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The IMF and the World Bank in Ghana in the 1980's Which solutions to the economic depression?

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Abstract: *This article sheds light on an important period in the history of Ghana in the 1980's, when the country was ruled by the Provisional National Defense Council (PNDC) of Jerry John Rawlings. Since 1966, the country witnessed a succession of political upheavals which plunged its economy into a severe crisis. When Rawlings took the reins of power after a military takeover on 31 December 1981, he found no other alternative than the International Monetary Fund (IMF) and the World Bank to get the country from the crisis. These proposed a scheme that required a set of austerity measures of which many in the Ghanaian political class did not approve. The economic reconstruction programme imposed a drastic devaluation of the national currency and a significant curtailment of the state's role in economy. This inevitably led to a substantial suppression of state subsidy on many necessary items. The situation was hard for Ghanaians but Rawlings finally triumphed to secure the necessary popular support to carry the scheme through, and to greatly stabilize the national economy and save it country from a total collapse.*
Keywords: *Ghana- PNDC- economic crisis- IMF and World Bank.*
Résumé : *L'article traite une période critique dans l'histoire économique du Ghana dans les années 80 sous le gouvernement militaire de Jerry John Rawlings, le Conseil Provisoire de Défense Nationale (PNDC). Depuis1966, le pays avait connu une succession de troubles politiques qui ont plongé l'économie dans une crise sévère. Arrivé au pouvoir à la suite d'un coup d'état militaire, Rawlings ne trouva d'autre alternative que de se tourner vers le Fond Monétaire International et la Banque Mondiale pour sortir le pays de la crise. Le programme proposé par ces derniers imposait une série de mesures austères qui n'ont pas fait l'unanimité au sein de la classe politique Ghanéenne. L'application du programme de reconstruction économique passait obligatoirement par la dévaluation drastique de la monnaie nationale et une réduction importante du rôle de l'état dans l'activité économique. Une conséquence immédiate fut une suppression draconienne de la subvention étatique sur une longue liste de produits de consommation de première nécessité. La population vivait des temps très durs mais continuait à faire confiance à Rawlings.*

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Le combat du PNDC fut rude et long mais finit par amortir considérablement la crise et stabiliser l'économie du pays en vue d'une meilleure évolution.

Mots clés : *Ghana- crise économique- PNDC- FMI- banque mondiale.*

1. Introduction

There is considerable evidence to assert that since the fall of the regime of Kwame Nkrumah in Ghana in 1966, the country lived a long era of extraordinary political and socio-economic changes that deeply influenced the course of its history. After a series of military takeovers (and short-lived civilian governments) which lasted for nearly fourteen years, a young pilot in the Ghanaian Air Force emerged to carry the country through the longest period of political stability ever recorded in living memory. However, the new military government, the Provisional National Defense Council (PNDC), was faced with an economic dilemma which it had to handle carefully. The outcome of the PNDC's economic policy was to decide of its political success or failure. Ghana had exhibited such a substantial potential at independence that popular opinion was very incomprehensible about the crucial point that the crisis had reached. Political ineffectiveness and corruption of officials were thus the only factors incriminated in such atrophy. Much was then expected from the arrival of the PNDC whose chairman Jerry John Rawlings represented a model of integrity with a high sense of moral values. But the man did not have a golden key to unlock the door to an economic miracle. What alternatives were left for his government to reverse this highly alarming situation? Empirical research was undertaken to determine the required urgent solutions. Were the PNDC's the best for Ghana for the time? In what direction did the Head of State finally lean to recover from the crisis?

2. The IMF and World Bank Reconstruction Scheme

The previous regimes' unsuccessful economic policies in Ghana were a flagrant failure that had long lasting consequences on economy, and Rawlings's administration knew that its economic performances were crucial for the survival of the government. Time had now come to materialize the programmes of the PNDC and make Ghanaians feel the change. However, the deterioration of the economic situation in the country was such that Rawlings quickly realized the difficulty of redressing it. Time, creative initiative, and a carefully planned reconstruction scheme were necessary to improve things. Popular frustration and deprivation had already attained unbearable levels. The government was thus impelled to be tactful in imposing further strains on an already impoverished mass. The suspension by the PNDC of many of the previous government's arrangements with the West as part of the revolutionary process and the anti- imperialist discourse left Ghana without perspectives of foreign investment. But the government soon understood that the latter was a pre-requisite for the recovery of the national economy.

