

# External Engagement

Experiences from Ghana  
and Mozambique

Series editor: Elizabeth Sidiropoulos

**The South African Institute  
of International Affairs**

**Global Best Practice**

**External Engagement  
Experiences from Ghana  
and Mozambique**

With contributions by  
Tim Hughes , Eduardo J Siteo,  
Florentino D Kassotche and Amílcar F Pereira

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THE SOUTH AFRICAN INSTITUTE OF INTERNATIONAL AFFAIRS

ISBN: 1-919969-49-7

Global Best Practice, Report No. 6

SAIIA National Office Bearers

Fred Phaswana  
Elisabeth Bradley • Moeletsi Mbeki  
John Buchanan • Alec Pienaar  
Elizabeth Sidiropoulos

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## Editor's Note

Foreign intervention has long been the bane of the African continent, from the exploitation of natural resources to the proliferation of the slave trade – whether observed in the guise of European powers, Western multinationals, the Bretton Woods institutions, or even more recently, Chinese competition, which saw trade unions in Southern Africa condemn Chinese companies' activities in Africa.

Yet, while Africa's experience of external engagement has not been smooth – in some cases it has been tragic – it is also true that in the 21<sup>st</sup> century states have to identify and develop the best formulae for interacting with the global village in a way that will reap the greatest possible benefits and minimise the costs. Indeed, the ability and willingness of states to engage effectively, increasingly determines their longer-term growth prospects and developmental success. Not all African states are necessarily convinced of the benefits of participating fully in the global economy. This may be ascribed partly to an unwillingness by elites to embark on wide-ranging reforms where they see these as threatening their own entrenched positions. Assistance and engagement with external actors can be a useful incentive and agent, but it is absolutely essential that the commitment is felt and internalised by African countries.

The Commission for Africa's report in 2005, which was the centrepiece of the UK's G8 and EU presidency, raised again the debate about the efficacy of aid and its achievements over several decades. However, while aid on its own will not and cannot be a panacea for Africa's developmental challenges, it can make an important contribution. In some countries like Ghana and Mozambique (notwithstanding their aid dependency), the aid community has assisted in both their political normalisation and democratisation, but also in economic stabilisation.

By no means is the process complete, nor can aid achieve the objectives of poverty reduction and development on its own. The downsides have been that in many cases, aid agencies 'control', or are

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perceived to control and determine, most of the budgets of these poor states. However, this is not always the case. Tim Hughes in his study of Ghana in this report refers to 'an increasingly co-operative and mutually reinforcing relationship' in describing Ghana's engagement with the international community. In Ghana, for example, the country took responsibility for its development strategies. This is clearly reflected in the coordination among the government, other domestic actors and the donors on all aspects of its development programmes. Hughes makes the point that Ghana is developing into a model for the greater efficacy of international development aid. Not surprisingly, Ghana is also one of a handful of African countries that may achieve the Millennium Development Goals by 2015.

The two case studies in this report, Ghana and Mozambique, are poor countries with low human development indicators, who have experienced substantial political turmoil since their independence. Ghana witnessed a number of military coups, while Mozambique was engaged in a protracted civil war. Both countries implemented structural adjustment programmes in the 1980s. While the criticism of the effectiveness of structural adjustment programmes in Africa is relevant, it is also true that in both cases they provided the impetus for recovery from systemic economic crisis.

Both countries are perceived by the international community as case studies of the more constructive manner in which aid can be used to begin to make a difference in poor countries emerging out of political instability and economic crisis. Of course, the question can be posed about the overall cost-benefit analysis of the amount of aid spent and the benefit derived. Those exercises are important in the application of lessons learnt to future initiatives both in these countries and others. The case studies that follow aim to make a contribution to this debate.

The international community sees Ghana as a stabilising force in a region (West Africa) that has too frequently been turbulent. Even Nigeria, the regional 'hegemon', has the potential of a slide back into political crisis. Mozambique's region is less turbulent and the 'hegemon' (South Africa) of course in a slightly different situation.

While Mozambique continues to face substantial socio-economic challenges, and the jury is still out on the extent to which structural adjustment programmes have been successful, the involvement of the external community – and the country's location bordering South Africa – have played an important role in assisting to maintain political stability and an environment that has attracted foreign investment.

The countries also have significant differences. Ghana not only engaged ably with the external community, but also with internal actors. From the mid-1990s there was an increase in the engagement between the government and elements of Ghanaian civil society, particularly public policy think-tanks. This was entrenched even further when the Ghanaian government decided to commission think-tanks to write up the various sections of its APRM report in 2004.

This is contrasted by the case of Mozambique, where civil society is still largely 'fragile, poorly organised and lacking in capital and know-how'. Equally, the perception in Mozambique in a number of sectors is that the development community controls the agenda and that the Mozambican institutions have not been as successful as Ghana's in asserting themselves.

Some of the key lessons from Ghana and Mozambique relating to their external engagement are not necessarily new, but perhaps more convincing when analysed in the context of particular countries:

Pragmatism rather than ideological strait-jacketing on economic and developmental issues is essential.

