adjustment in this period indicated the following *(1)*:

(a) the programme failed to acknowledge or address the problem of the external environment or dependency structures, which were reflected in, among other things, the terms of exchange in Ghana's international trade and which to a fundamental extent constituted the foundation for the crisis. The programme concentrated on the adjustment of the domestic economy to the prevailing forces of the world market, on the basis of the misleading impression that there existed the possibility of a purely internal solution to the crisis;

(b) little attention was directed in the programme to the removal of structural constraints and the removal of supply bottlenecks, the most important of which related to the absence of a domestic resource base for industry, the lack of a capital goods sector, and declining agricultural productivity. In the programme, these problems (when acknowledged) were treated as implicit variables that could be addressed (indirectly) through monetary and pricing policies. In particular the programme failed to articulate any policies for domestic agriculture (as an indication of this neglect, bank lending to the agricultural sector declined from ₵ 13.8 million in 1966 to ₵ 3.8 million in 1968). The 'recovery' programme was predicated heavily on bilateral/multilateral grants, concessional lending, and subsidised emergency commodity imports, rather than laying the domestic basis for sustained growth.

Because structural problems were ignored in favour of reliance on essentially monetary instruments, the adjustment programme failed to realise its key objectives;

(c) *Devaluation* of the cedi had negligible effect on both import and export levels and hence on the balance of payments situation. For this reason, even limited liberalisation proved impossible to sustain without further deterioration of the external balances. In the case of imports, the rate of devaluation failed to check significantly import demand; after a brief attempt to liberalise imports in 1967, direct controls had to be reinstituted. In general, exports were marked by continued decline in volume, most notably in the case of cocoa (from 557,000 long tons in 1964/65 to 334,000 in 1968/69). Among the reasons for this were the fact that (i) most exports were priced in foreign exchange and were thus not sensitive to changes in the external value of the cedi; (ii) potential export commodities (such as manufactures) contained large import content the pricing and hence competitiveness of which were negatively affected by devaluation; (iii) the existence of non-price constraints which were not sufficiently addressed (e.g. dependence on foreign inputs);

(d) without solutions to the domestic supply bottlenecks, devaluation could be expected to provide a 'shock-push' to inflation. The alteration of price – relationships between imported and domestic (finished) products could be assumed to stimulate domestic production, only where (i) local substitutes did exist and (ii) did not contain large quantities of imported inputs. Except in the area of food this assumption was substantially false;

(e) the stabilisation in government finances was achieved through reductions in expenditure rather than through an extension of the revenue base. On the contrary the tax base would appear to have shrunk (partly because of tax concessions to foreign businesses), with cocoa receipts occupying an enhanced role in government finances (from 17 % of total revenues in the early sixties and 7 % before the adoption of the adjustment programme, to 30.4 % of all receipts in 1968, 37,4 % in 1970 and 42 % in

1971). Given that the normal path of development of government expenditures is that of upward growth, this form of financial 'stabilisation' could not be sustained; (ii) the cutbacks in government expenditure were effected mainly in the capital budget, which was the leading source of capital formation in the local economy. Public sector investment fell by 17% in 1966, 20 % in 1967, and 3.5 % in 1968; contrary to the expectations of the adjustment programme the 'slack' in investment was not taken up by the private sector. This provoked a steep recession which could not be halted or reversed without recourse once again to public sector spending;

(f) the emphasis in the programme on norms of private as opposed to social profitability precluded serious consideration to questions of either equity or structural transformation. Similarly there was fundamental incompatibility between objectives of self-reliance and national economic management and the insistence in the Fund programme on foreign capital and expertise as the primary condition of economic recovery, the return of significant sectors of economic life to foreign control, as well as the high profile of foreign 'experts' in the design, implementation and monitoring of the programme. These created conditions which all but the most servile regimes would have found intolerable;

(g) key aspects of the programme also had serious implications for social and political stability and for class politics. 'Recovery' was staged on the backs of the working classes and the poor and on the basis of extensive concessions to (foreign) capital: large-scale retrenchment and the swelling of the ranks of the unemployed (as opposed to the productive utilisation of the large masses of surplus labour); the abandonment of equity as the principle of social development and evidence of growing income differentials *(2);* cutbacks in socially essential investment like health, education and housing; and the removal of subsidies and price controls simultaneously with the imposition of rigid wage controls – these developments led to social and industrial unrest and violent crime which could be contained only through repression.