The dramatic drop in the country's major export commodities of cocoa, mineral resources and timber that the country witnessed by the beginning of the 1980's hit hard the economy. At the time, Ghana still accounted for a country with a mono-crop economy that placed her under the mercy of coca world prices. In 1981, the latter fell to £590/ ton (£2900/ton in 1977) and further intensified the crisis, mainly featured by a drop in production to 185.000 tons (57.000 tons in 1965). A similar decline in the production of gold was recorded in the same year: 333.095 fine ounces (900.000 fine ounces in 1962).

Diamond underwent a comparable decrease from an annual 3 million carats in the 1960's to 1 million in 1982.

The production of bauxite also fell from an annual 300.000 metric tons in the 1960's to 173.000 in the same year. Finally, timber exports originated in the low sum of $21.6 million compared to $130 million in 1973[1]. At the end of the year, foreign exchange in government coffers dropped to the dramatic value of $33 million at a time when the external debt of Ghana continued to rise sharply. The inability of the government to import spare parts for machines greatly hampered the production of local items also. The supply in the necessary commodities of rice, maize, cassava, and yam recorded a fall in output of 80%, 54%, 50% and 55% respectively. The available quantities were insufficient and would lead to a general famine within a few months. In hospitals the situation was compounded by the critical shortage of drugs. The living standards deteriorated for the majority of the people. Inflation, which reached more than 100%, and unemployment further plunged the masses in great disarray as they paralleled a decrease in the real income of workers. Palm oil, maize, rice and yam were not available in stores. People left work and moved to villages with the hope to find food, but farmers were in similarly dramatic conditions.

Malnutrition reappeared and infant mortality returned with a vengeance to Ghana. It recorded alarming figures that the country had not witnessed for a long time. For the first time since independence, people died in the streets of Ghana. The daily life of the citizens, particularly in cities was further exacerbated by continuously deteriorating transport services. The roads were impracticable; the spare parts for vehicles inexistent, and rising oil prices tightened the stranglehold on an already crippled population who had to queue from the early hours of the morning for a long time to have some petrol. Overall decline extended to the industrial sector where raw materials were virtually inexistent. This reduced the state-owned enterprises to a phase of standstill unable neither to produce nor to find cash to pay the workers. This internal crisis was further amplified by the sudden rise in world oil prices, an import commodity that absorbed the bulk of Ghana's foreign exchange, further accentuating the budget deficit for the government. The latter knew that its task was monumental, but the administration had already been able to achieve a certain improvement after the coup. Through tracking tax evasion, government revenues had relatively increased, though not sufficiently, and money supply rose by 19% in 1982[2].The exodus of skilled and unskilled labour force became a less attractive alternative as people began to have hope for a better tomorrow at home. But Rawlings's government knew that this was still insufficient to stop the Ghanaian continued downward spiral. To resuscitate the economy, tough economic decisions were inevitable.

The Alternative Economic Programme (AEP) was thus set up with a view to proposing urgent but less drastic alternatives to the crisis. It was hoped that the devaluation issue would be completely excluded from the proposals, but the new committee admitted the over evaluation of the cedi, nevertheless; it, too, warned against the prospect of endorsing an IMF supervised strategy of structural adjustment. The cedi would not be

[1]K.D. Opuku, (2010), The *Politics of Government-Business Relations in Ghana 1982-2008*, New York, Palgrave MacMillan, p.80.
[2]Republic of Ghana (March1985), *Economic Survey 1982,* Central Bureau of Statistics, Accra, Ghana.

devaluated, the report of the committee recommended. It presented other alternative solutions, namely pegging wage increases and even freezing wages for some time. The reforms had to rely on internal enterprise as the socialist countries were more willing to give expressions of socialist solidarity than real help. Despite the urgency of the situation, the committee reiterated the firm rejection of the IMF alternative and insisted that its reconstruction scheme was in reality a destruction of the gains of the country since independence. It was seen as a capitulation to neo-colonialism and a step backward towards poverty and exploitation of the Ghanaian people.