Ownership and involvement of both state and other domestic social actors in development programmes and reforms is necessary to offset the sense of financial dependence in countries where budgetary support is substantial.

Structural maladies require more than ameliorative measures, and their sustainability requires bold leadership, which may require short-term pain.

More focus on good performers in regions that can act as exemplars or help to create pools of stability together with other states (in

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southern Africa, for example, South Africa, Mozambique and Botswana) is a contributing factor to success.

Underlying these lessons is the important role that institutions must play. Their ability to do so depends on the existence and strengthening of institutional capacity, and also on the extent to which the institutional players themselves are committed to reforms.

As both case studies show, ultimately, sound policies emanating from responsible local leadership, and the strengthening of the private sector (both local and foreign) can become drivers to reduce aid dependency. The key challenge for African states in their external engagement is how such interaction can contribute to efforts to reform and become more globally competitive; and how domestic actors can be mobilised in that regard.

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I would like to thank the Konrad Adenauer Foundation for supporting this project, and in particular, Dr Thomas Knirsch and Ms Andrea Ostheimer. I am also grateful to my colleagues at SAIIA, in particular Mr Sipho Seakamela and Ms Nandile Ngubentombi, who both worked on the studies; and to Mrs Anne Katz, our typesetter; Ms Leanne Smith, the publications manager; and Ms Pippa Lange, our external editor.

*Elizabeth Sidiropoulos*  
*Series editor*



# **Ghana: Developing Towards Best From Worst Practice**

Tim Hughes

## **Introduction**

Modern Ghana occupies a 'darling' status in the western donor community, even though it once threatened to become Africa's first post-colonial failed state. It enjoys this special status in part because of its history and its continuing relationship with the European powers that once laid claim to it, but also because it is slowly emerging as a relative success in a region plagued by uncertainty. To a significant degree, this regional 'most-favoured-nation' status has been earned as much by Ghanaians as it has been bestowed by donors. Ghana's contemporary success can be ascribed to an increasingly co-operative and mutually reinforcing relationship between the Ghanaian government and the international community. This collaboration has been strengthened in recent years by the greater involvement of Ghanaian civil society at the national and local levels in important social, economic, governance and development initiatives.

A country of some 20 million inhabitants that is located between Togo, Burkina Faso and Côte d'Ivoire on the Gulf of Guinea, Ghana (earlier named the Gold Coast) was in turn a colony of Denmark, the Netherlands and Great Britain. The country's Cape Coast, from which some two million indigenous people were exported as slaves to the Americas before the abolition of the trade in 1805,<sup>1</sup> is now both a tourist attraction and a poignant shrine to the country's diaspora. Ghanaians continue to leave the country to work abroad, but (in line with its efforts to marry its history and contemporary aspirations) the government has introduced a programme designed to leverage its extensive diaspora to its domestic advantage. Ghana's special status among Africans existed long before it gained independence, and derives from the vast West African empire of the Ashanti kingdom,

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<sup>1</sup> The practice continued for some time in Ghana after the legal abolition of slavery.

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which defied and successfully resisted colonial tutelage from the late seventeenth century. Even today, the British-educated Asante king, Otumfuo Osei Tutu II,<sup>2</sup> is widely revered. He moves comfortably between occupying the Golden Stool, holding investment discussions with European heads of state, and overseeing a unique programme in the Ashanti region that is sponsored by the World Bank.

In the years following its gaining independence, Ghana operated in an often uneasy tension with the international community, oscillating between intimate co-operation and frosty antagonism. This relationship has been punctuated by radical regime changes in Ghana, which has in consequence switched between pro-socialist, pro-western and non-aligned positions. To a greater or lesser degree, each political oscillation has set back the elusive search for development. Again, over the past 50 years Ghana has been a prominent international actor. It has variously been a home for, and sponsor of, anti-colonial liberation movements and the anti-apartheid movement; an ally of Cuba; a debtor nation of Libya; aligned to the People's Republic of China (PRC), Russia and Eastern European countries; and a supporter of General Sani Abacha's Nigerian military regime. Yet it has emerged with strong economic and political relationships with the West, and, more importantly, with the donor community.<sup>3</sup> Furthermore, for almost half a century Ghana has been a laboratory for a succession of domestic and internationally crafted developmental and macro-economic prescriptions, each to some extent animated by attempts to correct the failures of its predecessors and to build on their limited successes.

It is impossible to disaggregate Ghana's patterns of development and underdevelopment from its relationship with the international community, and particularly western donors. In important respects,

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<sup>2</sup> The Asante king, known as the Asantehene, has ruled the Asante nation since the 17<sup>th</sup> century. The current Asantehene is the 16<sup>th</sup>. He assumed the Golden Stool (a throne made of pure gold, descended from heaven according to cultural myth) on 26 April 1999.

<sup>3</sup> A table summarising post-colonial governments, policies and international orientations is provided in Appendix 1.