The experiences with the 1966 programme led to a level of political resistance to IMF programmes both among the popular masses and governments that seriously affected their possibility of success. In addition to the political volatility of the programmes, there were doubts regarding their relevance to Ghana's economic situation. No sooner had stabilisation been concluded in 1968 than the basic structural tendencies reasserted themselves – manifested in balance of payments difficulties, supply shortages, the resumption of inflation, and rising government expenditures. Within the terms of the logic of the Fund, these tendencies could be kept in check only with further (or indefinite) application of austerity and deflationary policies. The civilian government that took power in October 1969 was confronted with the choice between growth-oriented policies and continuation with a policy of deflation and stagnation. The 'growth' policies which were mainly adopted emphasised resumption of government development spending and progressive liberalisation of imports (however these were consumer rather than capital imports). Given the prevailing domestic and external environment these policies proved premature, introducing further strain on government finances and the external balances, aggravated by the downward trend of cocoa prices in 1971 and the resumption of debt service (under the debt agreement of 1968) in mid-1972. Another adjustment programme was negotiated (with great reluctance) with the Fund at the end of 1971. This new programme incorporated no fresh approaches. Like the preceding one it called for devaluation of the cedi (by 44 % against the U.S. dollar), cuts in the development budget; tight restrictions on the growth of recurrent expenditures, bank credits and new external borrowing, and the elimination of short-term trade debts. The military coup that occurred almost immediately in response to the introduction of the programme made it impossible to assess its longer-term prospects of success, but some of its short-term effects were clear. These included the near-bankruptcy of many domestic importers, a sharp upsurge in consumer prices and hoarding, and the likelihood of substantial increases in manufacturing costs *(3)*.

ECONOMIC DEVELOPMENTS 1975–1981

The period following the military coup of 1972 posed interesting questions as to the extent to which it was possible for the Ghana economy to adjust to the 'global' recession without recourse to the 'multilateral' institutions. The repudiation of the Busia – IMF programme and the unilateral rescheduling and cancellation of external debts (February 1972) forced the military government on a path of 'self-reliance'. The key to this (from 1972/75) was the return to a regime of direct controls and strict enforcement of import-licencing, which coincided with upward price movements on the world cocoa market; in addition there was a favourable long-term debt-settlement in March 1974 which incorporated a ten-year grace period. However financial restraint and careful management of the external balances were shortlived and were not combined with any meaningful attempts to re-orient the economy on to a more self-reliant basis. After 1975 the Ghana economy deteriorated steeply in all sectors. Although an important cause for this was a series of external 'shocks' to the economy, clearly the central explanatory factors related to the management and performance of the domestic economy. The main developments in the economy (1975–1981) can be seen from the following indicators:

(a) Decline in Export and Domestic Production

There was steep decline in all areas of production for both export and the domestic market, affecting agriculture, mining and industry. Exports of cocoa fell from 397,300 metric tons in 1975 to 246,500 metric tons in 1981. Ghana's share of total world production dropped correspondingly from 24.4 % in 1974/75 to 15.4 % in 1980/81. The most important factors in the drop in exports were declining real producer prices (e.g. the 1977 price of ₵ 30 per 30 kg load, adjusted for the rise in cost of living, was less than one-third of prevailing prices in the 1950s), drastic changes in price relationships between cocoa and domestic food crops (the prices of which had risen three to seven times faster than those of cocoa), breakdown in the haulage system, slow progress in rehabilitation projects in Ashanti and the Eastern Region, and smuggling due to the depreciated real value of the cedi. Similarly there was a decline in the export of timber and wood products from 623,000 cubic metres in 1975 to an estimated 185,000 cubic metres in 1980 and 222,000 cubic metres in 1981. Large falls in exports occurred for all mineral exports. From 100 in 1977, the index of production of gold dropped to 70.8 in 1981 while those for diamonds, manganese and bauxite dropped to 43.0, 76.5, and 65.2 respectively. The main reasons for the serious reverses in the production of the mining industry were obsolete machinery, lack of spare parts, exhaustion of the richer deposits, and the liquidity problems of the mining companies. The logging industry was also affected by breakdowns of antiquated machinery, lack of haulage equipment, fragmentation of concessions, and rise in production costs.