The state had to play the greatest role and show more active involvement in industry and trade. This was the denouement the AEP imagined. The crucial sectors were the gold mines, the timber marketing and the retail banking which the government had to monopolize. These fields had long been left to the private sector which exploited them unfairly and unscrupulously to the detriment of the local population. Agriculture and fishing in particular were a valuable potential for the outcome if the government exploited them more adequately. The committee also recommended the tracking of profiteering by unscrupulous individuals whose import licenses allowed them to accumulate quick wealth at the detriment of the people. Surcharging importers was one recommendation that the committee thought fruitful. The proposals of the AEP found echo in the PNDC circles but they were regarded effective in the long term. The actual state of things in Ghana required immediate solutions, and many suspected the Rawlings government to have already begun discussions with the IMF and World Bank even before the AEP submitted its report.

The change in Rawlings's revolutionary tone in the following months was striking. This might have been justified by the impasse in which the country was plunged but not only. An international context also played a significant role. The cold war was ending and with the decline of the Soviet Union, socialist theories had already lost ground and credibility. The world was rapidly changing with Reagan at the head of the United States and Thatcher leading Britain. This made capitalism the only alternative. Western countries, through the IMF, were disposed to finance adjustment programmes in developing countries towards a reorientation of free-market policies. Rawlings's speeches and debates attempting to tone down the argument of devaluation became more frequent. He was accused by his opponents of betraying the revolution, and the many coups to depose him translated a growing danger to the security of the PNDC. Rawlings rejected vehemently those accusations. But what was the alternative in 1983 when famine threatened Ghanaians? Even Nkrumah who was a fierce opponent of neo-colonialism resorted at the end of his rule to IMF aid. In his attempt to justify this change, Rawlings assured Ghanaians that the revolution was still on course and that it was in no way incompatible with a structural adjustment programme. The gravity of the crisis and the scale of the help needed for the recovery of the economy left him no other alternative.

3. The "180 degree-turn"

When the PNDC announced in April 1983 that bilateral agreements had been concluded with the IMF and the World Bank to endorse a strategy of economic reconstruction in Ghana, the suspicions of the radical wing in the council were confirmed. The Economic Recovery Programme (ERP), as the PNDC labeled it, was a four- year-scheme principally based on an increase in production and taxation, and a reduction in government expenditure. The PNDC could not have chosen a worse moment to announce the austerity measures of the programme. Popular support for it seemed suddenly more difficult to secure than foreseen as two unexpected factors stepped in to compound the difficulty for Rawlings. On 17 January 1983, the Nigerian government launched a deportation operation of all illegal immigrants on its soil, and set the date of February 2 as the deadline for the execution of the expulsion. The news was a shock for the Rawlings administration but Rawlings's reaction won him much admiration.

A National Emergency Relief Committee was rapidly summoned and entrusted with the task of establishing reception centres for the returnees as well as providing food, cover, medicines and other necessary items. He ordered that this operation of assistance be extended to other Ghanaians as part of the economic reforms of the government. The measure was meant to appease tensions among the local people who were hostile to the coming back of the returnees, and prevent an eventual degeneracy of the situation. Rawlings knew that the problems facing Ghana were far more deep-seated to be resolved through these short-term measures and that the government needed to find solutions to resolve them in the long-term.

The situation of the country was tough but the man decided to appeal to his people for an extra humanitarian effort in exceptional circumstances. The return of the expelled Ghanaians from Nigeria compounded an already severe situation as natural catastrophes hit the country in those years. Critical droughts in 1978-9 and in 1982- 83, the worst in living memory, engendered the failure of nearly all crop harvests and agricultural production sharply declined, in addition to severe adverse effects on hydro-electric production. In a parallel direction, the situation was exacerbated by terrible bush fires that destroyed great numbers of cocoa trees. Farmers faced extremely difficult times and the disaster quickly extended to cities where markets ran dry of food stuffs day after day.

Prices recorded their worst level in 1983. They rose by 122%. Other factors, internal as well as external, had contributed to aggravate things and had led to the situation of crisis of the early 1980, namely mismanagement in allocating import licenses, a phenomenon which encouraged corruption and easy wealth accumulation[3]**.** The increase in oil prices in the international market also played a significant role as Ghana, like many other African countries, was non- oil producing. A significant rise in the price of petroleum in 1973-74 and 1979-80 had devastating effects on an already reduced foreign exchange. In 1982, Ghana's debt of imported unpaid crude oil amounted to $114 million. By that time, this vital commodity was absorbing as much as 50 % of the country's value of total imports.