Ghana's development since independence in 1957 has been defined as much by its engagement with the international community as by its often tempestuous domestic politics and policies. Ghana launched the first national development strategy in the world, the (British Governor) Guggisberg Plan, in 1919. This was a form of public investment programme drafted and implemented by the British colonial authority, without any significant consultation with, or participation from, Ghanaians. The Guggisberg Plan guided the country's economic development until 1926. Yet until the Gold Coast became the first African country to achieve independence, very little national development planning took place. However, in the years since Kwame Nkrumah's accession to power, Ghana has originated a series of national development plans and strategies, all of which have, to a greater or lesser degree, involved the international community. These include:

- the First Ten-Year Development plan (1951–1956);
- the Consolidation Development Plan (1957–1959);
- the Second Development Plan (1959–1964);
- the Seven-Year Development Plan (1963/64–1969/1970);
- the Two-Year Development Plan (1968/1969–1969/1970);
- the One-Year Development Plan (July 1970–June 1971);
- the Five-Year Development Plan (1975/1976–1979/1980);
- the Economic Recovery Programme National Development Policy Framework: Long Term Development Objectives (Ghana Vision 2020); and
- the Ghana Poverty Reduction Strategy Programme (PRSP) (2002).

Whilst there has been an attempt in Ghana to build on and consolidate the successes of previous development plans, these have often been interrupted by internal political upheavals and the impact of external shocks. The latter cannot be planned for within development programmes. Yet they are an unwelcome fact of life for Ghana, given its dependence on the production of commodity, particularly gold,

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cocoa and to a lesser degree, timber, and its importation of crude oil and manufactured goods. The prices of both the exported and imported products are set in international markets.

Despite its turbulent recent history, Ghana is frequently described as a success story today, or, at a minimum, a case for cautious optimism in a notoriously fractious region. The notion of 'best practice' goes beyond the minimum evaluation, however, and suggests instead an exemplar worthy of examination and emulation. In important respects Ghana has been the antithesis of a best practice case, but its recovery justifies a detailed analysis, if not emulation. Indeed the Economic Commission for Africa notes that of eight African countries with the best prospects of achieving some of the Millennium Development Goals (MDGs) by 2015, Ghana ranks third in sub-Saharan Africa in macro-economic stability, institutional development and poverty reduction.<sup>4</sup> The World Bank concurs, believing that Ghana is one of a handful of African countries that may fulfil some of the MDGs.<sup>5</sup>

For over a decade, since its return to political constitutionality in 1992, Ghana's overall development trajectory has been positive. For example, from 1992–99 Ghana succeeded in reducing poverty from 51.7% to 39.55%. During the same period the incidence of extreme poverty was reduced from 36.4% to 26.8%.<sup>6</sup> The United Nations Development Programme (UNDP) argues that it is likely that Ghana will meet the MDG of halving the incidence of poverty by 2015. However, the overall reduction in extreme poverty levels masks regional, gender and occupational asymmetries. The urban and coastal

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<sup>4</sup> *The World Diplomat*, December/March 2004, p.25.

<sup>5</sup> There are eight Millennium Development Goals comprising of 18 targets. The goals are: to eradicate poverty and hunger, to achieve universal primary education, to promote gender equality and empower women, to reduce child mortality, to improve maternal health, to combat HIV/Aids, malaria and other diseases, to ensure environmental sustainability and to develop a global partnership for development. See South African Institute of International Affairs *SADC Barometer*, Issue 7, December 2004.

<sup>6</sup> United Nations Development Programme, *Ghana: Millennium Development Goals Report*, 2003, p.4.

areas have made most progress, while the rural northern regions show persistently high levels of poverty. Inequalities in gender education levels, employment and income persist, but conditions are slowly improving. More encouraging (but still failing to reach required levels of 7–8%) has been the steady growth in the economy, which has averaged 4.39% since 1995, reaching its highest growth rate of 5.2% in 2003.<sup>7</sup>

Whilst the country has shown encouraging patterns of economic recovery, it remains vulnerable to external shocks and economic, if not political, reversal. Without resorting to crude reductionism, the deep economic crisis of 1999 was a determining factor in the defeat of the ruling National Democratic Congress (NDC), in the general elections held in 2000. The party's presidential candidate was Professor John Atta Mills, who had been chosen as the successor of the incumbent, Jerry Rawlings. Poor economic management, adverse climatic and agricultural conditions, the softening of the international price of cocoa and a sustained weakness in the price of gold had depleted the Rawlings government's revenues. The regime was left with little room to exploit the treasury to distribute vote-buying largesse before and during the election campaign.<sup>8</sup> John Kufuor's New Patriotic Party (NPP) won the country's first verifiably free and fair elections in December 2000. Kufuor gained the victory not only against the backdrop of growing popular disenchantment with the NDC, but on the promise and prospect of 'positive change' enshrined in the NPP's slogan. His re-election to a second term of office in December 2004 was, in part, an acknowledgement that he had made good on these promises, albeit in an uneven manner.

