

# **THE POLITICAL ECONOMY OF ECONOMIC REFORM IN GHANA: IMPLICATIONS FOR SUSTAINABLE DEVELOPMENT**

by

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## **Abstract:**

SAP, by design, encourages the more rapid exploitation of the natural environment. The difficulty of dealing with the environment-development problem is, therefore, obvious. The question whether the joint pursuit of economic growth and environmental sustainability is possible in Ghana is still worth exploring. What this paper has demonstrated is that the Economic Recover Program of Ghana, as a strategy of economic development, is grossly inimical to the goals of sustainable development.

The Economic Recovery Program (ERP) that was initiated and implemented in Ghana since 1983 is inconsistent with the goals of sustainable development. More specifically, ERP or Structural Adjustment Program (SAP) has led to an increased exploitation of natural resources in non-sustainable ways. This contention is based on the premise that ERP was a package of economic policies adopted under the aegis of the World Bank and the IMF to revive and sustain the Ghanaian economy that was heavily indebted externally and needed external aid to repay the debts. From its inception the ERP, like SAPs in general, had an inherent bias towards the reinforcement of colonial features of the economy rather than fashioning structures for self-sustaining, self-reliant national economic development.<sup>1</sup> Hence, it has consolidated Ghana's peripheral status, reinforced structures of rural poverty, and marginalized the lot of the population. This development is tied to the fact that SAPs, as development measures, are rooted in the existence of "world system of relations" dominated by private interests which intrinsically oppose by all means, any effort at local integration, consequently blocking all initiatives in legitimate national development. In the case of Ghana this undermined the goals and objectives of the National Environmental Action Plan (NEAP) and hindered government efforts towards achieving sustainable development.

<sup>1</sup>See the Arusha Initiative, Par. 9.

The Rawlings regime has ruled Ghana continuously since December 31, 1981, making it the longest serving government in the country's turbulent political history. The Rawlings regime and its Provisional National Defense Council (PNDC) unleashed populist forces on, and threatened to break up the power of, Ghana's middle class professionals and managers, the economic and political establishment and foreign economic and financial monopolies. Later on, Rawlings became widely perceived as the "savior" of Ghana and an icon of the World Bank and the International Monetary Fund. His government's Economic Recovery and Structural Adjustment Programs (ERP and SAP) was judged as one of the most thoroughgoing and consistent in the world.

Rawlings takeover of power was motivated by years of misguided development strategies that resulted in general human poverty and serious environmental degradation. After independence was proclaimed in 1957, the economic system of the state, inherited from the past, could not be changed fast, for its legacy of underdevelopment impeded the cardinal shifts in economy. Rawlings had vowed to break the status quo and to move Ghana along a new path of economic and political development uncharacteristic of the past. It is the intent of this paper to evaluate the performance of the Rawlings era and in particular with regards to sustainable development. But, evaluating current development policy will have to be analyzed within the framework of politics and economics. When looking at the mutual influence economy and politics have on one another; one should emphasize that social relations also mediate this interdependence. If one tries to separate political developments from purely economic factors, then one would be unable to explain all events or trends. In light of this, certain questions arise. First, is it realistic that an agreement with the IMF in 1983 would

provide realistic and achievable guidelines for self-sustained socio-economic and environmental rehabilitation? Second, given the current institutional structures and socio-political climate, can the government promote socioeconomic development and the necessary redistribution of wealth, power and resources imperative to mitigating human misery and environmental destruction? In other words, is sustainable development achievable under the circumstance of the present government? This article would evaluate the domestic political and economic transformation in Ghana and its impact on the physical environment. It would be shown that the government of Ghana is constrained not only by her position in the world system, her environmental agenda is also influenced by a variety of domestic factors, including tax and subsidy instruments, distribution of wealth and income (poverty), population pressures, the status of women, the political power structure, and various interest groups.

### Evolution of the Economy

Ghana has swung sharply between prosperity and decline since independence in 1957. As the natural environment has been an integral part of these macro-developments, the economic and political context within which sustainable development is pursued in recent times need to be reviewed. This is done particularly within the purview of Structural Adjustment.

### The Circumstances Leading to Adjustment

A brief account of Ghana's economic performance during the nineteen-fifties and the nineteen-sixties illustrates the problems that led to adjustment. At independence in 1957,

Ghana was one of the most prosperous countries in sub-Saharan Africa with the highest per capita income in the region and very low inflation. Agriculture in 1955 was the major source of income and wealth; contributing about half of GDP and supporting a much larger proportion of the population than it does today. A single crop, cocoa, provided about three-fifths of total export earnings.<sup>2</sup> The foreign reserve situation was very healthy as a result of booming cocoa exports and an abundant supply of labor, which included migrants *from* neighboring countries.<sup>3</sup> During the 1950-60, GDP grew annually by 4.1 percent and agricultural output by 4.3 percent. During 1955-60 the economy in general, and agriculture in particular, enjoyed even higher annual growth rates: GDP grew by 5.1 percent, agricultural output by 5.7 percent and cocoa output by 9 percent. High growth in the output of the major export crop, cocoa, provided the basis for rising investment via increased foreign exchange availability. With export earnings rising at 3.2 percent per annum during the nineteen-fifties, both imports and gross domestic investment grew at 8.9 percent per annum during the decade.

There was no reason to doubt that this prosperity would continue. Certain warning signs however, emerged in the nineteen-sixties. Even though industrial output rose at 6.7 percent per annum, during the decade, cocoa output declined at an average annual rate of 0.2 percent per annum, leading to a decline in gross domestic investment of 3.2 percent per annum. Imports also fell by 1.6 percent per annum (Table 1).

Ghana's post-independence economic strategy emphasized rapid industrialization by state-owned enterprises (SOEs) as an attempt to diversify its export base in order to reduce the overdependence on few primary export commodities and thereby contain the perils of monoculture. In a post-1960 era that was characterized by falling cocoa prices, it was prudent, or so it seemed, to pursue an industrial alternative.

<sup>2</sup>Assefa Bequele, "Stagnation and Inequality in Ghana," in Agrarian Policies and Rural Poverty in Africa, eds. Dharam Ghai and Samir Radwan (Geneva: International Labor Organization, 1983), 219-247.

<sup>3</sup>For a discussion see Hamid Tabatabai, Economic Decline, Access to Food and Structural Adjustment in Ghana, World Employment Programme Research, Working Papers No. 8 (Geneva: International Labor Organization, 1986), 34-49.

However, this also, inadvertently, minimized the importance attached to cocoa production as a primary cash crop to the Ghanaian economy. This further depressed cocoa production and affected the agricultural sector in general.<sup>4</sup> The result was lower export production and export earnings. Industrialization strategy opted for self-reliance, and established import-substitution industries behind highly protective trade and non-trade barriers. This caused further economic deterioration during 1973-83: Real GDP fell by 1.3 percent per annum, industrial output by 7 per cent, exports by 6.4 per cent, imports by

TABLE 1

AVERAGE ANNUAL GROWTH RATES OF MAIN  
ECONOMIC INDICATORS, 1950-70 (Percent)

| Indicator                 | 1950-60 | 1955-60 | 1960-70 |
|---------------------------|---------|---------|---------|
| <i>Real</i> GDP           | 4.1     | 5.1     | 2.1     |
| Agriculture               | 4.3     | 5.7     | 3.7     |
| Food Production           | -       | -       | 1.8     |
| Cocoa Production          | -       | 9.0     | -0.2    |
| Industrial Production     | 4.6     | 6.3     | 6.7     |
| Services                  | -       | 3.0     | -1.4    |
| Population                | 2.2     | -       | 2.4     |
| GDP Per Head              | 1.9     | 2.9     | -0.3    |
| Food Production Per Head  | -       | -       | -0.6    |
| Gross Domestic Investment | 8.9     | -       | -3.2    |
| Total Imports             | 8.9     | -       | -1.6    |
| Total Exports             | 3.2     | -       | 0.1     |
| Cocoa Exports             | -       | 5.4     | -1.2    |

Source: Based on Bequele, Assefa. "Stagnation and Inequality in Ghana," In Dharam Ghai and Samir Radwan eds. Agrarian Policies and Rural Poverty in Africa (Geneva: International Labor Organization, 1983), Tables 78 and 81

8 percent, cocoa output by 7.1 percent and food production by 2.7 percent. The annual rate of

inflation rose from about 6 percent during the 1965-73 to 50 percent overall in the following decade. During the period of 1973-83 annual inflation rates of 53.2 percent for food prices and 46.5 percent for non-food prices were registered (See Table 2).