Table 1: Export Production (Volumes) 1975–1981

Thousands Units

	1975	1976	1977	1978	1979	1980	1981
Cocoa (tonnes)	397.3	326.7	277.4	268.2	280.8	277.2	246.5
Timber (cubic metres)	623	565	586	591	285	185	222
Gold (kg)	16.3	16.5	15.0	12.5	11.1	11.0	10.6
Diamonds (carats)	233.3	228.3	194.7	142.3	122.6	114.9	836.4
Manganese (tonnes)	415.3	361.9	292.4	316.7	253.8	249.9	223.1
Bauxite (tonnes)	325.2	271.6	279.2	327.9	235.3	225.1	181.3

Source: Central Bureau of Statistics, *Quarterly Digest of Statistics* (June 1984).

Table 2: Index of Mining Production 1977–1981 (1977:100)

	1977	1978	1979	1980	1981
Gold	100	83.6	74.2	73.4	70.8
Diamonds	100	73.1	63.0	59.0	43.0
Manganese	100	108.3	86.8	85.7	76.5
Bauxite	100	117.4	84.3	80.9	65.2
Over-all Index	100	87.1	74.9	73.8	68.2

Source: *Ibid.*

Similar trends were manifest in domestic production. Owing principally to balance of payments constraints and shortage of imported inputs the index of manufacturing fell drastically from 100 in 1977 to 69.0 in 1980 and 63.3 in 1981. Average capacity utilisation was estimated at only 24 % in 1981. The production of cereals and other agricultural staple also dropped sharply. Between 1974 and 1982 the maize crop fell by 54 %, rice by 80 % cassava by 50 % and yam by 55 %. The most important reasons were drought and irregular rainfall, but poor agricultural policies also held a major responsibility.

(b) Balance of Payments Deficits

It is noteworthy however that lower export volumes were more than offset by higher export values, so that total export earnings actually rose appreciately. For instance total earnings from mineral exports rose from ₵ 106.3 million in 1976 to ₵ 559 million in 1980 and fell slightly to ₵ 487.3 million in 1981, owing almost exclusively to the increase in the price of gold. Aggregate export earnings rose from ₵ 950 million in 1976 to ₵ 2,924 million in 1981. Nevertheless current account deficits increased in the same period from ₵ 70.2 million to ₵ 418.7 million. This was due largely to the higher cost of imports and particularly of energy imports; in 1981 imports of petroleum products were equivalent to 45.7 % of total export earnings (₵ 963 million), as opposed to only 6 % (₵ 46.7 million) of exports earnings in 1973.

(c) Uncontrolled Budgetary Deficits and Monetary Expansion

Total budgetary expenditures of government rose by 615% from ₵ 1438.6 million in 1975/76 to ₵ 8,844 million in 1981/82; in the same period current revenues rose by 56% from ₵ 814.8 million to only ₵1.271 million. Between 1979 and 1981 government expenditures almost doubled (from ₵ 4,671.5 million to ₵ 8,844 million) while revenue increased by only 50% from ₵ 3,279 million to ₵ 4,545 million. Most of the increase occurred in the recurrent budget, which jumped by 794% between 1975/76 and 1981/82; capital expenditure on the other hand shrank from 35% of the total budget in the mid-seventies to 10% in 1981/82. In the same period the total budgetary deficit grew by 690% while the deficit on current account expanded by 1853%. Total current receipts in 1980/81 were barely enough to cover the deficit on current account. In 1981/82 the current account deficit was equivalent to 174% of total revenues.

These large deficits in the government budgets were covered by heavy borrowing from the central bank. Borrowing from the Bank of Ghana averaged 90 % of the total deficit between 1975 and 1978, 22.5 % from 1978/80, and 57.5 % from 1980 to 1982 (reference is to fiscal years). Credit to the public sector was the largest source of monetary expansion; the money supply (money in circulation outside the banks plus demand deposits held by the banks) leaped by 933 %,from ₵ 1009 million in 1975 to ₵ 9415 million in 1981. As a reflection of the inflationary conditions and the dominance of speculative activity, most of the increase in liquidity was in the form of money held outside the banks; demand deposits rose by only 13 % in 1981, compared with increases of 59.8 % (1980) and 54.6 % (1981) in the volume of money in circulation.

The mounting budgetary deficits reflected both poor expenditure controls and negative developments in the revenue base of government. In 1980 cocoa duty which in the past had contributed about 40 % of total revenues, yielded negative revenue and in 1981 the Cocoa Marketing Board incurred an estimated deficit of ₵ 2 billion as a result of the tripling of the producer price of cocoa. The effective rate of duty collection by government agencies also declined progressively, from about 22 % in 1971/72 to 7.2 % in 1975/76, as compared with the nominal duty rate of 45 %. It was estimated that as a result of widespread tax evasion and low tax effort,the

Ghana government in the same period collected no more than 5 % of taxable GDP in income taxes, compared with a 15 % average in countries at similar stages of development. Low tax effort was also apparent in the distribution of taxation, with companies and employees contributing over 80 % of income tax revenue while the self-employed contributed less than 10 %.