In a country infamous for its sudden political reversals and coups d'état, the peaceful transfer of power from the ruling NDC government

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<sup>7</sup> Institute of Statistical, Social and Economic Research, *The State of the Ghanaian Economy in 2003*. ISSER: University of Ghana Legon, 2004.

<sup>8</sup> Ghana's recent economic growth has been aided by the fact that the price of cocoa rose to a 16-year high of \$2,157 a ton in September 2002 (60% more than the previous year). Also, in November 2004 the price of gold climbed to a peak of \$480 a fine ounce.

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to the NPP was the most encouraging democratic development since independence.<sup>9</sup> Whilst this breakthrough was achieved by Ghanaians themselves, it had also been made possible by almost a decade of sustained engagement (including the imposition of conditions on aid) by the international community, aimed at improving governance and deepening plural democracy.<sup>10</sup> Furthermore, that the December 2000 and 2004 elections were conducted in a free and fair manner can also be ascribed to the substantial investment made by the donor community in voter education and logistical support for the electoral process in Ghana. With the assistance of the international community, the country is becoming an African case of democratic best practice.

This paper discusses Ghana's recent relative successes as a recovering African state. It focuses particularly on the country's engagement with the World Bank and the international donor community in achieving and sustaining this success. Whilst Ghana has been selected as a best practice case study in sub-Saharan Africa, it must be acknowledged that economic growth rates are far stronger in Botswana and Mozambique, and that Mauritius has higher Transparency International ratings. Senegal and Uganda have also achieved exemplary public policy successes in key areas. But no African country has shown the trajectory of high potential, deep failure and steady recovery that describes post-colonial Ghana, making it a case worthy of examination. It is argued further that because contemporary Ghana is increasingly regarded as a model West African state, it is also expected to serve as an exemplar and stabilising presence for the region. The international community is hoping that its aid, development programmes and investment in Ghana will have a 'gearing effect'; in other words that advances made in that country will

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<sup>9</sup> A comprehensive thematic and constituency report on the 2000 elections is provided in the two-volume compendium by Ayee JRA, *Deepening Democracy in Ghana — Politics of the 2000 Elections*. Accra: Freedom Publications, 2001.

<sup>10</sup> Support for democracy, democratic reform and good political governance, particularly from the German Konrad Adenauer and the Friedrich Ebert foundations, commenced before this period, and pre-date most other international programmes of the kind.

activate similar efforts in other countries of the region. The relationship between Ghana and the donors is therefore one of symbiotic dependency.

### **A history of worst practice<sup>11</sup> (1957–83)**

Colonialism in Ghana reinforced (although it did not create) skewed domestic political and class relations, structural economic imbalances, unequal terms of trade and dependency relations. Yet far too little attention has been paid to the damage caused to the domestic political economy by successive ruling elites in the post-colonial period. Again, not enough emphasis has been given to the importance of forging constructive relations and co-designing programmes with the international community to assist sustainable development in Ghana. Post-colonial African countries tend to be Janus-faced with respect to the modern challenges of development. The legacy of imperialism, colonialism and political subjugation no longer serves as an adhesive political and social glue; yet it is still used to explain continued and chronic underdevelopment. This backward-looking pre-occupation creates a tension with the forward-looking requirements of meeting the MDGs. Ghana is a somewhat different case. As the first African country to achieve independence in 1957, it has taken on an almost mythological symbolism for other African countries because it was in Ghana that Pan Africanism came into being. Also (turning from ideology to practicalities), at the time it gained independence Ghana enjoyed a number of significant economic, social and developmental advantages that its continental peers did not.

The Gold Coast was regarded as Britain's model colony. Today, Ghana's 20 million citizens wear the clothing of history with both pride and shame. During the 1950s Ghana was the world's leading producer of cocoa (it has long since yielded that place to Côte

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<sup>11</sup> This historical overview is largely synthesised from the excellent study by Dan-Bright S Dzorgbo, *Ghana in Search of Development — The Challenge of Governance, Economic Management and Institution Building*. Ashgate, 2001.

d'Ivoire),<sup>12</sup> and produced 10% of the world's gold. It possesses healthy reserves of diamonds, bauxite and manganese as well as hardwoods. During the 1960s its per capita income of \$490 ranked it as a middle-income country, at approximately the same level as Mexico and South Korea. By comparison, during the same period its neighbour Côte d'Ivoire had a per capita income of \$283.<sup>13</sup> When it became independent, Ghana also inherited \$200 million in foreign reserves, mainly from cocoa exports, and boasted one of the highest levels of skilled manpower in sub-Saharan Africa. The country had a better road infrastructure, and more schools and clinics per capita than any other British colony. Yet within 20 years of becoming independent, Ghana was crumbling into an African 'basket case'.

Soon after taking office, Ghana's first post-colonial leader, Kwame Nkrumah, stated that his first objective was to abolish poverty, ignorance and disease. The welfare of Ghanaian people was the standard against which he asked that his performance should be judged. He was so judged, and was ousted in a military coup in 1966. Yet Nkrumah's basic objectives for national development have remained the central (yet largely elusive) goals of all post-colonial Ghanaian governments to the present day.