<sup>4</sup>Fitch, Bob and Mary Oppenheimer, Ghana: End of an Illusion, (New York: Montly Review Press, 1966), 84.

In 1970-81, cereal output fell by 2.3 percent per annum and that of starchy staples by 3.7 percent.<sup>5</sup> The decline in agricultural output was the result of policy choices based on incorrect signals in both factor and produce markets, resulting in domestic distortions inimical to growth, equity and poverty alleviation.

TABLE 2  
AVERAGE ANNUAL RATES OF SELECTED BASIC INDICATORS,  
1965-83 (Percent)

| Item                                 | 1965-73 | 1973-83 |
|--------------------------------------|---------|---------|
| 1. <u>Population</u>                 | 2.2     | 3.1     |
| 2. <u>Domestic Production</u>        |         |         |
| (a) <i>Real</i> GDP Growth           | 3.4     | -1.3    |
| (b) <i>Real</i> GDP/Capita Growth    | 1.2     | -4.4    |
| (c) Agriculture                      | 4.5     | 0.0     |
| (d) Industry                         | 4.3     | -7.0    |
| (e) Services                         | 1.1     | -0.3    |
| 3. <u>Merchandise Trade</u>          |         |         |
| (a) Exports                          | 3.5     | -6.4    |
| (b) Imports                          | -3.3    | -8.0    |
| (c) Terms of Trade                   | -       | -6.5    |
| 4. <u>Cocoa Production</u>           | -1.2    | -7.1    |
| 5. <u>Food Sector</u>                |         |         |
| (a) Food Production                  | 2.0     | -2.7    |
| (b) Food Production Per Capita       | -0.3    | -5.9    |
| (c) Calories Availability Per Capita | 1.3     | -3.9    |
| (i) <i>From Cereals</i>              | 3.8     | -3.3    |
| (ii) <i>From Roots and Tubers</i>    | -2.0    | -1.8    |
| (d) Protein Availability Per Capita  | 4.1     | -4.0    |
| 6. <u>Inflation</u>                  |         |         |
| (a) Consumption Prices               | 6.3     | 49.9    |
| (b) Food (Local and Imported)        | 6.6     | 53.2    |

Source: Tabatabai, Hamid. Economic Decline. Access to Food and Structural Adjustment in Ghana, World Employment Programme Research, Working Papers No. 80 (Geneva: International Labor Organization, 1983), Table 1

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<sup>5</sup>Ibid.

By 1982 per capita income had fallen by 30 percent, export earnings were halved, and import volumes fell to one-third of their 1970 levels.<sup>6</sup> The production base of the economy was generally eroded as a result of emigration of skilled labor; lack of private capital formation as a result of widespread dissavings; and deterioration of the national infrastructure. Consequently, production, savings and investment declined. At the same time, import volumes and retailing activities increased substantially, leading to widespread "*Kalabuleism*" or underground production and marketing activities. External factors worsened the economic situation. The collapse of primary commodity prices for cocoa, coffee and timber in particular, sharp rises in world interest rates and the oil price stocks in 1973 and 1979 played a part in the nation's economic decline. The external debt, at the end of 1982, stood at 105.7 percent of GDP (translated to US dollars at parallel market rates). The deterioration was so severe that in April 1983, against considerable internal opposition, the Government adopted an Economic Recovery Programme (ERP), considered to be one of the severest adjustment programmes the IIN4F and World Bank have ever persuaded a developing country to accept.

#### The Economic Recovery Programme

The Economic Recovery Programme (ERP) started in April 1983 with the first *cedi* devaluation; thereafter, a progressive movement towards a realistic and flexible exchange rate was sought. The periodic adjustment of the exchange rate made it possible to improve price

incentives in the economy. The policy package under the programme inter alia, sought to: (1) realign the exchange rates; (2) realign interest rates; (3) reform and restore productive incentives, i.e., restore relative price increases for key export crops such

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<sup>6</sup>World Bank, Ghana: Towards Structural Adjustment, Report No. 5854-GH (Washington DC.: World Bank, 1985), p. 25.  
as cocoa, timber, and minerals to favor production; (5) reduce the cumulative deficit; (6) rehabilitate the country's economic and social infrastructure; (7) encourage private savings and investments; (8) restore fiscal and monetary discipline; and (9) establish workers priorities for the allocation of scarce foreign resources.<sup>7</sup>

The IMF supported the programme with three successive stand-by arrangements totaling SDR 611 million. In November 1985, the Government of Ghana presented to the Third Meeting of the Consultative Group for Ghana in Paris the policy framework for 1986-88, which consisted of the second phase of the ERP. The funding for the second phase included the World Bank's US\$ 130 million Structural Adjustment Programme (SAP) for 1987-1989, and the IMF's US\$ 245.4 million Extended Fund Facility for 1987-90. The main objectives of this programme were, on the one hand, to consolidate gains made throughout the first three years of the ERP and, on the other, to institute a gradual process of structural adjustment aimed at accelerating growth, improving incentives, strengthening the capabilities of the ministries in policy planning so as to remove the remaining barriers to efficiency and growth. Meanwhile, the Extended Fund Facility set annual macro-economic targets in terms of additional conditionalities, growth rates in GDP, domestic inflation, rate of velocity and growth of broad money supply.

Thus, the Rawlings government's attention was focused on three aspects of



development policy: ensuring economic stability, creating incentives, and improving human development. These three aspects correspond to the categorization of different types of policies that constituted Ghana's structural adjustment process.

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<sup>7</sup>See Saris, Alexander and Hadi Shames, Ghana Under Structural Adjustment: The Impact on Agriculture and The Rural Poor, (New York: New York University Press, 1991), 5.

The stabilization component consisted of policies designed to bring economic stability. Stabilization measures were necessitated essentially due to the fact that Ghana was living beyond its means; i.e., it was spending more than it was producing,<sup>8</sup> and this excess was being financed through the accumulation of debt. Thus, the objective of stabilization policy is to control macro imbalances, such as the fiscal and balance of payments deficits. This objective involves, inter alia, measures to control expenditure and increase taxes. The stabilization component of the structural reform programme, underway since 1983 in Ghana, has had, as we shall see later, mixed success. However, potential macro instability has been arrested through stabilization measures.

The second aspect of the economic policy reform package was liberalization, which is aimed at creating better incentives for the domestic production of goods and services. These measures frequently involve a reduction in the role of government, by and large, in commodity production and trade, through privatization, deregulation of price and marketing controls and so on. In some of these areas, such as privatization, Ghana made rapid progress. In addition to the expanding role of the private sector, it was envisaged that the future role of government would still require it to efficiently provide some public and merit goods and services, as well as improve the regulatory framework for private enterprise. Progress in these areas has been less pronounced.

Finally, capabilities have developed to take advantage of improved production incentives and the consequent increase in the demand for labor. These medium-term structural reform issues are typically more complex and difficult.

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<sup>8</sup>In principle, a country can be spending more than domestic resource capability due to excessively expansionary expenditure policies, or shocks on the supply side, such as drought, which reduce production. Irrespective of whether the cause is on the demand or the supply side, an economy needs to adjust to ensure stability and prevent a major escalation in inflation and debt.

