DEVELOPMENT STRATEGY AND IMPLEMENTATION IN GHANA AND NIGERIA Part 1

REGINALD HERBOLD GREEN

A CRUCIAL CAUSE of the military-police coups in Ghana and Nigeria was the rejection of the political, economic structure and policy of their "political elites." To a substantial degree, the rejection has included the development strategies as well as the programmes and institutions through which they were implemented (or, depressingly frequently, *not* implemented). A revision of economic policies is an inevitable concomitant of any radical change in government if the change is substantially related to politico-economic discontent on the part of the architects of the new regime. A repudiation of previous development strategy does not have the same inherent logic, however. Senior Ghanaian economic civil servants and economists — including the key advisers to the National Liberation Council — have indeed criticised specific projects, institutions, and policies. But they have criticised them primarily for *preventing* realisation of a development strategy the critics themselves had played a major role in formulating and which they believed sound. A number of the challenges made by Nigerian economists' were based on acceptance of the Ghana Plan's approach. This was of course, one of state-led progress through structural change, in a context of public control over private economic power and acquisition of great wealth.

THE GHANAIAN AND NIGERIAN strategies in fact represent the basic alternative routes to economic development in Africa. To reject *both* is to argue, "We can't get there from here," a pessimism which — quite apart from other drawbacks — offers no guidelines for policy formulation. On the other hand both Ghana and Nigeria are clear cases of the socio-political failure of economic policy as implemented. Any economic programme or system which leads to political revolution is, by that fact alone, a failure on political economic grounds. Read together, these twin realities underline the necessity and urgency of re-examining Ghanaian and Nigerian development strategies to determine to what extent political economic failure arose from implementation or lack of it, and to what degree it *was inherent in development strategy*.

The point of such an exercise is not to apportion blame or to solidify the new regimes. Its value lies rather in throwing light on these key question: What development strategy can meet the short-run test of political practicability? What can meet the long-run test of promoting sustained increases in national output per head adequate to underwrite the new system of distribution of benefits?

Until these tests can be passed, individual alterations can at best eliminate the most glaring inefficiencies or abuses and provide a limited breathing space for more basic reformulations. At worst they may either bring almost all development expenditure to a halt while extended debate on policy revision grinds on (as appears to be happening in Ghana today). Or they may result in an *ad hoc* strategy less viable than that of either the Ghanaian or Nigerian Plans.

The latter dangers increase both with the passage of time and with the influence of advisers whose formulas are, perhaps, relevant to industrialised market economies but not to those of Africa. The International Monetary Fund has a substantial mission in Ghana advising with the carrot or stick of IMF credits to back up its ideas. It presents a frightening case in point. The European record of the IMF is by and large one of moderate to total successes but in Latin America its record fits all too closely one economist's half-jesting description of "twenty-one failures in twenty attempts." Its current efforts in Mali suggest its African record is likely to parallel its Latin American precisely because of its firm belief that monetary stability is always primary even at the expense of massive economic recession and *a fortiori* or rapid growth.

II

The Ghanaian strategy was based on attaining structural changes in production, demand, and international trade. Neither its overall growth target of 5.5% a year nor its average investment goal of £140 million — as formulated in the *Seven Year Plan* — were extravagant or even very ambitious compared to the 1955-60 growth rate of 7.2% or the 1963-64 investment average of £110 million. However, the magnitude of the changes in output, investment, and income distribution as well as taxation and international trade appears to have been underestimated. Certainly the greater difficulty of redirecting development along new lines as opposed to sustaining growth along existing ones did not receive adequate attention.

Key aims in the Ghanaian strategy as expressed in the Plan were:

(1) rapid expansion of industry to lower dependence of economic expansion of export growth and to raise output *per capita;*
(2) higher investment — absolutely and relative to national product combined with even sharper increases in national savings rates and reduced (relative) dependence on foreign aid and investment;
(3) sharp increases in the middle and higher level segments of the educational system to provide adequate flows of middle and high level manpower to expand the modern economic sectors with decreasing dependence on expatriate personnel;
(4) modernisation of agriculture partly to ensure rising supplies of food and industrial raw materials, but at least equally to provide a decent standard of living and adequate purchasing power for the majority of the population engaged in this sector;
(5) rapid expansion of employment as well as an overall upgrading of the labour force's quality to raise *per capita* earnings and allow the increase in national output necessary to justify such increases;
(6) radical expansion of the economic role of the state — both in ownership and in control — directed toward the creation of a

DR. R. H. GREEN, *now of Makerere University College, has written extensively on economic development strategy in several African states. Broader political economic analyses of Nigeria and Ghana by him have appeared in the August-September 1965 and April-May 1966* New African *(the latter also in* Frontier). *Sections IV-V (Nigeria) and VI (Conclusions on Strategy) will appear in August.*

public sector (not necessarily all central government) dominant economy in the long run and redirection of economic effort in the short;

(7) reduction in dependence on export earnings as sources of revenue and purchasing power for consumer manufacturers but also parallel export expansion to increase total foreign exchange available for capital goods and industrial raw material imports;

(8) the attainment (via 1-6-7) of basically national control over economic policy decisions as opposed to the "external" control exercised by foreign investors and "aid donors" in the past;

(9) fairly substantial alternations of income distribution both via taxation and wage-salary policies to reduce inequalities and the relative position of the high income elite;

(10) promotion of African economic co-operation in support of joint industrial production and trade programmes.