Ghana's social development after it achieved independence was riven with contradictions. In launching his Seven-Year Development Plan in 1964, Nkrumah told parliament, 'Mr Speaker, we would be hampering our advance to socialism if we were to encourage the growth of Ghanaian private capitalism in our midst. This would, of

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<sup>12</sup> During periods in its post-colonial history, Ghanaian cocoa farmers have smuggled their products across the border into Côte d'Ivoire in search of higher prices. Instability in Côte d'Ivoire since 1999 has threatened the livelihoods of many Ghanaians working there, yet this, together with relatively high prices, has had the effect of boosting lucrative cocoa production in Ghana.

<sup>13</sup> Côte d'Ivoire's cocoa production and consequently GDP have been in decline since the outbreak of civil unrest during the 1999 coup d'état. Between 2000–04 the economy recorded negative growth rates. Moreover, the ensuing civil war resulted in the repatriation of tens of thousands (some estimate hundreds of thousands) of Ghanaian cocoa labourers.



course, be in antipathy to our economic and social objectives'. In addition to the suppression of private entrepreneurial activity and his assault on the middle classes, Nkrumah converted his constitutional position to that of Executive President, and moved to ensure that his party, the Convention People's Party (CPP), exercised political hegemony. The media were increasingly subjected to state control, and cronyism, patrimonialism and corruption mushroomed.

Rejecting capitalism as too complex for Ghana, Nkrumah offered a state-driven, quasi-socialist development prescription. This programme had its successes, particularly in industrial development, infrastructure, health and education services. But the price paid for these development programmes was vastly increased state expenditure and borrowing. When the price of cocoa collapsed in 1965, Ghana became technically insolvent under the weight of an unserviceable external debt of £120 million. This came at a time when Ghana had established a £2 million Consolidation Fund for Pan Africanism, and had extended loans of £10 million to Mali and Guinea.

Unable to raise hard currency from his socialist allies during the economic crisis, and having received short shrift from the western powers, whom he had alienated, Nkrumah turned to the International Monetary Fund (IMF) and World Bank. However, Ghana broke off discussions in 1965 because Nkrumah was unwilling to adopt the restructuring precepts of the Bretton Woods institutions. It was during this time of deep economic crisis and social dislocation that the military staged a coup d'état that ejected Nkrumah and the CPP from power whilst the president was on a peace mission to North Vietnam. From the time of the coup in 1966 until the transfer to civilian rule in 1969, Ghana was governed by the eight-member National Liberation Council (NLC), comprising senior military and police officers.<sup>14</sup> Although the military had been prompted to act by the hardships experienced directly by the army under Nkrumah's CPP government,

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<sup>14</sup> Most of the NLC's members were British-trained and were accordingly dubbed the 'Sandhurst' group. Ideologically and professionally the group was strongly pro-Western.

the NLC rejected Nkrumah's socialism and abandoned or reversed many of Nkrumah's ambitious industrialisation and infrastructural programmes, particularly those that placed a fiscal drag on the country. Those projects that were managed by Chinese and Soviet interests were curtailed, their foreign personnel expelled and diplomatic relations with these countries severed.

Having appointed a seven-member National Economic Committee of civilian experts, Ghana reached an agreement with the IMF that an economic stabilisation programme would be implemented from May 1966. Whilst the agreement with the IMF allowed a moratorium on debt repayment and extended Ghana's lines of credit, the retrenchment of the state from ownership and control of the economy did not translate into significant inflows of private and international capital. In 1969 the NLC lifted the ban on political activity. In the ensuing elections, with the trauma of Nkrumahism and military rule fresh in the minds of the electorate, the major parties, the Progress Party (PP) under Dr KA Busia and the National Alliance of Liberals (NAL), competed for the political middle ground. Both propounded broadly liberal democratic and capitalist philosophies.<sup>15</sup> The leadership of the PP, which won the elections, came from the intellectual and business class and pursued avowedly bourgeois nationalist (in contrast to pan-Africanist) policies. In its extreme form this nationalism (and eventually xenophobia) culminated in the expulsion of some 155 000 illegal immigrants, foreigners and 'outsiders', on the allegation that they were dominating Ghanaian business at the expense of locals. In addition to alienating its regional neighbours by these forced repatriations, the Busia government tested the tolerance of the Organisation of African Unity (OAU) and the United Nations (UN) by seeking dialogue with South Africa's apartheid regime. Both domestically and internationally, the contrast between Nkrumah's Ghana and that of the PP some 12 years later could hardly have been more marked, even though shortly after coming to power the PP

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<sup>15</sup> The organising and campaigning activities of ideologically leftist parties before and during the elections were restricted.

government presided over another economic crisis. Busia's administration was unable to mend the fortunes of the country. Economic and financial austerity measures once more had their effect on the military. Despite pre-emptive efforts by Busia, the army, led by Colonel Acheampong, carried out a second coup in 1972, whilst the prime minister was receiving medical treatment in London.