These involve (i) the promotion of domestic entrepreneurial capacity; (ii) improvements in the capacity of the public sector to execute its changing role more efficiently; and (iii) investments in human capital to improve quality and reduce quantity.

Aggregate Economic Performance with Particular Reference  
To the Structural Adjustment Programme

In assessing performance it is necessary to examine whether the Ghanaian government has achieved its objectives under the reform programme and what costs such an approach has entailed including environmental cost. Certainly, a number of economic indicators point to some significant, even if essentially short-term, achievements from structural adjustment. The SAP reversed the decline of recent years and recovered at least some of the lost ground of the last decade. Although the statistics lack precision, the trend is nonetheless encouraging; an estimated increase in agricultural production of 3.6 percent in 1988; an estimated increase in the industrial sector of 10.3 percent in 1988; an estimated inflation rate of 31 percent in 1988 and 10 percent in 1992; an increase in the rate of domestic savings from 62.5 billion *cedis* in 1987 to 84.8 billion *cedis* in 1988<sup>9</sup>; decreases in budget deficits to 7.5 billion *cedis* in 1985, 2 billion *cedis* in 1986, and a balanced budget in 1986; and an overall balance of payments surplus of more than 22.5 million *cedis* in 1987.<sup>10</sup>

Growth. In contrast to the generally declining trend in national income in the decade before ERP, economic growth has been strong during the ERP.

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<sup>9</sup>The cedi equivalent of a dollar in 1988 was 202.34 cedis.

<sup>10</sup>Republic of Ghana, Towards a New Dynamism, Report Prepared by the Government of Ghana for the Fifth Meeting of the Consultative Group for Ghana, Paris, February 28-March 1, (Accra: Government Printer, 1989), 4. Also Data Compiled from Kodwo Ewusi, Trends in The Economy of Ghana, 1986-88, (Legon, Ghana: Institute of Statistical, Social and Economic Research, 1988), 1-6.

Real GNP has grown steadily at around 5 percent per annum in the course of the programme.

Per capita GNP has also grown (See Table 3). This growth has to be seen, however, in the context of the very low levels reached in 1983. The growth recorded in the national income has been the major reason for the praise heaped on the PNDC by external agencies and individuals. This has naturally caught the attention of critics to this particular indicator of the PNDC's economic performance. Reservations were expressed with respect to aspects of this indicator. First, there was the argument that the growth rate of the economy was not a particularly relevant statistic since a high growth rate was consistent with increased poverty, unemployment, etc. While this may be generally true, one should not always posit, a priori, a conflict between a high growth rate of the economy and the reduction of poverty or the improvement in the condition of the living of the populace.

Inflation. The rate of inflation as measured by the Consumer Price Index (CPI) declined from 122 percent to 40 percent in 1984, then to 10 percent in 1985. The rate of inflation increased to 25 percent in 1986, to 40 percent in 1987, was about 25 percent in

TABLE 3

AVERAGE ANNUAL GROWTH RATES OF SELECTED BASIC INDICATORS,  
BEFORE AND DURING THE STRUCTURAL PROGRAM (Percent)

|                        | 1973-83 | 1983-89 | 1990 | 1991 | 1992 | 1993 | 1994 |
|------------------------|---------|---------|------|------|------|------|------|
| <i>Real</i> GDP Growth | -1.3    | 5.0     | 3.3  | 5.0  | 3.9  | 5.0  | 3.8  |
| GDP Per Capita         | 4.4     | 1.2     | -2.0 | 4.7  | -0.6 | 2.5  | 1.0  |

Source: Tabatabai 1986, Table 4

1989 and 18 percent in 1991. Thus, with respect to the situation at the beginning of the programme period, success has been achieved in controlling the fires of inflation. The end of year inflation rate which more than doubled from 13.3% in 1992 to 27.7% in 1993 increased further to 34.2% in 1994 against a policy target of 21%.

Trade and Payments. The increased incentives to exporters generated by the foreign exchange depreciations, and the expansion of operations in the major industries have led to increases in the output of the major commodities - cocoa, timber and gold. The share of external trade in GDP increased about 5 percent in 1983 to 35 percent in 1991 and 55 percent in 1996. Real Foreign exchange earnings from the export of goods and services increased from US\$460 million in 1983 to US\$912 million in 1989 and stood at 1.8 billion by 1996. In addition, there has been some modest success in stimulating the exports of non-traditional exports. For the whole of 1983, the value of non-traditional exports amounted to US\$5.5 million. In 1988, non-traditional exports earned a total of US\$42.4 million, including US\$15.2 million from processed and semi-processed products. By 1996, this figure had also jumped to over US\$100 million.

Increase in Domestic Savings. Domestic savings as a proportion of GDP increased from 4 percent in 1983 to about 7 percent in 1988 and 9 percent in 1996. Improved revenue collection in this period has improved public savings in the course of the program. Private savings have on the whole not been substantial because of restraints on real wages and increases in the cost of living. Although domestic savings have increased in the course of the program, the specific target of increasing domestic savings to about 15 percent of national

income by the end of the decade has not been attained.

Well-being of the People. It is difficult to give an unequivocal verdict on this objective. There are studies that claim that poverty has increased in the course of the program. Other indicators seem to point to the conclusion that this objective has not been met. The increases in the cost of education, health and public utilities have almost certainly led to the loss of access to the services for a majority of the population and increased the cost of others. There has been an increased availability of consumer goods but not in affordable prices to many people.

Although some have made it a point to measure economic well-being on the basis of increased government expenditure on education, health and welfare,<sup>11</sup> there is little evidence to suggest that such government outlays, directly or indirectly, benefit the lot of the poor. On the contrary, much spending on education, health and social security and welfare does not benefit the needy. SAP in Ghana may have increased the incomes of a few wealthy businessmen directly engaged in the export sector (timber, gold, and other raw materials); but for most Ghanaians, who are rural dwellers, it meant the loss of their economic livelihoods that is grounded in peasant farming. Poverty in Ghana is largely a rural phenomenon which means agriculture sector policies are crucial in any strategy of poverty reduction. Yet, government policy continues to emphasize the promotion of export trade at the expense of rural farming. As a result, between 1983 and 1994 the number of farmers below the poverty line in the Northern region alone increased 4.5 times.<sup>12</sup> Since 1995, the government has been implementing the Medium-Term Agricultural Development Program that seeks to increase food crop output and to create a more balanced agricultural sector that would benefit the rural majority. It is still too early to assess the performance of the program.

Despite the impressiveness of Ghana's performance record, it remains unclear whether the same rate of expansion could be sustained into the late 1990s. The structural reform program began to encounter various constraining factors by the end of the ERP's second phase.

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<sup>11</sup>Mahamudu Bawumia, "Understanding the Rural-Urban Voting Patterns in the 1992 Ghanaian Presidential Election. A Closer look at the Distributional Impact of Ghana's Structural Adjustment Programme," The Journal of Modern African Studies, 36, 1 (1998): 61-62.

<sup>12</sup>Saris, Alexander and Hadi Shams ed., Ghana Under Structural Adjustment, 66

First, there were signs in 1988 of a falloff in local private investment in Ghana's economy.<sup>13</sup> Second, and related to this, foreign investors and commercial lenders continued to hold back, wary of the country's political stability and investment opportunities. Third, there can be no guarantee that external aid and lending agencies will continue their present rate of support for Ghana. Among African states, Ghana indeed remains a favorite of the international donor community at this time, but how long can such a status last? Resources remain tight.

Fourth, Ghana's recovery remains vulnerable to international commodity price changes. While the value of exports declined in 1989 from 808 million dollars to 780 million dollars, the cost of imports (most notably, petroleum products) rose by nearly 20 percent, to 1.011 billion dollars.<sup>14</sup> The resulting trade deficits largely reflected the effects of declining world market prices on such commodities as cocoa. Thus, even though Ghana's cocoa production rose from 153,000 metric tons in 1984 to 300,000 metric tons in 1989, the net benefit of increased production was more than offset by the decline in world market prices.<sup>15</sup> However, the nominal value of exports has increased steadily since 1992 from 986 million dollars to 1.571 billion dollars in 1996.