In retrospect a series of inconsistencies and weaknesses can be seen in the ways in which the Plan affected this strategy.

The share of directly productive investment (about 50%) relative to infrastructural and social overhead was too low — especially given the underutilised capacity built up in these fields over the 1952-54 period. This weakness was seriously aggravated by consistent underestimation of the time lag between initiation of directly productive investment projects and attainment of full production. Apparently 1-3 years was seen as the normal lag when a 4 to 6 year construction and breaking period would have been more appropriate. (The point is not Ghanaian inefficiency — the estimated lag would be unrealistically short anywhere.) From this error stemmed the view that supplier credits repayable over 6 to 10 years (i.e. providing effective credits for 3 to 5 years) were a satisfactory basic source of directly productive project finance.

Consumption expenditure was inadequately planned both in regard to estimating (and limiting) the rise in public recurrent spending and to formulating a viable salary-wage policy. The *de facto* wage-salary freeze of 1961-66 was not politically sustainable as a long-run policy especially in a context of rising prices. Even with the freeze the projected increases in consumer goods available fell short of the growth in demand likely to be generated by wage and salary payments on investment projects. The lag in output of consumer goods from domestic factories combined with target attainment in investment aggravated the shortages arising from weaknesses in income-consumption planning.

Personnel provision — including the expansion of the educational system — was not adequately evaluated in terms of possible rates of supply of qualified Ghanaian personnel. Necessary changes in the institutional structure and content of the school-college-university system were not reckoned with.

The planning structure itself was inadequate in several respects. While these were in part recognised, that recognition does not seem to have been taken account of in actual Plan structures or decisions. Planning had neither the manpower nor the data to propose coherent programmes of projects on its own but usually could only respond to political or external promotor proposals. Its relationships with implementing ministries and *a fortiori* with state corporations were unsatisfactory in terms of communication and understanding, of securing of the data needed for prompt evaluation and policy modification, and for achieving actual carrying out of agreed programmes even when these had Cabinet level political backing. No effective method was achieved committing the executive of the civil service or state corporations to development and the Development Plan.

III

These weaknesses, which in several cases were as much those of the planners and economic civil servants as of the politicians, were partially recognised in 1965 and some steps taken to correct several. Failures in implementation and adverse external economic developments were, however, considerably more basic to the actual 1965-6 political economic crisis.

Inadequate — and to some extent poorly allocated — high-level manpower, inadequate centralisation of authority, and intense political pressure for rapid project initiation all combined to reduce the level of competence in decision-making and administration throughout the public sector. Some highly competent civil servants and managers performed well and some policy statements and operating records were of very high calibre but the strain and haste were not conducive to increased or even sustained efficiency. Aggravating this were a significant number of cases of corruption and of political contract-awarding designed to secure commissions (via NADECO) to finance CPP and quasi-governmental Pan-African operations.

While overall investment targets were met in 1964 and 1965 (at least for the public sector including state corporations) and the share of directly productive investment was, if anything, slightly over the planned level, significant distortions did occur in the physical-social infrastructure sector. Low priority airport, super-highway, hotel, office, aircraft, and university-building expenditure totalling nearly £30 million was carried out, much of it ahead of schedule when both government budget and foreign exchange considerations should have led to its postponement. (£10 million plus in military capital equipment was even less satisfactory from an economic viewpoint but was not considered as an economic policy matter although it should have been at least in regard to the foreign exchange implications). Combined with both the necessary lag in investment initiation-production times and additional lags from bad decision co-ordination, the total capital tied up in projects not yet in full use rose to perhaps £400 million or 20% of the total capital stock.

There was decentralisation of authority in state corporations of very uneven managerial competence but uniformly marked reluctance to report. This promptly debilitated central policy-control, both by removing some key decisions from effective control and, more generally, by denying, to both planners and Treasury officials, adequate information on which to base annual projections. The record of the corporations was much better than usually pictured. By the end of 1964 two-thirds of the producing units intended to be profit-making were in fact operating in the black. The central and commercial banks, one newspaper, the state trading corporation, the shipping line, and (counting its sharp reduction in previous road maintenance costs) the contraction corporation as well as the older railways and harbours were clear commercial successes. The mines were reasonably satisfactory if one allows a "shadow price" (true value) of foreign exchange a third above the official rate while the state farms, while unsatisfactory, showed substantial improvement and an apparent breakthrough into profits on farms in full operation for more than two years. The airways were a horrendous financial (and technical) debâcle, with losses of £7 million in 1965 alone (largely in foreign exchange) and several of the inherited Industrial Development Corporation plants were probably unviable.