The Acheampong-led military National Redemption Council (NRC) embarked on a thoroughgoing process that not only sought to remedy the ills created by the Busia government but to reverse its reforms and re-orientate the country along the lines of Nkrumah's socialist and pan-Africanist vision. The NRC abandoned the IMF-sponsored stabilisation programme and defaulted on its debt, claiming that the agreement with that institution lacked legitimacy. In stark contrast to Busia's economic liberalisation, the NRC drew up a National Redemption Charter promoting national self-sufficiency, which was to be driven by a command economy. The NRC's Five-Year Development Plan (1975–80) was ambitious in scale and revolutionary in content. During the first four years of the Plan, Ghana suffered its most acute economic reversal, causing a sharp decline in all social and economic indicators. In addition to the external shock of the 1973 oil crisis, internal economic restructuring rendered cocoa farmers unable to sell and market their produce profitably.<sup>16</sup> Basic commodities became scarce, infrastructure decayed, manufacturing machinery fell into disrepair, and the national currency, the cedi, was increasingly abandoned, both locally and regionally. Once the pride of Ghanaian society, public education came to a virtual standstill. Parents took to providing private lessons for their children. In 1978 General Fred Akuffo, responding to the rising social unrest, orchestrated the removal of Colonel Acheampong. This heralded a short period of economic and social reform. However in May 1978, Flight Lieutenant John Jerry Rawlings attempted a mutiny against Akuffo, citing the frustration felt by both the military and the civilian population over Ghana's continued social

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<sup>16</sup> In 1977 alone, Ghana lost \$100 in cocoa foreign revenues though illegal smuggling to neighbouring countries.

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decay and corruption. Although he failed in his first attempt, Rawlings 'justification' struck a chord with many in Ghanaian society. In June 1979, junior officers overthrew Akuffo and released Rawlings from gaol.

What followed in the immediate aftermath was an orgy of retribution, vandalism and destruction carried out by the Armed Forces Revolutionary Council (AFRC) in the name of purging corruption and cleansing society. During its 112-day rule, the military clique headed by Rawlings publicly executed Acheampong and Akuffo, shaved, stripped, paraded and flogged female traders, and gaoled others. The Makola 1 market in Accra was blown up, and others in outlying areas destroyed. The bank accounts of foreign businessmen were frozen, and their holders arrested. The same fate befell others deemed to have committed 'economic crimes'. Whilst meting out instant justice to 'economic criminals', members of the AFRC embarked on a programme of extortion, exploitation and intimidation. Lacking any mobilising ideology or set of coherent programmes, the AFRC quickly came under pressure to return power to civilian rule. It did so 112 days after its 'moral revolution' was launched.

In a remarkably free and fair election, the People's National Party (PNP) of Dr Hilla Limann was elected to office under the provisions of a new constitution. Limann's administration was marked by constructive and progressive, if modest, reforms. But it soon became apparent that because Ghana's economic malady was structural, ameliorative measures were insufficient. Whilst the underlying economic problems faced by Ghanaians continued to give rise to widespread dissatisfaction, it was Limann's attempts to bring the military firmly and finally under control and to address the egregious offences committed under the AFRC that led to his government's downfall. Under threat of another coup the PNP government attempted to exile Rawlings, later placing him under 24-hour surveillance. For his part, the increasingly politicised Rawlings, who inclined towards Marxist socialism, built up support, not just amongst the military and under-classes, but amongst the intelligentsia and left-leaning

intellectuals.<sup>17</sup> Armed with military, political and ideological weapons, Rawlings wrested power from Limann on 31 December 1981, in what became known as the 'second coming'.

The Rawlings-led Provisional National Defence Council (PNDC) was an amalgam of young officers and radical intellectuals. Under the PNDC, analysis of Ghana's structural crisis took the reductive view that it represented a classic class struggle that was being propelled by the imperialist interests of Britain, the US and international financial institutions. Arguments were consequently proffered for the nationalisation of banks and for economic policies that were solidly redistributive. Projects and programmes that had been launched under Limann, which were regarded as wasteful and unnecessary, were abandoned. Once again, Ghana re-orientated its foreign relations, seeking out like-minded socialist and progressive allies: principally Cuba, Libya, Russia and countries in Eastern Europe.<sup>18</sup> Democracy suffered a further reversal when in 1982 parliament was suspended and political activity banned. People's and Workers' Defence Committees were established (along the Libyan model) as the vanguard of the establishment of a people's participatory democracy. Citizens' Vetting Committees were established to investigate cases of incompatibility between the income and lifestyle of members of the bourgeois and petit bourgeoisie. The juridical counterpart of people's participatory democracy found expression in the establishment of People's Public Tribunals, whose 'justice' was swift, brutal and administered by lay-people. Verdicts included the passing of lengthy gaol sentences or death by firing squad for economic offences.