Fifth, Ghana's heavy external indebtedness continues to act as a constraint on economic growth. In this regard Kodwo Ewusi notes that "the ERP has not only increased the level of indebtedness but has increased debt servicing to unrealistically high levels.

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<sup>13</sup>West Africa, December 25 – January 7, 1989, 2165-2166.

<sup>14</sup>Colin Legum, "Ghana: Where all IS Gold That Glitters, But Oil Costs Retard recovery," Third World Reports 2 (February 1990): 2.

<sup>15</sup>See the interview with P.V. Obeng, chairman of the Committee of Secretaries in West Africa, March 5-11, 1990, 359. One major problem resulting from the ERP is the increasing dependency and vulnerability of the economy to external economic factors."<sup>16</sup>

Impressive as the growth statistics may seem, then, it remains unclear whether the pace of Ghana's current recovery can be sustained under the present Structural Adjustment plan. The domestic and international investor communities remain wary, the external lending base remains uncertain, external indebtedness is rising, and the world market prices for its products continue to decline. At home, there is an increasing problem with unemployment (especially as civil servants are struck off the public rolls); class, regional and gender inequalities remain stubbornly in evidence; and the quality of life for the ordinary worker and farmer has improved little. The effect is to create strains on the Ghanaian State as it proceeds with its recovery program. The ERP approach clearly involves a difficult (even potentially dangerous) transition between the overextended state structures of the past and the leaner and hopefully more focused state structures of the future. It entails, among other things, the privatization of state-owned enterprises (SOEs). A radical approach intended to unleash new energies and create new expectations, this process of reducing state responsibilities and

controls necessarily entails careful fine-tuning and readjustment by those in power.

In pursuing adjustment, then, the state as economic manager is heavily constrained by a variety of forces over which it has limited control. This situation is further complicated by its capacity as political manager, that is, its ability to organize the interactions among various interests in the society and to regulate the political order in an authoritative and effective manner.<sup>17</sup>

<sup>16</sup>Ewusi, Trends in the Economy of Ghana, 1988, p. 60.

<sup>17</sup>On the constraints on the performance of the civil service, see E. Gyimah-Boadi and Donald Rothchild, "Ghana," in Public Administration in the Third World, ed. V Subramaniam (New York: Greenwood Press, 1990), 229-257.

Thus, proficiency at establishing new organizing principles of economic relations must be complemented by a capacity for governance that is defined as "the development of political routines by the state, societal, and international actors that buttress patterns of reciprocity and political exchange relations among them."<sup>18</sup>

#### Impact of Economic Recovery Program on Environment

In following IMF and World Bank programs, the PNDC development strategies evolved along primarily macro-economic (monetary and fiscal) lines. Historical development experience, social structure, environmental productivity and enhancement, questions of distribution, "informal" economic activity (in the subsistence sector, through smuggling or black market activity) and cultural acceptance of the new strategies did not factor into the development blueprint. The main objective of the Ghana Government's Structural Adjustment Policies is to improve the performance of the Ghanaian economy. So far, this objective has been satisfactorily achieved,<sup>19</sup> at least by IMF and World Bank standards, but the key factors which induced this satisfactory achievement included the exploitation of the natural resource



systems in the country.

A lot of emphasis was placed on the exploitation of agriculture, forestry, mining and manufacturing industries during the implementation of SAP. It is worth noting that the preparation of Ghana's Environmental Action Plan coincided with the start of the second phase of SAP in 1988.

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<sup>18</sup>On this see Goran Hyden, "Reciprocity and governance in Africa," in The Failure of the Centralized State, eds. James Wunsch and Dele (Boulder: Westview Press, 1990), Chap. 11 passim.

<sup>19</sup>Kwabena Donkor, Structural Adjustment and Mass Poverty in Ghana: The Making of Modern Africa (Brookfield: Athenaem Press, 1997), 115-160.

Thus, the Environmental Action Plan was being prepared at a time of considerable economic stringency.<sup>20</sup> Growth and employment-generation was sluggish, and accelerating inflation was hurting the poor. But since environmental policy was being formulated in isolation to the central developmental processes, the National Environmental Action Plan (NEAP) took no account of the growing constraints and pressures on government. It was formulated through a small unit in a marginal ministry. From this humble beginning, its claim for integrating environment and development issues<sup>21</sup> was somewhat optimistic. The Government of Ghana's interest was not with new development paradigms, such as sustainable development, which would alter economic policies and integrate environmental issues into development planning. The Government, at the time, was in the NEAP as a vehicle for mobilizing additional aid resources, at a time of a growing resource crunch.<sup>22</sup> The government viewed the global interest in the environment, reflected in donor concerns about 'sustainable development', as potentially involving additionality of concession transfers. All said and done, it is imperative to explore the environmental consequences of the ERP in the areas of Agriculture, Forestry and Mining.

As a result of the revitalization of agricultural production during the implementation of SAP, agricultural output increased at the annual rate of 3 percent between 1986 and 1988.<sup>23</sup> The environmental degradation, which accompanied the

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<sup>20</sup>Personal Interview with Director of Ministry of Environment and Science, Accra, 1997.

<sup>21</sup>George Botchie, "Structural Adjustment Policies, the Environment and Sustainable Development in Ghana." The Journal of Management Studies 2 (January-December, 1994), 15.

<sup>22</sup>Ibid.

<sup>23</sup>See International Fund for Agricultural Development (IFAD), Report of Special Mission to Ghana, July 1988.

exploitation of agricultural and other key natural resources, has imposed considerable cost to the economy of Ghana. An attempt has been made to estimate the cost imposed on Ghanaians and the country's economy by environmental degradation in sectors such as agriculture, forestry, mining and manufacturing industries. To arrive at these costs, the willingness to pay by Ghanaians to avoid or prevent negative impacts on the environment has been estimated using market prices where market information is unavailable or inappropriate.<sup>24</sup> The total estimated annual cost of environmental degradation in Ghana was US\$128.3 million (4 percent of GDP) in 1988. This cost was expected to grow at an annual rate of 2 percent, so that by 1996 the estimated environmental cost would have been US\$2 billion. Agriculture imposed the greatest environmental degradation cost of US\$88.5 million that is 69 percent of the total cost of environmental degradation.<sup>25</sup>

Like agriculture, SAP implemented induced strong recovery in the exploitation of forest resources especially for timber. Consequently, production of logs increased from 560,000 cubic meters in 1983 to 890,000 cubic meters in 1986. An initial drop from 40,000 cubic

meters in 1988 to about 200,000 cubic meters in 1989 seems to be a response to the Environmental Action Plan that the government initiated in 1988. Thereafter, the volume of logging remained steady until 1992 when it rose sharply from about 180,000 cubic meters to about 450,000 cubic meters in 1994. The export of logs has since continued on an upward trend. Interestingly, the sharp increase from 1992 coincides with the transition to democratic government in Ghana the same year. Arguably, the government is more constrained in its capacity to implement environmental action policy in

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<sup>24</sup>See Convery and Tutu, Evaluating the Cost of Environmental Degradation in Ghana, A Report Prepared for the Environmental Protection Council, Accra, 1990.

<sup>25</sup>Ibid.

a liberal democracy than in the authoritarian era of the PNDC regime. Timber exports in 1986 were worth US\$56 million as against US\$13 million in 1982.<sup>26</sup> This dependence on the forest resources for economic growth is expected to continue and even intensify in view of the rehabilitation of the forest sector under the Structural Adjustment Policies. The opportunity cost of this remarkable progress in the exploitation of the forest resource during the implementation of the Structural Adjustment Policies was quite high with respect to the environment. The exploitation of the forest resources during the SAP process imposed an estimated environmental degradation cost of US\$33.4 million on the economy.