The newer industrial ventures included several — sugar, iron and steel, cocoa-processing — which were purchased at distinctly too high prices and were of less than optimal efficiency. However, few if any were either technically non-functional or economically hopelessly viable. (Contrary to frequent jokes, a scrap mill based on imported scrap is perfectly viable if on deep water and able to engage in ship breaking.) The difficulties here arose substantially as a result of incapacity in evaluating projects and of over-dependence on supplier credit. On balance, the Western European suppliers come out worse on both cost and quality than the Eastern European, especially in industries (e.g. sugar, cocoa-processing) with two comparable plants.

Import and exchange control were not, in principle, too severe. Indeed "too little" and "too late" might better describe their inherent weakness. Consumer goods imports rose (albeit, erratically) from 1962 through 1965 with the last year a record. In practice import control suffered from muddled allocation, erratic license issuing, resulting in alternating shortages and brief gluts, and substantial corruption. Ministers Djinn and Armah were singularly unfortunate choices, neither being noted for intelligence, competence or integrity.

Price increases through to mid-1964 stemmed from tax hikes and short crops (drought) not public deficits or credit expansion. However, the rise in employment ahead of production made the semi-balance of supply and demand highly vulnerable. It collapsed in late 1964 in the face of £20 million extra cocoa payments generated by the disastrous bumper crop. Import licensing chaos in the first half of 1965 plus a failure to implement the fairly stringent 1965 Budget effectively added to spiralling inflation. (The "official" index figures of 50-60% increases sometimes cited are either erroneous or indicate an error in the index. 25% in 1965 would seem a more plausible estimate.)

External constraints on the one hand aggravated the problems facing policy makers and on the other reduced the margin or error open to them. Between 1960 and 1965 exports failed to rise significantly. Cocoa exports volume rose 100% but revenue by about 10% while quantities stagnated for most other exports (largely for reasons beyond Ghanaian control, with the partial exception of timber).

One major achievement was the buildup of the Eastern European cocoa market from 20,000 tons in the early 1950's to a 200,000 ton contract in late 1965. The last contract — at a price of £170 per ton or slightly above the previous market level — set off the current cocoa price boom and may have set the basis for a sustainable £200 price which would add 20-25% to recent Ghanaian export earnings. A major error was the 1964 barter cocoa deals with SODEFRAN and COFICOMEX (French and Swiss) which both damaged the cocoa market and resulted in a rather odd *melange* of overpriced consumer luxury imports.

Capital inflows equally failed to reach target levels. The implicit policy of $\frac{1}{3}$ Eastern state supplier credits, $\frac{1}{3}$ Western private supplier credits, and $\frac{1}{3}$ long-term (preferably soft) state or international agency loans was potentially sound in principle, albeit over balanced toward short-term debt. In practice, loss of confidence by Western suppliers related to failure to secure any long-term credit after the Volta Loans reduced the policy to a shambles.

Present external debt of perhaps £250 million (but about £100 million of this represents undrawn supplier credits which represent future import capacity as much as future debt-repayment demands) is not excessive *vis a vis* probable 1968 exports (assuming £200 cocoa and £7-9 million net Volta foreign exchange) of £165-175 million (net of Volta Project aluminium imports and operating transfers). The total servicing (repayment and interest) bill of £30-35 million a year is dangerously high especially given the present backlog of £20 million unpaid commercial credit. While the Eastern half (about £60 million) of supplier credit was to be repaid in Ghanaian exports, if possible thereby opening a route to export expansion, the present government may find itself pressed to pay in hard currency if it continues its sharply pro-Western international economic line (which *per contra* has brought it a £30 million USA PL 480 soft loan).

This review of Ghana's strategy, plan, implementation and external conditions suggests six tentative conclusions:

1. The strategy was potentially sound but overestimated possible rates of structural change;
2. Serious weaknesses existed in basic Plan formulations and the implementation structures;
3. Programme and policy implementation was uneven and extremely faulty in several key areas, albeit at no time did the weaknesses lead to a breakdown of state recurrent or investment activity (as did happen in Guinea and in Western Nigeria);
4. Export and external financing difficulties seriously limited not simply domestic policy choices but also the degree of error in their implementation, consistent with carrying out government recurrent and investment targets (basically met in 1964-1965) and maintaining acceptable levels of austerity (clearly not met in 1965);
5. While the formulation-implementation structure weaknesses were significant they were by no means the major cause of the 1965 political-economic crisis and, in fact, showed some signs of being resolved;
6. Had either export-soft loan receipts enjoyed a boom *or* domestic policy been of very substantially higher quality in implementation the regime could have maintained its politico-economic viability in the short run and probably improved its overall policy-plan formulation capacity in the medium run. Neither external factors nor internal errors *alone* can properly be "credited" ("blamed") for the economic situation behind the February 1966 coup. ●

[*To be concluded*