It was thus in such an extremely critical context that the PNDC decided to embark on an IMF and World Bank directed structural adjustment programme in Ghana. Initially, the total cost of the scheme amounted to $5.3 billion, reduced later to $4.2 billion, to be drawn from foreign sources in the form of aid and commercial credit. It was a shift to a neo-orthodox economic stabilization... (with) the heavy involvement of the World Bank, the IMF and other Western bilateral and multilateral donors… (it was a) move away from the quasi-socialist and distributionist policies of the populist revolutionary period to full-

[3]*Statement by the PNDC Secretary for Finance and Economic Planning on the PNDC's Programme for Reconstruction and Development (Broadcast on Tuesday, 30, December,1982).*

scale implementation of economic rationalization and liberalization"[4]. As underlined earlier, it had never been a free choice but largely a prerequisite for the Rawlings administration. Internal as well as external factors had gathered to force the PNDC to advance in this direction.

The series of coups which attempted to depose Rawlings, though successfully crushed, contributed to destabilize the security of the government. These coups where some western nations were implicated translated hostility to Rawlings's Marxist theories. Inside Ghana, the bush fires, the severe drought, and the problem of the returnees from Nigeria accentuated the pressure on the government for which it became increasingly difficult to ward off the lurking danger of national famine. Faced with the worst living conditions ever known, the government presented ERP as a necessary process of socio-economic transformation where the crucial issue of devaluation represented the cornerstone. There was a subvention on designated exports like cocoa, coffee, minerals, timber and manufactured goods, and a surcharge of all imports with the exception of basic foodstuffs and oil. This first phase of ERP (1983-86), sometimes called ERPI, was a stabilizing phase. The second phase or ERPII, (1987-1989), a development phase, was labeled the Structural Adjustment Programme (SAP).It targeted long-term objectives mainly to generate economic growth and increase internal savings and foreign investment.

It was thus urgent for the government before all to stop a further decline of the economy into the abyss by restructuring its basic institutions. These covered import/export trade, internal trade, tax and budget reforms, banking, insurance, the structure of ownership in industry, and the health sector. Reforms in fiscal and monetary policies, including prices and incomes, were also a necessary ingredient for the success of such a mobilization programme, and merited thus the greatest attention. When it announced the programme to Ghanaians in April 1983, the PNDC clarified the objectives of ERP and summed them in six points. The first was to stop the free fall of the Ghanaian economy caused mainly by the sharp decrease in agricultural production by stimulating the output of the traditional exports of cocoa, timber and minerals.

The second and third objectives were to reinstate financial order to curb inflation, to eliminate foreign exploitation responsible for malpractices and tax avoidance, and the rationalization of the exchange rate to stimulate exports excluding all luxury items from export operations to save foreign exchange. ERP's fourth goal was to restore external banks' and investors' confidence in the economy of Ghana through effective supervision of the country's foreign reserves and its external debt. The last two objectives were to emphasize the reconstruction of the social infrastructure, water supply, roads, railways, ports, telecommunications, health, education and housing to improve the distribution of goods, services and incomes to give back Ghanaians their pride.

In August, 1983, the IMF consented to loaning Ghana 250 $million to bring about the necessary reforms for the recovery, and $127 million to cover the trade deficit. Steps to materialize the objectives of the programme soon started. Capital importance was drawn to the vital import/export sector. The PNDC explained that the programme aimed at establishing a state monopoly over it as a measure to curb foreign exploitation. Many foreign trading companies were accused of malpractices from which they derived

[4] E. Gyimah-Boadi (1993), Ghana Under *PNDC Rule*, London, Anthony Rowe LTD, p.08.

inestimable profits in foreign exchange. National interest, the PNDC continued, thus required the monopoly of the state over the sector to repatriate profits in foreign exchange to Ghana. In a parallel direction, national trading companies would be incorporated under the Companies Code to take charge of import and export operations. This state monopoly, the PNDC affirmed, would effectively protect the national economy from corruption which characterized administrations allocating import licences. For a more balanced geographical diversification of imports and exports, the scheme targeted their direction to other countries in the world. These were namely the US, Japan, Canada and countries of the EEC.