The point is that continued and intensified cash cropping in Ghana as the central component of the ERP is contributing to the gradual degradation of the ecology, including the forest environment. These external forces (of deforestation) persist through the activities of largely multinational corporations (MNCs) as Ghana fails to restructure its dependent relations with the world commodity markets. The current trends in deforestation can partly be

attributed to the expansion of industry geared to exports as Ghana seeks to restore its resource industries (mainly logging and mining).

It is clear that current development policies are exacerbating conditions of resource exploitation and misuse. Government rhetoric in Ghana frequently targets rural poverty as a primary development goal, yet continues to promote policies that are contradictory to such aims. Consider for instance, Ghana's forestry policy as an example of contradiction

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<sup>26</sup>Ghana Government, National Programme for Economic Development, Accra, 1987.

between rhetoric and actual development strategies. The key aspects of the Forest Policy framework under the ERP are:<sup>27</sup>

- (a) the creation of a permanent forest estate by reserving appropriate areas of forests or land suitable for reforestation and afforestation;
- (b) management of a permanent forest estate to achieve maximum productivity and value in perpetuity;
- (c) safeguarding of water supplies and soil fertility; minimization of damage by floods and erosion to rivers and agricultural land;
- (d) Conservation of adequate forest areas for recreation, education, research and protection of the country's fauna;
- (e) Develop the domestic markets for the forest products; and
- (f) Strengthen and diversify the production base of the industry to eliminate waste and production problems.

In relation to rural development and ERP, it seems unlikely that the execution of this

policy will improve the economic well-being of local people whose livelihood depend on forest activities. There is no direct recognition of the multiple uses forests represent to rural dwellers (fuelwood, emergency food supplies, building materials, medicine, as habitat for bushmeat etc.). Rather, the forest policy appears to lean towards preservation and enhancement of trees as export and industrial commodities. Enhancing the productivity of forest resources for purposes of basic survival and economic empowerment among rural populations is not priority in the national forest policy, or the ERP. Clearly, there is a blatant contradiction between "rural development" rhetoric and real development action

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<sup>27</sup>See Timber Exports Development Board's Basic Information, Facts and Figures. within the Government of Ghana. It is difficult to conceive that industrial forest development is in the survival interest of rural people as "trickle down" strategies have so far proved ineffective in alleviating inequitable distribution of wealth and resources in rural areas where poverty is the deepest.

The ERP has also enhanced mining and its impact on the environment. The mining sector is the largest foreign exchange earner after cocoa in Ghana. In 1986, for instance, export of minerals amounted to US\$126 million or approximately 17 percent of total foreign exchange earnings. By the 1990 the share of minerals in the total export earnings increased to 36.2 percent from 16.6 percent in 1986. The major mineral export is gold, which accounts for about 85 percent of the value of total mineral exports.<sup>28</sup> In 1991, Ghana's gold production surged to 844,000 ounces - a 200 percent increase since 1983. This figure had only increased slightly by 1996. The government continues to encourage surface mining that is particularly destructive to the forests. Licenses are being freely granted to mining companies with no

regard to the effects that their operations have on the environment. Small-scale miners are also illegally, without licenses, conducting surface operations with similar devastating effects on forests as they are indiscriminately cleared in search of deposits. The rehabilitation of the gold industry in the absence of associated environmental controls or regulations is further evidence of the government's disregard for ecological protection or enhancement. There is no connection in Ghana's development strategy (based on export rehabilitation of primary commodities) between structural mechanisms enhancing environmental exploitation and current development initiatives.

The role of international agencies also deserves an examination since these

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<sup>28</sup>Ghana Government, Public Investment Programme, 1990-1992, Vol. 1 (April, 1990), 21.

agencies are a primary component of ERP. Not enough attention is being paid to the impact of policies and projects by multilateral institutions on the state of the environment in Sub-Saharan Africa although economic development and the well being of millions of Ghanaians directly depend on the conservation of the country's natural resources. These institutions are not innocent bystanders in the unfolding ecological crisis. The IMF and its sister organization, the World Bank, wield more influences over economic development and environmental quality than any other single institution on earth. It is seen that IMF policy prescriptions and the conditionality accompanying these programs aim at assisting a country in balancing its internal budget and in reducing its balance of payments deficits -this is an impossible task as long as massive debt relief is not forthcoming. Instead, nothing short of a drastic slashing of domestic expenditures and the relentless pursuit of exports is what is demanded of Ghana by IMF policies, with little regard for the social and environmental consequences. Evidently, the

IMF and the World Bank are peopled with neoclassical economists of strict observance, and it is not surprising that their loans and adjustment programs pay scant attention to ecological costs.<sup>29</sup>

Thus, the economic policy of the IMF is linked to the environment in clear and simple terms. Besides the pressure to earn foreign exchange through ever increasing exports of natural resources and agricultural products at an ecologically unsustainable pace, there is also increased economic pressure on the poor who are often pushed into ecologically fragile areas and unsustainable activities. Within this structural determinism, the Ghana government still has to find room for both preventive and reactive initiatives to deal with the problem of environmental abuse. In the following pages, the Ghana government's response to the problem of overexploitation is discussed. Largely, the

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<sup>29</sup>Susan George, *A Faith Worse Than Debt*, (New York: Grove Press, 1988), 155. Environmental Action Policy (EAP) and its impact with regards to this problem will be the focus of analysis. The problems encountered by the government in its efforts to implement the Environmental Action Policy will be discussed.

### The Environmental Action Plan of Ghana: Confronting Constraints of the Economic Recovery Program

The preceding paragraphs have so far elaborated on the strategies (ERP and SAP) for economic growth and development adopted by the Government of Ghana. The impact of such economic policies on the natural environment has also been analyzed. Evidently, ERP has prioritized the rapid exploitation of Ghana's natural resource base and contributed immensely to continuing ecological degradation. The Government of Ghana has finally recognized this mismatch between economic growth and environmental degradation and has adopted steps to

remedy the situation through the active pursuit of the Environmental Action Plan.<sup>30</sup> However, the pursuit of environmental sustainability is by no means an easy task. A central thesis of this study is that there are critical socio-economic and political factors (domestic and international) that interact to effectively undermine government efforts toward sustainable development. The challenge here is to identify and analyze some of these factors and to examine the extent to which they stymie progress toward sustainable development in Ghana. But, to appreciate such an analysis would require an understanding of the specific government policy towards the problem of sustainable development.

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<sup>30</sup>Environmental Protection Council, Ghana Environmental Action Plan, Technical Background Papers by the Six Working Groups, Vol.2, Accra, 1994.  
Government Response to Environmental Degradation

Having examined the numerous environmental problems engendered by the increased exploitation of natural resources as a result of the adoption and implementation of ERP, it is also imperative to ascertain government attempts at remedying the situation. In March 1988, the Government of Ghana initiated a major effort to put environmental issues on the priority agenda. The exercise has culminated in the preparation of a strategy to address the key issues relating to the protection of the environment and better management of renewable resources. The objective of what has become known as the Environmental Action Plan (EAP) is to define a set of policy actions, related investments, and institutional strengthening activities to make Ghana's development strategy more environmentally sustainable.

The environmental policy of the Ghanaian government belongs to the protective-regulatory category well known in the literature on public policy.<sup>31</sup> By the policy, the



Ghanaian government sought to protect the people against harmful activities that some individuals and corporate bodies might engage in. The policy component therefore includes developing appropriate strategies, programs, and institutions that will enable the government to 'ensure a sound management of resources and the environment' and to avoid any exploitation of these resources in a manner that might cause irreparable damage to the environment.<sup>32</sup> The ultimate aim of the National Environmental Policy of Ghana is to improve the surroundings, living conditions and quality of life of the entire citizenry, both present and future. It seeks to ensure reconciliation between economic development and

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<sup>31</sup>T.J. Lowi, "Four Systems of Policy, Politics and Choice," Public Administration, 32, (1972): 298.