Thus by the end of 1981 the Ghana economy was clearly in a critical state, characterised by steep recession, serious shortages and stagflation. GNP had stagnated (in 1975 constant prices) at ₵ 5290 million in 1981 from ₵ 5241 million in 1975. The GNP index had moved from 100 in 1974 to 87.3 in 1975, 93.8 in 1978, and 88.1 in 1981. Per capita GNP fell from ₵ 537 in 1975 to ₵ 467 in 1981. Prices moved up sharply for both imports and domestic commodities. The price index for consumer items escalated from 29.6 in 1975 to 46.2 in 1976, 173.3 in 1978, 267.3 in 1979, 401.2 in 1980, and reached 868.7 in 1981 (1977:100). Correspondingly the index of real wages fell from 100 in 1976 to 54 in 1978 and 31 in 1980. Real wage levels in 1982 were estimated at 17 % of 1975 wage levels. The inflation and decline in productive sectors were accelerated by the shift to speculative trading activities that yielded vast returns, sucked liquidity from production to short-term trade transactions and thus discouraged investment and productive activity. Wholesale and retail trade increased their share of GDP from 12 % in 1971 to nearly 30 % in 1981. The operation of foreign exchange and price controls, in combination with the overvaluation of the cedi, led to the emergence of a small class of wealthy traders who, in alliance with the state and parastatal bureaucracy, controlled access to import licences and the production of state enterprises and realised untaxed windfall profits from the difference between official and black market prices. The social power of this comprador bourgeoisie, expressed in the extensive corruption of the state apparatus, accounted for serious distortions in the economy.

Licences were issued for the importation of finished goods which domestic industries were designed to produce, while the same industries languished for lack of imported inputs. The system of official price controls forced local industries to sell below their costs of production while fortunes were reaped downstream on the free market by private traders.

In 1978 an attempt was made to check the downward slide with the introduction of an adjustment programme backed by the Fund. The cedi was again devalued by 58 % against the U.S. dollar (from $ 1 = ₵ 1.15 to $ 1 = ₵ 2.75). The overall planned deficit in the budget was reduced to ₵ 500 million (from ₵ 1.5 billion actual in 1977/78) of which only 22 % (actual) was covered by drawing on the central bank. The cocoa price was doubled from ₵ 40 to ₵ 80 per load. Early in 1979 these measures were followed with a demonetisation exercise to reduce liquidity in the economy. The IMF supported the programme with SDR 53 million in January 1979 of which only SDR 32 million had been withdrawn by the time of the expiration (cancellation?) of the stand-by in January 1980.

As the data presented above suggest , no permanent gains were realised from the 1978 programme, and with the return to civilian rule late in 1979 the programme was effectively abandoned *(4)*. Throughout its term of office, the LIMANN government was engaged in sporadic and unsuccessful negotiations with the IMF over a new programme. The government was paralyzed, unable on the one hand to initiate by itself a credible economic policy to contain the crisis, and unwilling on the other to risk its fragile political support to make a drawing on the Fund. (As the 1972 experience showed, so widespread was the opposition to IMF policies that the imposition of another programme appeared politically unfeasible). In 1981 the cocoa price was tripled, from ₵ 120 to ₵ 360 per load. The minimum wage was also tripled, from ₵ 4.00 to ₵ 12.00 per day. Since no contingencies had been made to cover the new payments, the result was a record deficit, aggravated by poor financial controls. Against a total planned deficit of ₵ 4500 million for all of the fiscal year 1981/82, an actual deficit in excess of ₵ 3000 million had already been incurred by December 1981. On the basis of prevailing trends, a total actual deficit of some ₵ 8000 million was likely to have been incurred by the end of the fiscal year. This did not include an additional deficit of ₵ 2,000 million on the account of the Cocoa Marketing Board as a result of the increase in cocoa price.