Structural Adjustment Programme (SAP) was the name given to the second phase of ERP. It was destined to move in the same direction of the liberalization of trade and the currency exchange rate, and was meant at more economic gains in the long term through five distinct objectives. The first was to sustain economic growth at a yearly level of 5 and 5.5 % over the medium term. The second targeted public investment which ERPII was to increase from 10% of national income to 25% by the end of the 1980's. The third goal concerned domestic savings. By the end of the decade, the scheme should have enabled the government of Ghana to increase those savings from 7% at the end of the first phase of the programme to 15%. The two last goals targeted the management of the resources in the public sector which ought to be further improved and their effective mobilization with a view to bringing welfare to the people**.** The PNDC summed up the objectives of SAP as being the only means to bring *"...*economic growth and social progress to the people of Ghana. All Ghanaians especially workers were called upon to make the necessary sacrifice and support the programme to succeed, since it was the only available option to resuscitate the economy and bring relief to them."[5]

4. Opposition to the programme

However, the adoption of ERP was to inevitably impact on the stability of Rawlings's government especially that there were no opportunities for its discussion nor did the government conduct any opinion polls to collect the views of Ghanaians on the question. A referendum on the issue had little chances to support it. The members of the PNDC advanced carefully in the direction of structural adjustment but knew that popular support for the scheme's austerity would most probably be difficult to obtain. Assaults came initially from various groups: the university students through the National Union of Ghanaian Students, (NUGS), the professional associations, the workers, the businessmen and the middle class. In rallies in Accra and Tema, workers gathered in mass to express their disappointment with the Rawlings administration. The task of handling this rising opposition seemed a tough task and the PNDC appeared to be losing the groups which formed its initial basis of support[6].

The austerity measures related to pegging wages caused widespread resentment among the labour force. Its representative body, the Trade Union Congress (TUC), officially expressed its protest against the adoption of ERP. Although the leaders avoided

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[5] K. Panford (2001), *IMF-World Bank and Labor's Burdens in Africa: Ghana's Experience,* New York, Praeger Publishers, 53.

[6] J.L. Adedeji, (2001), « The Legacy of J.J. Rawlings in Ghanaian Politics, 1979-2000" *African Studies Quarterly,* (5), N° 2, 1-23.

open confrontation with the government, they warned that the implementation of the IMF and World Bank directed recovery scheme would only lead to disastrous consequences on the incomes of workers and their living standard. Issues like prices and wages where workers accused the government of depriving them of the right to decent salaries, labour retrenchment, privatization, trade liberalization, the removal of subsidies on essential goods and social services, and the over-reliance on foreign experts to determine what was good for Ghanaians and what was not were all indications of not only a much probable failure of the programme, but also of a further deterioration of the living conditions of Ghanaians.

Three other groups joined opposition against ERP. The Association of the Ghanaian Industries (AGI) worried about the liberalization of trade which would encourage competition. Existing enterprises demanded a protection against import rivalry in particular. They also protested against the spectacular devaluation of the cedi which culminated in a severe liquidity crisis, high interest rates, and sharply rising imports' prices. Discontent with the scheme extended to university students too. The NUGS accused the Rawlings administration of deviating from the revolutionary lines that brought the PNDC to power. The students staged vociferous demonstrations in May 1983.

The main cause of their resentment concerned primarily the removal of tuition, boarding, and food subsidies. Reforms under ERP, the NUGS affirmed, would lead to social discrimination as only rich students would afford paying the much higher university fees. This would not only penalize the poor students but higher education as a whole. Ghana which counted among the first African countries with a high number of intellectuals after independence would watch her college access limited to a handful of students. This would inevitably adversely affect the sector, and prevent students with good potential to carry on university studies and contribute to the intellectual progress of their country. The NUGS described the IMF and World Bank directed educational reforms as anti-student policies. Equally important was the reaction of the University Teachers' Association of Ghana (UTAG), highly suspicious of the role and objectives of these international financial institutions. The association urged the government to protect all classes of the Ghanaian society from the foreseen disaster that this programme was to have on them. The UTAG was doubtful of the IMF and World Bank sincerity to achieve real socio-economic transformations in Ghana. The example of other parts in Africa where structural adjustment was a striking failure was a strong argument[7].

Because ERP favoured trade liberalization, the Ghanaian middle-class also expressed opposed views to the scheme even though one might be tempted to think the opposite way. This middle class, one of the most sophisticated in Africa, would eventually grant the PNDC its support as the programme would facilitate private enterprise. However, the middle class was uncertain about investing capital under an ERP implemented by a regime like Rawlings's, and remained suspicious of the profit motive. The latter was viewed as actually working towards the benefit of foreign traders and firms rather than the local private enterprise.