<sup>32</sup>Environmental Protection Council, Environmental Action Plan, Accra, 1991. natural resource conservation, to make a high quality environment a key element supporting the country's economic and social development.

The Environmental Action Plan is not intended to halt the pace of economic development, but by redirecting development efforts into more environmentally sustainable programs and practices, the implementation of the Environmental Action Plan will help to protect and preserve the resource base for use by future generations as well as by present one. Assessment of the potential environmental impacts of development projects and planning in advance to mitigate or enhance these impacts will decrease environmental costs to the economy and make more cost-effective use of the country's human and financial capital. Evaluation of alternative use of the country's land and water resources and planning for multi-purpose use will maximize the efficiency of future investments. Finally the promotion of popular participation in planning, evaluating, and implementing environment initiatives is

expected to create a sound social and political climate for sustained economic growth in the future.

Specifically, the Ghana Government expects to, among others, (1) commit itself to the environmentally sound use of the renewable and non-renewable resources in the process of national development; (2) create awareness among all sections of the community of the environment and its relationship to socio-economic development as well as awareness of the necessity for rational resource use among all sectors of the country's economy; (3) develop procedures for the utilization of land resources in a manner that will ensure the maximum degree of economy in the use of land resources in order to avoid or minimize conflicts and (4) institute and implement an environmental quality control program by requiring prior environmental impact assessments of all new investments that would be deemed to affect the quality of the environment.

Long before the establishment of the Environmental Protection Council in 1974, many legal enactments existed in the country empowering various bodies, which actually exercise executing powers as far as the care and protection of the environment are concerned. However, these powers are widely scattered among bodies and no one of them can be said to enjoy exclusive oversight of the whole of the environment or even of significant portions of it. As an example, the Timber Protection Ordinance of 1907 led to the establishment of the Forestry Department in 1909, which gave priority to the creation of forest reserves. This department continues to be responsible for managing the 1.8 million ha government-owned forests reserves.<sup>33</sup> Three agencies control exploitation and marketing of Ghana's forest resources: the Forestry Department, the Forest Products Inspection Bureau (FPIB), and the Timber Export Development Board (TEDB). All three agencies operate within ambiguous

responsibilities. It is evident that there are a number of problems relating to the environment which have not been seen as falling clearly within the sphere of responsibility of any particular body or because so many different bodies are officially entrusted with responsibility for them. In the event, none of them has taken the initiative to attend to them. The question at issue is one of administrative and legal failure to demarcate clearly the responsibilities of the various bodies concerned with the environment and ensure that these responsibilities are properly carried out.

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<sup>33</sup>By its 1927 Forest Ordinance, the department sought to engage in forest reservation with the objective of enabling it to “maintain the high atmospheric humidity necessary for the cocoa industry, to which the dry North-East wind or harmattan presents a constant threat.” The department’s Forest Policy of 1948 also sought to preserve the physical environment to ensure maximum productivity and value on the basis of sustained yield, and the conduct of scientific research. It was also to control forest resources to ensure prolonged supplies and conservation (Boateng, 1991).

In the face of this highly confused state of affairs, it is extremely difficult at the present time to determine exactly the responsibilities specifically assigned to the various organs of government with respect to the environment. In a speech delivered in 1992 the Executive Chairperson of the Environmental Protection Council, Miss Francisca Issaka noted, that:

It would appear from reading section 2(1)b of the EPC Decree and Section 2 of the Minerals Commission Law that there may either be a duplication of functions of the two bodies or conflict in their functions. But the EPC sees the responsibility for enforcing the Environmental Regulations in the Mining sector as resting with the Minerals Commission and the Mines Department.<sup>34</sup>

Besides, many of the sectors with executing powers are unable to exercise these powers effectively.

Ghana's Environmental Action Plan (EAP) therefore, entails the following major components: Environmental policy, environmental issues and policy action, policy instruments and institutional strengthening activities. A major component is the Environmental Impact Assessment process (EIA). In compliance with the national Environmental Policy, the Environmental Protection Council (EPC) prepared guidelines for EIA in Ghana. As a prelude to the preparation of these EIA guidelines, the Government of Ghana in 1985 enacted an investment code (PNDC Law 116) which requires that the Ghana investment center (GIC), which is the government agency for the encouragement, promotion and co-ordination of private investment (except for mining, petroleum and cottage industries) in the Ghanaian economy, must in its appraisal of enterprises, "...have regard to any effect the enterprise is likely to have on the environment and the measures

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<sup>34</sup>Speech delivered at Seminar on Environmental Regulation of the Mining Industry, Accra, February 24, 1992. proposed for the prevention and control of any harmful effects to the environment."<sup>35</sup> If any proposal meets this requirement, then the government officials who must approve the commencement of the project should be able to make correct assessment of the total value of the project to the country. The Environmental Impact Assessment (EIA) will assist the government to manage the secondary problem of environmental damage arising from the execution of the project.

The environmental education (awareness) component of the environmental policy seems to have been influenced by the Belgrade Charter of 1975 which called on all states to develop an informed population:

That is aware of and concerned about the environment and its associated problems,

and which has the knowledge, skills attitude, motivation and commitment to work invariably and collectively towards solution of current problems and prevention of new ones.<sup>36</sup>

While Ghana may not have developed skilled manpower to tackle along all its environmental problems as the Belgrade Charter advocated, the government however has always considered it a matter of priority to draw the attention of Ghanaians to the problems of urban degradation and massive environmental neglect and pollution. This has been modestly achieved through a series of government-sponsored seminars, conferences and workshops, radio jingles and nation-wide campaigns on environmental degradation. The government has developed a 10-year environmental education strategy and 105 district assemblies are currently vigorously implementing its provisions.

Other components of the EAP entail the role of sectoral agencies. Prior to the

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<sup>35</sup>Information Services Department, Investment Code, Accra, 1985.

<sup>36</sup>See P.O. Sanda and F. Odemerho, (eds) Envrionmental Issues and Management in Nigerian Development, (Ibadan: Evans Brothers, 1998), 10.

establishment of EPC as an umbrella body responsible for all activities and efforts in the protection and improvement of the quality of the environment, sectoral agencies were in existence charged with specific responsibilities in the area of the environment. Over the years the mandate of these agencies have proved inadequate to cope with the problems or they have run down in terms of personnel, equipment and enforcement powers. Under the EAP these sectoral agencies are the implementing agencies for specific EAP components and they supply information to EPC who would co-ordinate the activities of these agencies.

The complementary role of Non-governmental organizations (NGO) and the District Assemblies in responding to environmental degradation is also noted. In recent years,

religious groups, professional associations and other groups especially concerned with the promotion of environmental practices have gained prominence at both local and national levels. A number of such groups have given active support in the implementation of programs by both the EPC and that of other agencies like the Forestry Department especially at the local level where they have proved most effective. Some examples of NGO participation in environmental projects are the afforestation programs of the Amasachina, an indigenous NGO and the Community Collaborative Forestry Initiative (CCFI) project being implemented by Adventist Development Relief Agency (ADRA) with support of US Peace Corps and other Government agencies. NGOs with the advantage of freedom from bureaucratic problems facing government agencies, they are expected to gain easy access to grassroots level to engage in developmental activities. With this rich experience of the NGOs, they could play a valuable role through involvement in sensitizing the local population in environmental issues.

The benefits of maintained international co-operation also show very strongly in Ghana's forest section. Collaboration between the Ghana Government and Britain's Overseas Development Administration has been highly successful in moving step by step towards putting Ghana's legally constituted Forest Reserves under strong and effective management. The joint work of Ghana's Forestry Department and the ODA's local team has been going on for eight years and has resulted in extremely detailed information about the trees of the forest. This is expected to form a key element in ensuring a sustainable harvest of timber within the wider concept of sustainability of forests in all their natural complexity.