In its first year in office, the government of the Provisional National Defence Council (PNDC), which came to power after the coup of 31st December 1981, concentrated on the stabilisation and improvement of government finances. The total budgetary deficit, (calculated on the basis of calendar year) *(5)* was reduced by 27.4 % in 1982 over 1981. The remaining deficit was financed mainly by drawing on non-inflationary sources, with the central bank contributing only 17 % of the total financing. The rate of increase in the money supply was slowed to 23.5 % as opposed to 63.5 % in 1981. The bulk of the reduction in the rate of increase of the money supply was accounted for by the withdrawal of ₵ 50 notes early in 1982 and their conversion to forced loans to the state redeemable over 5 to 10 years; in addition, overall liquidity was reduced by freezing bank balances in excess of ₵ 50,000 pending the vetting of their owners by citizens committees. Total revenue rose by 19.8 %, but tax collection improved significantly among the self-employed (the biggest source of tax evasion) with this sector contributing ₵ 307.0 million as opposed to ₵ 127.9 million in 1981 and ₵ 52.2 million in 1980.

The developments in the financial sector in the previous decade demonstrated clearly the urgency of financial reform. Nevertheless improved financial management did not obscure the fact that until the end of 1982 the PNDC did not have a comprehensive economic policy. In May 1982 the PNDC initiated a 'national democratic revolution' the objectives of which were anti-imperialist struggle and the struggle for democracy on the basis of a broad progressive front. Ghana was formally recognised to be a 'neo-colony'. But this was not immediately followed by a programme of economic reconstruction. During 1982 export and domestic production continued to decline, accompanied by strong upward movements in prices. Although the economic situation remained grim, unlike previous regimes that had attempted adjustment policies in Ghana, the PNDC possessed a genuinely popular, working class base, particularly in the defence committees (PDCs and WDCs) and among radical working elements in Accra and Tema. The December 31 coup unlocked mass enthusiasm and spontaneity to an extent not seen since the early stages of the anti-colonial struggles. This mass enthusiasm, the decisive element in December 31 st, was evident everywhere in spontaneous participation in tasks of reconstruction: towns and villages organised self-help projects, students abandoned classes to bring in the cocoa crop, artisans and mechanics mobilized to salvage broken-down and abandoned machinery, workers took over factories and in some cases successfully tackled production bottlenecks which their managers had declared insoluble. Workers and other popular forces, supported by patriotic soldiers and policemen, attacked 'kalabule' (profiteering), bureaucratic corruption and all forms of mismanagement. Central to the workers' struggle was the issue of the democratisation of the workplace. However in spite of this progressive and democratic element the PNDC embraced heterogenous social and ideological tendencies, and this fact was present in all the organs of the regime.

The PNDC's Programme for Reconstruction and Development, introduced in December 1982, was the first statement of the economic recovery programme of the government. In this, 1983 was designated as a period of preparation for launching a three-year recovery programme (1981–84) which would lay the foundations for a «self-reliant and integrated national economy». In this first year there was to be a restructuring of the basic institutions of the economy – in the areas of import-export trade, internal distribution, tax and budgetary reform, banking and insurance etc. – and the establishment of a «sound macro-economic framework» which would cover fiscal and monetary policy, prices and incomes, with the objective of rationalising production incentives. A state monopoly was to be instituted in the import – export trade and internal distribution of essential commodities was to be taken over by «Peoples Shops» under the control of the PDCs. These measures were meant to eradicate the trading malpractices associated with the foreign firms and comprador elements. The state share in Barclays Bank and Standard Bank was raised from 40% to 80% and foreign controlled banks were restricted to specialised banking. «Rigorous adherence to financial discipline» was required to deal with problems of stagnation and inflation, income mal-distribution, and the foreign exchange crisis: the overvaluation of the cedi' would have to be tackled and a principle of 'repricing' introduced through a system of bonuses and surcharges on exports and imports. However the recovery programme was not intended to be monetarist. What was required for recovery was «proper complementarity between the restructuring of production relations and sound financial management».

Although there was no mention of the IMF in this statement, in fact negotiations with the Fund had commenced (in secret) in August 1982, unknown even to officials high in the government. This was before there had been any serious debate over the options open to the PNDC. However at least three major options had been advocated within the PNDC or by the groups around it. Crudely put, these were (a) an anti-imperialist policy of «self-reliance» based on popular mobilisation and supported by assistance from the Eastern countries, particularly the Soviet Union; (b) the possibility of some form of adjustment policy, including devaluation, supported by foreign credits, but under domestic management and not involving the IMF; and (c) an agreement with the Fund, as the only way of dealing with the critical constraints posed by the state of the external balances and the severe foreign exchange gap. Although this was the view of the economic bureaucracy, it was shared by some on the left who for entirely different reasons considered necessary tactical compromises with imperialism in the existing phase as a means of consolidating the revolution. In the view of some of these elements an agreement with the IMF was the tactical equivalent of the NEP. However, it is important to state that even those who advocated agreement with the Fund (and this included the bureaucracy) were opposed to the conventional terms of Fund conditionality, which were criticised as 'unreasonable' or doctrinaire' and (given past experience) unlikely to succeed. For obvious reasons the left as a whole and the working class organisations (and no doubt the mass of the population as well) were firmly opposed to any agreement with the IMF and campaigned strongly against it. The views of the pro-IMF groups prevailed partly because aid failed to materialise from the East or any source other than Libya, and because the left, which was small and lacked any mass base, was unable immediately to articulate an alternative short-term economic strategy. However neither within the government nor among the mass of the population was there any democratic debate regarding the options open to Ghana, or regarding in particular the nature of the agreement with the IMF and its relevance to or likely consequences for the popular struggle.