[7] R. Jeffries (1991), « Leadership Commitment and Political Opposition to Structural Adjustment Programme in Ghana" in: *Ghana: The Political Economy of Recovery,* (Ed) D. Rothchil, Colorado and London, Lynne Reinner Publishers, pp.185-211.

The government's task was tough and the situation turned increasingly complicated to bring under control. People joined the different social sections, and demonstrated in the streets to express opposition against ERP. At this point, Rawlings assessed it necessary to speak directly to his people. In a radio and TV broadcast, the chairman of the PNDC declared:" if the PNDC government was concerned with cheap popularity, we would not have presented you with such a budget. It is hard to ask someone who has already tightened his belt to the last hole to go and make an additional hole to tighten it even further… (but) the steady economic decline has had to be arrested and the longer we wait, the harder it would be"[8].

It was thus in such a critical context that ERP was launched in Ghana in 1983 for its first phase of stabilization. The first step was the progressive devaluation of the cedi from 2.75/$ to 25/$ and to 30/$ by the end of the year. Further devaluations were estimated necessary by the IMF and the World Bank, and after November 1984, the exchange rate was constantly changing to attain the spectacular figure of 90/$ in January 1986. On the other side, aid started to arrive to Ghana from the main bilateral donors of Germany, the UK, Japan and the US, followed by that of the IMF and World Bank. The first stress was on an intensification of production in the key sector of agriculture, notably primary food like maize, rice, cassava and yam. In industry, a particular attention was to be given to the production of raw materials and export commodities. Efforts would continue to be directed towards controlling inflation and rehabilitating the transport sector to help evacuate the agricultural and industrial products to cities and ports. Between 1983 and 1986, $254.5 million were spent on repairing the road and the railway networks. ERP also abolished price controls to liberalize trade and the government removal of subsidies for many items highly scared Ghanaians.

The price of some goods in high demand like gasoline, beer, cigarettes, and car spares doubled. The government assured that the mobilization of domestic resources was necessary to reduce the dramatic deficit in the government's budget. However, Rawlings assured that in a parallel direction producer prices for farmers would increase. This would be achieved, as paradoxical as it seemed, thanks to devaluation. The economists in the PNDC government explained that bringing back the cedi to its real value would allow the producers in all sectors destined to export to be paid higher prices. The cocoa industry was particularly concerned as its rehabilitation remained at the top of the programme's list of priorities. The overvaluation of the national currency for many years was such that farmers received unreal prices for their produce compared to its real value on world market. This was the main factor behind the so destructive phenomenon of smuggling cocoa through the borders to Togo and Cote D'Ivoire. There, farmers could get much higher prices at a time when the Ghanaian government recorded huge losses in foreign exchange. Cocoa counted for more than 60% of its exports and furnished a large proportion of government revenues. Ghana needed to salvage her economy by" salvaging (her) crops and goods that would be convertible into foreign exchange. Cocoa was the major one and it was the easiest."[9]

[8]K. Shillington (1992), *Ghana and the Rawlings Factor,* London, MacMillan Press LTD.p.11.

[9] O. Ryan, (2011), Chocolate *Nations: Living and Dying for Cocoa in West Africa,* London, Zed Books LTD, p.19.

The farmers were consequently to get higher prices for their produce, which in its turn would discourage cross-border trade. The Rawlings regime pursued a policy whereby farmers could get a greater share of the world cocoa price despite frequently depressed international levels. Years showed afterwards that the peasant community was receptive to the measure, and rising producer prices culminated in a remarkable rise in production from 159.000 tons in the crop season of 1983/84 to 321.000 tons six years later[10].

5. The Agrarian policy of the PNDC under ERP

Agriculture, including forestry, provided 80% of Ghana's exports, and employed 55% of the country's labour force. This accounted for 70% of the population. The Rawlings administration reoriented its agrarian policy towards the promotion of non-traditional exports such as fruits and furniture to rid the national economy of the dependency syndrome on a limited number of traditional commodities, subject to frequent world price fluctuations. The ERP era saw a significant diversification of fruits destined to export like shea- nuts, cocoa butter, mangoes, limes and yams, in addition to smoked fish, water melon, and several medicinal plants. The value of these non-traditional exports recorded a noticeable growth from $10 million in 1981 to $60 million in 1990. This as was expected, generated a vibrant economic growth as the re-organization of the sector created more job opportunities as well as an increase in hard currency earnings. In a parallel direction, the National Mobilisation Programme with a mobilisation fund amounting to $500 million played a significant role in reorganizing the unemployed youth into food production groups in an effort to combat the ghost of famine that was threatening Ghana.