At the socio-economic level the PNDC involved itself in the details of people's lives by implementing price controls (that included rentals) and involving workers in the running and management of state

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<sup>17</sup> It has long been rumoured that Rawlings received support from Libya in preparation for his 'second coming'.

<sup>18</sup> For an authoritative discussion of Ghana's international relations under the PNDC, see Kwame Bofo-Arthur, 'Ghana's politics of international economic relations under the PNDC, 1982-1992', in *African Study Monographs*, 20, 2, June 1999, pp.73-98.

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enterprises. Owners of private business had their assets seized and managers were dismissed, or, worse, paraded and publicly punished. The PNDC's attempts to revolutionise many aspects of daily life and to deal with the threat of counter-revolutionaries curtailed the civil liberties of citizens, including the imposition of evening curfews in urban areas.

By 1983 the consequences for Ghanaians of 25 years of economic mismanagement, social strife and political flux had become devastating. Hunger was widespread, with the average daily intake of calories only 68% of normal nutritional requirements. Infant mortality rates rose from 86:1,000 in the 1960s to 120:1,000. Diseases that had previously been controlled re-emerged. Between 1982–83 alone, food prices rose by 600%. Educational facilities closed, and basic infrastructure fell into disrepair. During the quarter of a century following independence, per capita income had dropped from \$490 to \$345. Cocoa production plummeted from claiming 35% of the world market to 10% over the same period. The economic crisis was intensified by a drought and the consequent bush fires, and by the repatriation of one million Ghanaians by Nigeria that same year.<sup>19</sup> As domestic disillusionment intensified and it became necessary to stave off military coup attempts against his rule, Rawlings sought the financial aid of his ideological benefactors in Russia and Eastern Europe. Just as his crisis-racked predecessors had discovered, however, Rawlings found that socialist countries were not receptive to requests for aid and assistance with economic recovery. This was the task of the institutions of last resort. Thus in 1983 it was to the World Bank and IMF that Rawlings turned for his and Ghana's salvation.

## **From chaos to pragmatism**

It is a commonly-held position amongst African politicians and scholars that the Bretton-Woods institutions impose themselves on developing and less developed countries, serving as instruments of western neo-

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<sup>19</sup> Nigeria expelled a further 300,000 Ghanaians in early 1985.

colonialism operating under the more benign guise of assisting development and reconstruction. In the case of Ghana, these institutions did not impose themselves on the country. Their involvement came as a direct result of a succession of failed policies, and at the request of the PNDC government. That the IMF and World Bank place stringent conditionalities on lending and Structural Adjustment Programmes (SAPs), and that these have far-reaching and painful implications for the state sector, employment and social spending patterns is a given. That the historical performance of structural adjustment programmes, particularly in poverty reduction and employment patterns, is at best mixed, is also demonstrable. That the IMF and World Bank have continually altered and adjusted the formulae, templates and prescripts of their recovery and restructuring programmes is also amply supported by evidence; and that concomitant with structural adjustment has come increased and unsustainable indebtedness in many developing countries is overwhelmingly true. But it is also the case that under IMF and World Bank structural adjustment plans Ghana has shown a slow recovery, and has not regressed to the brink of being a failed state.

In 1983 Ghana embarked on the painful and sometimes meandering track of structural adjustment.<sup>20</sup> Konadu-Agyemang and Kwaku Taki posit six phases to Ghana's structural adjustment, starting in<sup>21</sup> 1983–

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<sup>20</sup> In summary, SAPs are thoroughgoing programmes designed by the Bretton Woods institutions (initially applied in the reconstruction of developing countries, later in Latin America and finally in Africa and Asia) to help move less developed countries from conditions of socio-economic decline and decay onto higher trajectories of economic growth and development. SAPs prescribe economic and trade liberalisation, fiscal discipline, a reduction in state-sector ownership and control of economic and productive capital, and a shift from statutory price control to a market-driven economy. Critics contend that whilst SAPs serve to shock economies into stabilisation, they do so at an unacceptably high price in social dislocation, which manifests itself in higher unemployment and continued poverty and inequality. In pure economic terms, most countries that have undergone SAPs have done so whilst running up unsustainable levels of public and international debt.

<sup>21</sup> Konadu-Agyemang Kwadwo & Baffour Kwaku Takyi, 'Structural adjustment programmes and the political economy of development and under-development in Ghana', in Konadu-Agyemang Kwadwo (ed), *IMF and World Bank Sponsored*

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86, which heralded the compression of government spending, devaluation of the cedi, the abolition of price controls, broadening of the tax base and bolstering of tax collection and administration. From 1987–89 the privatisation of state assets and enterprises commenced, with a reduction in the size of the public service, financial and banking reforms and rehabilitation of the economic infrastructure.