THE ECONOMIC RECOVERY PROGRAM OF THE PNDC

The adjustment programme negotiated with the IMF was presented in the budget in April 1983. The most important aspects of the budget were (a) the introduction of a system of surcharges and bonuses *(6)* which imposed surcharges ranging from 750% – 990% on the face value of imports and conferred bonuses of the same magnitudes on the face value of exports. This in effect established a dual exchange rate for the cedi and represented a massive devaluation of the cedi by 7.5 and 9.9 times (i.e. $ 1.00 = ₵23.00 and $ 1.00 = ₵ 30.00 respectively) (b) an increase in the basic wage from ₵ 12.00 to ₵ 21.19 a day (c) increase in the cocoa producer price from ₵ 360 to ₵ 600 per load of 30 kg, (d) increases of 100 % in the price of petrol, up to 1500 % in medical care charges, and up to 400 % in the prices of meat and some basic commodities. The system of bonuses and surcharges was intended primarily to solve the liquidity problems posed to exporters by the overvaluation of the cedi while the principle of repricing was intended to close the gap between official and free market prices and transfer windfall profits from 'kalabule' traders and users of foreign exchange to the state to support the recovery programme. The revenue and expenditure provisions of the budget reflected this. Total receipts on current account were expected to rise from ₵ 5,253 million in 1982 – 1983 to ₵ 18,168 million with ₵ 11,182 million of this coming from surcharges and other taxes on international trade (up from ₵ 789.4 million in 1982). Current expenditure on the other hand was expected to amount to ₵ 15,358 million, leaving a current account surplus of about ₵ 2,810 million. However in spite of these measures a 'monetarist' approach was denied in the budget, on the grounds that «a purely monetarist solution to the problem [was] not satisfactory to a Government committed to the improvement in the welfare of [the] people» (April 1983 budget, p. 8). Unlike previous adjustment programmes, particular emphasis was placed on production. The objective of the adjustment was seen in terms of the «systematic elimination of the critical supply bottlenecks, to increase productivity and production, together with responsible management of government finances aimed at eliminating the severe imbalances that lead to heavy deficit financing and the debasement of [the] currency» (p. 5). The centrepiece of the strategy to increase productivity was the «mobilisation of all groups of people including professionals, students, workers and farmers».

The 1983 budget represented a one-year economic stabilisation programme, to be followed by a three-year recovery plan covering the period 1984/86. The key to the recovery plan is an Export Rehabilitation Project covering the cocoa, timber, and mining sectors. This includes World Bank – assisted projects to (a) rehabilitate two state-owned and 17 private sector timber firms, (b) rehabilitate the Tarkwa and Prestea gold mines, as well as (c) the on-going cocoa replanting projects in Ashanti and the Eastern Region. In the gold mining sector the IFC is involved in a proposed $ 120 million rehabilitation of the Ashanti Goldfields Corporation, and there is a plan for an international consortium to manage the state Gold Mining Corporation for three years. Under the rehabilitation projects cocoa exports are anticipated to rise from 210,000 metric tons in 1983/84 to 300,000 tons in 1985/86, the capacity utilisation of the timber sector is expected to rise from 20 % in 1983 to 60 % in 1985 and 80 % in 1986 and export earnings to double within that period, and production is expected to increase by 125 % for the state gold mines and 30 % for the Ashanti Goldfiels Corporation between 1984 and 1986. The recovery plan also hopes to attract foreign investment into petroleum exploration and production, mining and mineral processing, and a number of other industrial sectors. Under the rehabilitation plans for domestic industry, average capacity utilisation in the manufacturing sector is expected to rise from 30 % in 1983 to 50 % in 1984 and 75 % in 1986. Finally the transport sector is to be revived, particularly through assistance from the World Bank Rehabilitation Import Credit. The external financing requirements for the economic recovery programme are estimated as follows: 1983 – ₵ 651 million ; 1984 – $ 534 million ; 1985 – $ 452 million ; 1986 – ₵ 408 million ; 1990 – $ 247 million.