#### The Politics of Inadequate Implementation

In essence, there is now a clear Ghanaian environmental protection policy, thanks to the Economic Recovery Program (ERP) which drew attention to Ghana's environmental

problems and also instigated the government to respond. Despite this clear policy, it does not appear that environmental degradation is abating. The reason for this is quite obvious; there is a gap between environmental policy as it is put on paper and the implementation process. Additionally, ERP and SAP have resulted in certain conditions such as in increased poverty and increased debt burden, which place constraints on the government's capacity and commitment to check environmental degradation. As would be argued below, the adoption of the Environmental Action Policy is a "political hyperbole" by the government intended to satisfy external donors like the World Bank. As promulgation of "merely formal" environmental laws became one of the conditions for the Bank's loans, developing countries adopted some of the Bank's standard environmental programs, which are by themselves unsatisfactory. A very debatable issue is whether the World Bank itself is genuinely committed to a "substantive" improvement in the environmental quality of developing countries. Notwithstanding the deplorable environmental standards in many foreign owned mining and logging companies in developing countries, the Bank continues to provide them with credit lines for their program expansion.<sup>37</sup> Governments, also, for fear of losing Direct Foreign Investments (DFIs), continue to set low environmental health and safety standards.

It is worth noting at this point therefore, that the failure to implement those environmental laws that have been passed - weak though many of them may be - reflects the basic political characteristics of developing countries. Their political dynamics and the nature of their systems of public administration help explain difficulties in putting sufficient effort into effective environmental control. In Ghana, the public bureaucracy plays a dominant role in organizing and directing the development process; environmental management is certainly no exception.

Like many other developing countries, a modern, industrially oriented, extremely dependent urban elite controls Ghana's administration. This elite has an inherent tendency to neglect environmental issues unless they imperil industrial development (e.g. lack of water for industrial purposes). The elite's primary goals are retention of political power and rapid industrialization. Before the transition to partisan politics in 1992, there was a sharp decline in volume of timber logging between 1988 and 1991 from about 350,000 cubic meters to about 150,000 cubic meters. Thereafter, the volume increased drastically to about 520,000 cubic meters in 1992 and 550,000 cubic meters in 1994.<sup>38</sup> Recall the EAP was initially adopted and implemented in 1988 by the then Provisional National Defense Council (PNDC). At this time the bureaucratic elite did not face the threat of losing power

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<sup>37</sup>For a discussion, see Maxwell Opoku, Environmental Management in Ghana: A Proposal for Effective Control. Gold Mining As Case Study, (Masters Thesis, Queens University, Kingston, 1996).

<sup>38</sup>See Bank of Ghana, Annual Report, (Accra: Bank of Ghana, 1988), 15. since there was no party politics. They could therefore enforce environmental rules and regulations without fear of being run out of office by the influence of self-interested business groups through party politics. At the time, political power was not dependent on pleasing large mining and logging firms but on the preponderance of an authoritarian regime. Indeed, the protection of the environment has never been a campaign issue in Ghanaian party politics. The present political parties now competing for control of political power in Ghana do not see any need to make it a political issue either. Arguably therefore, the introduction and practice of partisan politics (democracy) in Ghana has diminished the government's willingness to vigorously pursue its apparent commitment to sustainable development.

The relationship of Ghana and the multilateral organizations (IMF and World Bank)



through the implementation of the ERP and SAP engendered a host of factors that are deleterious to environmental sustainability as well. Among other things SAP exacerbated rural poverty, Ghana's external debt situation and foreign dependence, domestic inequality, marginal role of women in the formal economy and the control by the MNCs of the nation's natural resources. It is this multitude of factors that interact to minimize the effect of national environmental policies. Hence, the most serious resource and environmental problems are probably more motivated by political and economic circumstances than by naiveté. For example, the poor, especially the rural poor, suffer great costs, while those with political power may actually gain from a strategy of environmental exploitation. At the same time, there is a tendency to overemphasize the extent to which the poverty-population conundrum is the predominant reason for environmental abuse in the poorest countries.

The realization that poverty is often responsible for environmental depredation has been growing in recent years.<sup>39</sup> Poverty is linked to the environment in complex ways, particularly in African economies, which are based on natural resources. Degradation of these resources reduces the productivity of the poor - who must rely on them - and makes the poor even more susceptible to extreme events (meteorological, economic, and civil unrest). Poverty makes recovery from such events even more difficult and contributes to lowering social and ecological resistance. Poverty is also a factor in accelerating environmental degradation, since the poor, with shorter time horizons and usually less secure access to natural resources, are unable and often unwilling to invest in natural resource management (for example, soil conservation and fertilizers). In addition, poor people are often the most exposed to environmental damage, because they cannot afford, for example, to purchase safe water or to live in a neighborhood that is less polluted.

Reducing poverty will often lead to improved environmental quality and vice versa.<sup>40</sup> In Ghana, it is noted that, all of the waste disposal sites are located in the poor neighborhoods such as in Nima and Zongo.<sup>41</sup>

Poverty is quite endemic in Ghana. The World Bank has classified the poor in Ghana by degree of urbanization and ecological zones (see Table 4). By this classification, 65.8 percent of the poorest 10 percent and 63.0 percent of the poorest 30 Percent of Ghanaians live in the rural areas. By ecological zones, 60.3 percent of the poorest 10 percent live in the savannah regions of the country. Thus, the development process, which

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<sup>39</sup>See E.P. Eckholm, Down to Earth: Environmental and Human Needs, (London: Pluto Press, 1982), 67.

<sup>40</sup>See World Bank, Poverty Reduction Handbook, Washington, D.C.: World Bank, (1992), 18.

<sup>41</sup>Kwame Domfeh, "The Deterioration of Ghana's Urban Environment" The Journal of Management Studies 11, No.3 (January-December 1994):66.

evolved at the expense of the environment, intensified the already poor living conditions of Ghanaians especially in the rural areas of the country. From an environmental perspective, the majority of rural poor in Ghana who are engaged in agriculture cause considerable damage to the environment, as they have to exploit more resources to obtain enough money to attend to their basic needs. Furthermore, these rural farmers produce the traditional export crops from which the nation earns her needed foreign exchange for essential services. If the developed countries could pay the actual prices for these produce, lesser resources will be exploited for the same volume of exports, hence less degradation of the environment.

The distribution of resources, especially land, is critical in determining the scale and incidence of poverty which, by pressing further on resource endowments, threatens to upset

the ecological processes on which the society of Ghana depends. It is with this recognition that Ghana's Economic Recovery Program (ERP) was intended to focus on rural poverty and development. The ERP's objective of initiating major improvements in

TABLE 4  
DISTRIBUTION OF THE POOR BY DEGREE OF URBANIZATION  
AND BY ECOLOGICAL ZONE

|                                 | Poorest<br>10% | Poorest<br>30% | All Ghana |
|---------------------------------|----------------|----------------|-----------|
| <u>Degree of Urbanization</u>   |                |                |           |
| Urban (Pop. >5000)              | 19.2           | 19.8           | 30.2      |
| Semi-Urban (Pop. >1,500 < 5000) | 15.0           | 17.2           | 19.6      |
| Rural (Pop. <1,500)             | 65.8           | 63.0           | 50.2      |
| <u>Ecological Zones</u>         |                |                |           |
| Coastal                         | 20.2           | 17.2           | 30.3      |
| Forest                          | 19.5           | 40.9           | 43.1      |
| Savannah                        | 60.3           | 42.0           | 26.6      |

Source: World Bank, Sub-Saharan Africa: From Crisis to Sustainable Growth, Washington, D.C.: The International Bank for Reconstruction and Development, 1989).

average living standards necessarily implies a focus on the impact of macro-economic, sectoral, and other policies on the living standards of the rural populace in general, and on those of highly vulnerable groups in particular.<sup>42</sup> Ironically, there is evidence that poverty has increased in the course of the ERP. According to Ewusi, in his study of *the Rural Dimensions of Poverty in Ghana*:

The "trickle-down" strategy advocated by SAP has exacerbated the plight of the masses of the poor in the rural sector of the economy...which over the past three decades, has not only stagnated, but has also been bedeviled by run-away inflation, chronic budget payments difficulties, and acute shortages of consumer durables and non-durable goods as well as industrial and agricultural raw materials.<sup>43</sup>

Redcliff notes that the "misuse" of the environment in Ghana can be directly linked to poverty.<sup>44</sup> Evidently, because of the emphasis put on increased production of cash crops, more

rural lands have been devoted to this endeavor. Poor rural farmers lose their lands to wealthy commercial farmers who wield a powerful political clout. Hence, peasant farmers receive a smaller share of natural resources and make excessive demands of the share they receive. The result is evidenced, for example, in indiscriminate tree cutting and farming systems that are disastrous to the environment.