A major exercise of redirecting excess personnel into more productive activities was a principal point in the programme. These activities included not only agriculture, but also community work, road construction, construction of workers' housing…All volunteers to join this mobilisation scheme were encouraged by bank credit facilities. These groups were known as Mobilisation Voluntary Squads, or Mobisquads. In the agricultural sector, and as it did with cocoa farmers, the PNDC encouraged them towards the cultivation of other food crops, notably rice, maize, millet, cassava and yam to produce more food for their country. The government established community farms and provided the peasants with the necessary planting material. About $61 million were allocated to the sector to achieve an 81% increase in maize production, 39% in rice, 10% in cassava, yam, millet and sorghum, 50% in poultry and 16% in fish. Agricultural effort greatly benefited Ghana as $65 million were needed to import rice and maize. Furthermore, a sum of $25 million was allocated to the sector to import fertilizers and agro- chemicals under a two- year programme, the Agricultural Rehabilitation Project. The effort brought fruit, and an agricultural output growth of 14% was already witnessed by the end of 1984. Accelerated rainfalls greatly helped it record a further growth of 5.3% the following year, and Ghana could even export grains to Burkina Faso.

[10] The sharp rise in production culminated in a significant increase in export earnings which in its turn decreased the government's budget deficit from 47% of GDP in 1982 to 0.3% in 1987. Alex, Thompson (2000), *An Introduction to African Politics,* London and New York *Routledge, p.196.*

6. The industrial policy under ERP and the revival of economic key sectors

The Ghanaian economy heavily relied on the sector of minerals too. Gold, diamond, bauxite and manganese represented an important part of Ghana's foreign exchange earnings, and their production had witnessed a dramatic decline in the 1970's and early 1980's. The PNDC passed the Minerals and Mining law whereby interesting fiscal incentives like exemption from custom duties on accessories, equipment and machinery attracted over the next 9 years $5 billion in the form of foreign investment in the Ghanaian mining sector. Locally, many existing mining firms notably the Ashanti Goldfields Company returned to the sector and engaged in the rehabilitation and expansion of previously abandoned mines. It alone managed to produce over half a million ounces per annum towards the end of the ERP era, in addition to the Southern Cross Company with a production exceeding 100.000 ounces within the same period.

The industrial sector was another vital ingredient for economic growth which drew the PNDC's attention under ERP. Due importance had to be given to the promotion of local industry. Emphasis was thus laid on the development of local raw materials such as clay, iron ore and bauxite. The development and diversification of local substitutes for imported raw materials to save foreign exchange was also encouraged. A Geological Survey Department was established to link research and production. A great number of Ghana's industries progressed towards 50% of effective capacity utilization. Reforms under ERP were oriented towards supplying this local industrial potential with adequate foreign exchange, spare parts and indispensable imported input to energize this vital sector and attain substantial growth. The main factories concerned by the reforms were food-processing factories, the textile industry because of an increase in cotton production, soap, cement and iron rods industries. Industrial development went hand in hand with agricultural growth.

The government established an Intermediate Technology Transfer centre in the University of Science and Technology in Kumasi to supervise an agro-based industrial production programme. Its target was a kind of agro-industrial self- reliance which would enable Ghana to reduce her imports in these two key sectors and move from a low income economy to a vibrant and varied one. This trade liberalization continued to bring visible industrial expansion. By 1988, the output in the sector showed a growth rate of 12.6%. Iron, steel, sawmill and wood products counted for the most important part in this economic dynamism, followed by the textile/garment and leather products.

The government launched different programmes to redirect labour force where it was most urgently needed in an effort to mobilize youth energy for the benefit of national economic growth. Thus, the Rural Integrated Centre at Winneba in the central region provided trainings for young people in the manufacture of spare parts for the repair and maintenance of agricultural tools like crop harvesting knives, cutlasses, axes…Moreover, other trainings concentrated on skill training like carpentry and masonry to provide labour force for the rural areas in such communal works as building schools, health centres and storage facilities for farmers as well as helping in repairing crumbling buildings in the rural areas. In addition, the centre provided trainings in other sectors like electrical maintenance, auto mechanics, auto electrics, machinery mechanics, spray painting, radio and TV repairs, printing, typing, stenography, refrigeration, air conditioning…This redeployment of the youth labour force into the two key sectors of agriculture and industry generated a visible growth.