The recovery programme ran into serious reverses during 1983, largely due to factors (such as the severe drought, shortfalls in electricity production from low water levels in the Volta, and the resettlement of a million refugees from Nigeria) beyond the control of the PNDC. The system of bonuses and surcharges did not work so well in practice. The high import surcharges caused severe liquidity problems for importers and manufacturers who were unable to collect their imports. The system also proved cumbersome to administer. Because of this, the revenue expectations from import activity could not be realised. Increases in the minimum wage and in the costs of goods and services led to large increases in government expenditure and compounded the liquidity problems of businesses. Later in the year the budget estimates had to be scaled down to reflect these developments. After the imposition of the surcharges, the monthly rate of inflation, which had stood at 32.5 % in January 1983, rose to 174 %

in June before retreating marginally. The money supply rose rapidly from ₵ 13,787.9 million in May to ₵ 17,117.8 Million in September; the rate of expansion in September was the highest monthly rate in six years. In October 1983 the system of bonuses and surcharges was abandoned and the cedi was officially devalued from U.S. $ 1=₵ 2.75 to US $ = ₵ 30.00. Since then there have been progressive adjustments in the external rate of the cedi, the latest (Nov. 1984) bringing the cedi down to a rate of $ 1 = ₵ 50.00. Wages and prices have been adjusted upwards accordingly, the latest exercise doubling the basic wage from ₵ 35.00 to ₵ 70,00 a day.

Although it is too early to make a definitive assessment of the PNDC recovery programme, clearly within the assumptions of the programme itself there have been some noteworthy achievements. This is particularly the case with the management of public finances and recently food production. The programme has been praised lavishly by the World Bank and the OECD countries; there has been talk of an «economic miracle», and Ghana has been proposed as an «example» to the rest of Africa. The programme has been particularly successful in attracting financing from the multilateral institutions and the OECD countries. The amounts sought by Ghana for 1984 and 1985 (₵ 156 million and $ 248 million respectively) were fully pledged at the Donors Conferences hosted by the World Bank in November 1983 and 1984. Among the credits extended or committed in 1983 were a Fund standby credit of $ 240 million and a compensatory financing facility of $ 125 million ; an IDA credit of $ 40 million for emergency imports for transportation and agriculture and $ 30 million covering similar imports from the African Development Bank ; and a $ 100 million short-term loan from Standard Chartered Bank for vital imports.

But as foreign capital has become central to the 'recovery' strategy of the PNDC, so less and less has been heard of «the people» and of «mass mobilisation». The promise to «mobilise all patriotic forces» has never become a serious reality. The severity of the 1983 budget came as a rude shock to both the supporters and critics of the PNDC. Although in the crisis precipitated by the budget the militant worker organisations rallied to save the PNDC from its reactionary opponents, the budget effectively alienated the working class base of the regime. The budget was also introduced when radical workers and the left were increasingly questioning the ability of the PNDC to carry through the national democratic struggle. It is clear that the first victim of the IMF/PNDC recovery programme is the workers' struggle to democratise the factory floor. Workers are confronted with a choice between industrial 'order' and 'productivity' on the one hand *(7)* and the transformation of production relations on the other. The defence committees have been repeatedly attacked for «totally destroying the productive base of the country» (this in a circular issued by Christian COUNCIL of Ghana), a point of view echoed by elements in the PNDC, the bureaucracy, and the embassies of the donor countries. The structures of managerial control upset by the WDCs after December 31st have been restored; the Interim Management Committees (IMCS) by which workers took over or participated in management have been dissolved and replaced by joint Consultative Councils (JCCS) whose role is to advise management. The defence committees themselves have recently been 'restructured'. The key question is whether 'recovery', when it arrives, will be for the people or for capital, and therefore whether Ghana's current recovery programme constitutes a first phase in a national democratic revolution, or merely – as always in the 'adjustment' programmes of the Fund – another attempt to reorganise the social conditions of production in order to restore the rate of profit.