In relation to poverty, the status of women in the society is of primary significance. Although men are also affected by poverty, the effect on women is greater and has more wide-ranging ramifications. This partly explains why the literature speaks more often of the

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<sup>42</sup>Government of Ghana, Economic Recovery Program 1984-86, Review of Progress in 1984 and Goals for 1985, 1986 and Policy Framework for 1986-88. Report prepared by the Government of Ghana for the third meeting of the Consultative Group for Ghana. Paris, November 1985.

<sup>43</sup>For a discussion see Ewusi, "The Dimensions and Characteristics of Rural Poverty in Ghana" Institute of Statistical, Social and Economic Research Publication, No.43 (1984), 36.

<sup>44</sup>See M Redcliff, Sustainable Development, Exploring the Contradictions, (London: Methuen, 1987), 48-55 for a detailed discussion on rural poverty and environment.

*feminization of poverty*, and never of the *masculinization of poverty*. For example, enhanced cash-crop production has exacerbated the poor welfare of women in Ghana. The displacement of women from their former farmlands often results in the clearing of new forest lands for agriculture, and, ultimately, environmental degradation ensues. Further, because of their worsened economic status, women have to develop survival strategies that include the pursuit of alternative sources of income. In Ghana, women have resorted to the cutting of live woods and gathered products from other plants that they sell for income. Many more women, several thousands of them, cut wood illegally in order to ensure the survival of their families. Thus, many tribal women who had traditionally learnt to live in harmony with their

environment are today collecting as much as possible from the forest before it is sold to logging contractors. In Tamale, Ghana, about 10,000 women earn their livelihood by collecting and selling fuelwood in the city. They collect the wood illegally from protected forests. In this way women are forced into damaging the environment through their own desperate circumstances and need for survival.

In understanding therefore, the link between poverty, gender, and environmental abuse, one has to examine such factors as the changes in land tenure and land use rights that have been associated with the market economy and the export-led development strategies currently being pursued by the government of Ghana. Such an analysis is constrained by the narrow scope of this study. For now suffice to say that human poverty, structurally induced through colonialism and the forces of capitalism and unequal exchange, and now perpetuated through the Economic Recovery and Structural Adjustment Programs, make physical environments poorer.

While it may be necessary to view the poverty-environment crisis at the micro level, it is equally prudent and even imperative to understand the macro basis of poverty and the link to the environment. More specifically, does it make a difference, between a rich and poor nation in the pursuit of sustainable development? Will Ghana's external debt situation affect the government's efforts to deal with the problems of the environment? The answer is a resounding yes. The massive foreign debts of developing countries literally force them to commit ecocide as they mortgage their environments to finance the interests on such loans.<sup>45</sup> Recall that dependency has constrained the capacity of developing countries to extricate themselves from a condition of perpetual debt. Ghana, like other developing nations is being confined to a system of 'unequal exchange' whereby they export cheap primary commodities

to the developed world and in turn import more expensive manufactured goods. This situation worsens the debt condition and thus, condemns these countries to the cycle of poverty and continuing dependence. The Economic Recovery Program in Ghana has to a very large extent been financed by the IMF and the World Bank credits, which are subject to policy conditionalities. I would argue that it is precisely these conditionalities that establish conditions of dependence and subsequent degradation of the environment.

Although Ghana did not enter the ERP with a debt problem, it came to have one. At the end of 1982, Ghana's long-term outstanding and disbursed loans stood at US\$1.1 billion, IMF debt totaled US\$21.4 million and short-term debt US\$195.0 million. By the end of 1987, long-term debt outstanding and disbursed was US\$2.2 billion, IMF debt amounted to US\$778 million, and in the short-term, US\$108 million. Also at the end of 1994, the total Ghana's external public debt stood at US\$4,851.00 million. Most of the loans were used to support the Structural Adjustment Program (SAP) the country has been

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<sup>45</sup>See George S. Dei, "A Forest Beyond the Trees: Tree Cutting in Rural Ghana," Human Ecology 20, No.1 (1992): 60.

pursuing. The debt service to these loans is certainly a drain on the financial resources of the economy which otherwise could be used to support programs of sustainable development. Since 1990 Ghana has not had any payment arrears. The total payments for Ghana in 1994 amounted to US\$409.40 million out of which US\$297.60 and US \$111.80 were principle and interest payments respectively.

The added pressure to service external debt has forced the government to incentivize the more rapid exploitation of the nation's natural resources. Debt-induced poverty causes a country such as Ghana to exploit natural resources in the most profitable and least sustainable

way, which causes an increase in global warming and a depletion of genetic bio-diversity. Thus, the development approach that is currently being promoted in Ghana through the structural Adjustment Programs (SAPs) of the World Bank and the International Monetary Fund (IMF) is incompatible with sustainable development. In order to pay their debts, many developing countries are exploiting their natural resources, such as tropical hardwoods, to export to industrialized countries for needed foreign exchange. The trade in tropical hardwoods is one of the major causes of deforestation. Ghana is an example of a country where the government, backed by the donor institutions, is exploiting its timber reserves as one way out of the debt crisis.

In this paper we have looked at the Economic Recovery Program (ERP), Structural Adjustment Program (SAP) and the Environmental Action Plan (EAP). The constraints facing the effort of the government to harmonize economic growth and resource utilization is also evinced in various forms. The political will to pursue sustainable development is constrained by the country's external debt situation. While this article acknowledges other salient factors related to sustainable development, such as national environmental consciousness and education, its focus is on the global political economy. Hence, international political economic reform is at the heart of a long lasting solution to the problem. And, if international financial institutions such as the IMF and the World Bank are to contribute to solving the basic problems of rural peoples, they have to seriously re-examine some of their policies for development. Such measures as those proposed for Brazil, the debt-for-nature swaps, designed to reduce developing nations' huge foreign debts in exchange for projects that protect the environment are steps in the right direction.

Furthermore, and perhaps more importantly, there is the need to redefine the terms of

trade and help stabilize commodity price fluctuations of such products as cocoa, gold and timber. This article noted that the low price paid for Ghana's primary export products necessitated an increase in the volume of exports in order to meet the targeted inflow of foreign exchange. The initiatives attempted by the Lome Convention along the lines of OPEC in order to stabilize commodity prices were steps in the right direction. Yet, little has been achieved. Hence, a more concerted effort is needed at the global level to restructure the economic relation between rich and poor nations. The leadership of the world's two most powerful financial institutions is desirable in this respect, albeit with a redefined orientation. Policies for development initiated by the IMF and the World Bank, such as Ghana's SAP, should be tailored to the singular needs of the country. There is something wrong with neo-classical development initiatives when the growth resulting from it is oriented towards the benefit of the external economy to the detriment of domestic environmental sustainability.

In conclusion, SAP, by design, encourages the more rapid exploitation of the natural environment. The difficulty of dealing with the environment-development problem is therefore obvious. The question whether the joint pursuit of economic growth and environmental sustainability is possible in Ghana is still worth exploring. What this paper has demonstrated is that the Economic Recovery Program of Ghana, as a strategy of economic development, is grossly inimical to the goals of sustainable development.



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