The PNDC government gave special attention to the energy sector. It launched a national programme destined for the improvement of the supply of energy and the distribution infrastructure. The Rawlings administration directed a significant amount of foreign loans to the rehabilitation of energy supply for a more adequate use and balanced distribution in the economy. The programme mainly targeted the Volta River hydroelectric dam and the Volta Aluminum company. Extension works were expected to augment power supply and improve rural electrification especially in the Northern and Upper East regions. This was a major problem for the government which it sought to resolve efficiently once for all. In this respect, a National Rural Electrification Programme was launched with an Indian credit amounting to $1 million. About 40 towns and villages were successfully linked to the national electric grid by the end of the first phase of ERP. Other foreign funds in the form of loans came from Japan, Yugoslavia, and Sweden in addition to a $27.5 million credit facility from the International Development Association (IDA), a subsidiary of the World Bank to further stimulate the implementation of the programme and supply with electricity the 50 towns and villages initially planned in the scheme. By the late 1990's, all the 110 district capitals and many communities enjoyed electric connection. Exploring for petroleum in Ghana was another potential that the PNDC government was firmly decided to exploit. In an effort to encourage the development of new energy resources, a Petroleum Exploration and Production Law was enacted to supervise the work of foreign oil companies interested in foraging for petroleum in the country. Several regional studies of the sedimentary basins on the Ghanaian soil were carried through.

The sector of hydrocarbons was viewed as an important potential in the future recovery. Already in 1986, the Brazilian National Oil Company, Petrobras, started reservoir engineering studies. Similarly, the Canadian Petro-Canada undertook exploratory digging with a grant from its government amounting to 8 million Canadian dollars. The Japanese joined the group through the Japan National Oil Company which began a seismic survey along 4.200 km to help provide a better data exploration quality. The US firms also engaged in the exploratory scheme. Along with this foreign investment in the sector of energy, the PNDC government paid a special attention to the Ghanaian Italian Petroleum refinery (GHAIP) in Tema, east of Accra, in charge of the supply of petroleum products. A programme was launched to increase the process units of the refinery with a view to maximizing its daily production capacity from 28.000 to 34.000 barrels. This was expected to ease the problems of the country related to petroleum. The Northern regions were particularly targeted as they suffered long from an irregular and costly supply of petroleum products.

In this respect, the PNDC government decided to embark on huge transport schemes to facilitate the transport of petroleum products to the North. A serious consideration of other energy resources was also planned under. The PNDC government sought to promote renewable sources of energy in Ghana like the solar and wind energies. A National Energy Board was established and entrusted with the task of carrying out studies in the field. Data was to be collected on how alternative sources of energy like the solar, wind and biogas energies could be exploited in Ghana. A planned budget was destined to encourage adequate technologies to develop such potential.

The Ghana-China Bio Gas Project agreement was signed in this respect. One final source of energy to which the board paid due attention was charcoal, highly consumed by households in Ghana. It was estimated that 20% of their income was spent on it. Several problems had to be resolved by the National Board energy, particularly the deficit in the fuel wood supply, resulting principally from desertification and soil erosion. In a common effort with the Forestry Commission, the Board launched a programme destined to ameliorate the performance of charcoal production. Great attention was equally paid to the distribution of cook stoves as a means to ameliorate the consumption of this source of energy.

When Jerry John Rawlings decided to adopt the IMF and World Bank economic reconstruction programme in the early 1980's, he knew that his task would not be easy. The draconian measures of ERP that he was bound to impose on a population who had already tightened its belt to the last hole were a strong argument that his opponents used to discredit his administration. Rawlings was aware that an economic failure of his policy would undoubtedly mean a political one. The failure of such reconstruction programmes elsewhere in Africa also compounded the difficulties for the man who, nevertheless, did not see any other issue to get Ghana from the severe crisis that the preceding governments had plunged it in. He thus decided to advance in this turbulent direction but his integrity, revolutionary spirit and high sense of patriotism secured him the necessary ingredient for the survival and the success of any government: popular support. Under the PNDC (and even later) and despite the IMF and World Bank austerity measures under ERP, Ghana had known one of the most formidable periods of economic transformations ever recorded in its post-independence history since the fall of the Nkrumah regime in 1966.

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