NOTES

1. For an extended critique of the 1966–68 stabilisation programme, see my manuscript, «Imperialism and Militarism in Ghana 1966–1971», Faculty of Social Sciences, University of Port-Harcourt, May 1983.
2. For instance in the large-scale manufacturing sector the share of labour in total value – added fell from 30.4 % in 1962 to 20.6 % in 1970, with most of the fall concentrated in 1966–68 period. Commenting on this development, a World Bank study on the manufacturing sector commented: «The Industrial worker did not benefit from the growth of productivity that took place during this period... Recipients of non-wage incomes (i.e. capital) have gained most from the industrial expansion that has occurred».
3. For some projections on manufacturing costs see Naseem Ahmad, «From Liberation to Redemption: Economic Policy Between the Coups», *Universitas* 1975.
4. A possible reason for the suspension of Fund resources in 1980 was the failure of the Ghana Government to uphold the monetary targets of the programme.
5. There are conflicting statistics on budgetary performance in 1982. These figures are drawn from the 1983 Budget Statement and refer to the 1982 calendar year. For a different set of figures relating to the revised budget for the 1981/82 fiscal year, see *The PNDC's Programme for Reconstruction and Development*. p. 3–4.
6. This was introduced at the insistence of Ghana's negotiators with the Fund as an alternative to across – the board devaluation, a word which arouses strong political passions in Ghana. Although import surcharges and export bonuses had existed previously within the system, this was the first time that they had constituted central elements of financial policy. Other key issues that arose in the negotiation of the adjustment programme with the Fund were the opposition of the Ghanaian negotiators to a policy of retrenchment (as opposed to redeployment) and their emphasis on problem of production as opposed to exclusive emphasis on monetary reform. The 'concessions', thus won in the negotiations and much celebrated in sections of the official media may have lulled expectations as to the severity of the adjustment measures.
7. Symbolically, the National Mobilization Committee is headed by a military Officer.

RESUME

Les différentes interventions du FMI au Ghana représentent des occasions suffisamment importantes pour évaluer l'efficacité des programmes du FMI pour la reprise des économies africaines dans le cadre de la crise globale. Différents programmes du FMI ont été appliqués en 1966–68, 1971–72 et 1978–79. Un autre programme est actuellement en cours d'exécution depuis 1983. Le problème fondamental qui se pose pour l'application de tous ces programmes est leur degré de compatibilité avec une participation populaire aux tâches de reconstruction et de développement ainsi qu'avec la démocratisation des activités politiques et sur les lieux de travail. Dans cet article, l'auteur passe en revue les points saillants des expériences du Ghana à des fins de discussions plus détaillées.

Parlant du programme d'ajustement des années 60 (1966–1971) l'auteur, après avoir exposé les traits qui caractérisaient la crise économique du Ghana à cette époque et résumé les principaux instruments de stabilisation préconisés par le FMI, souligne que l'échec de ce programme est en grande partie dû au fait qu'il n'a pas tenu compte du problème de l'environnement international et des structures de dépendance qui constituaient à son avis les véritables fondements de cette crise – Ainsi, parce que les problèmes structurels ont été ignorés et que la priorité a été donnée aux instruments monétaires, le programme d'ajustement n'a pas pu connaître de succès.

Avec la période 1975–81 qui a suivi le coup d'état de 1972, il y eut des tentatives intéressantes de réajustement à la récession globale et de politique d'auto-suffisance, sans recours au FMI. Un certain nombre de mesures furent prises mais elles n'étaient pas suffisamment orientées vers une politique hardie d'auto-suffisance. C'est ainsi que dès 1975, l'économie du Ghana commença à se détériorer à nouveau dans tous les secteurs. Il y eut notamment une baisse dans la production locale et d'exportation, des déficits de la balance des paiements et une absence de contrôle des déficits budgétaires et de l'expansion monétaire.

Avec l'arrivée au pouvoir en Décembre 1981 du PNDC, le programme d'ajustement porta plutôt sur la stabilisation et l'amélioration des finances publiques. Ce programme fut complété en 1982 par un Programme pour la Reconstruction et le Développement qui faisait de 1983, l'année de départ du programme triennal devant jeter les bases d'une économie nationale intégrée et auto-suffisante. Cependant, ce programme s'intéressait moins aux aspects monétaristes de la stabilisation qu'à une complémentarité correcte entre la restructuration des rapports de production et une gestion financière saine.

En conclusion, l'auteur pose la question de savoir si la reprise économique arrivait à être concrétisée le serait-elle pour le compte de la masse ou du capital ? En d'autres termes, l'actuel programme de reprise économique, constitue-t-il une première phase dans une révolution nationale démocratique ou une autre tentative de réorganiser les conditions sociales de production dans le but de ramener le taux de profit ?