The third phase, 1990–93, entailed inflation-targeting, the introduction of a market-based monetary policy, poverty alleviation, attempts to generate a balance of payments surplus, continued exchange rate reform and restructuring of the civil service. Between 1994–96 the government aimed at further reductions in inflation, increased privatisation of state enterprises, and the stabilisation of the exchange rate. During 1995–97 the objective was to boost GDP growth to 5.5% and then 6% by the end of the decade; reduce inflation to 20% and the current account deficit to 2.7%; improve conditions for private sector investment; and develop public–private partnerships. In the last phase, 1998–2000, the government sought to create a stable macro-economic environment, promote private sector-led growth, accelerate job creation, secure higher real wage levels and reduce both the incidence and levels of poverty.

The Economic Recovery Programme (ERP) of 1983 was in the first instance a set of stabilisation measures rather than a comprehensive and long-term development plan. The crafting of the latter was concluded only 12 years later, and took the form of the Ghana 2020 Vision Document.

Recent Ghanaian attempts at macro-economic, social and political reform conform broadly, if unevenly, to a ‘Washington Consensus’<sup>22</sup>

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*Structural Adjustment Programmes in Africa — Ghana’s experience 1983–1999.* Ashgate: Aldershot, 2001.

<sup>22</sup> First used by the economist John Williamson in a 1989 background paper, the term developed currency from Williamson’s chapter ‘What Washington means by policy reform’, in Williamson J (ed), *Latin American Adjustment: How Much has Happened?* Washington DC: Institute for International Economics, 1990. Williamson contends that the term refers to the lowest common denominator in what could be agreed upon by the IMF, World Bank and ‘the political Washington of Congress’, as



model for economic growth and development, which sets out the minimum guidelines given below.

- **The necessity for fiscal discipline.** Ghana has stabilised its domestic debt. In 2003 the deficit had been brought down from 5.3% of GDP in 2002 to 3.4%. This has been aided by debt servicing savings via Ghana's Highly Indebted Poor Countries (HIPC) compliance.<sup>23</sup> International debt remains high at \$7 billion, but is falling as a percentage of GDP. Total external debt as a percentage of GDP fell from 121% in 2001 to 89.7% in 2003.
- **The redirection of public spending into health, education and infrastructure investment.** Public sector employment has been reduced in recent years, yet the savings made in that sector have not been effectively redirected towards improving services such as health. Expenditure on poverty reduction has been relatively low. The government has focused instead on recurrent costs (primarily salaries), which represent some 30% of total government expenditure.<sup>24</sup> Funds allocated to health and education represent 2% and 2.8% of GDP respectively. These two, in turn, take up 90% of social sector spending. Donors contribute the major share of all government expenditure except wages.
- **Tax reform in the shape of broadening the tax base and cutting marginal tax rates.** Ghana has greatly improved the efficiency of its tax collection, both by modernising its administration and by opening additional Internal Revenue Service offices in various

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baseline requirements for development in Latin America in the period immediately after the collapse of communism. It is not, he contends, a neo-liberal template for Third World development, as its critics would have it. Such critiques range from differences regarding the pace and extent of such reforms, the contrarian examples of development and crisis in South East Asia, and the more thoroughgoing critiques proffered by Joseph Stieglitz.

<sup>23</sup> For a detailed discussion of the World Bank's HIPC initiative see [www.worldbank.org/hipc](http://www.worldbank.org/hipc).

<sup>24</sup> Civil service employment in Ghana is the third highest (1.8% of the population) in Sub-Saharan Africa, and the government wage bill (5.6%) is significantly higher than the average for low-wage countries that are not members of the CFA.

centres in the country. It has been less successful in broadening the economic tax base, and is still over-reliant on petroleum taxes.

- **Positive, but moderate real interest rates.** Interest rates have remained high but generally positive. During 2003 the prime lending rate was raised from 24.5% to 27.5% owing to petroleum-induced inflation. Periodically, interest rates have had to be brought under control. Ghana is under pressure to reduce inflation to single digits by 2005 and to maintain it at that level, in line with the convergence criteria of the West African Monetary Zone.
- **Competitive exchange rates.** The cedi has shown a dramatic depreciation from \$1: C2.75 at the time when the ERP was introduced in 1983 to the current \$1: C9,000 level. During 2003 the currency depreciated more slowly, by 4.78% against the US dollar, but at a rate of 23.93% against the euro and 14.02% against the pound sterling.
- **Trade liberalisation with the lowering of tariffs.** Ghana has progressively reduced its import quotas and tariffs since the ERP began in 1983. Some 156 Ghanaian companies have entered the ECOWAS Trade Liberalisation Scheme. Ghana has also established a Free Zones Board as part of the Ghana Gateway (to West Africa) Project, which includes geographic Export Processing Zones.
- **Openness to, and attraction of, foreign direct investment.** Ghana has established an Investment Promotion Centre (GIPC),<sup>25</sup> which offers joint venture and export incentives; corporate, locational and tax holidays; and investment guarantees.
- **The privatisation of state enterprises.** By 1994 some 22% of state-owned enterprises had been privatised. Two years later the state had sold off its share in the Social Security and Ghana Commercial Banks, and 30% of its holding in Ashanti Goldfields. By 1997 a Malaysian company had bought part of Ghana Telecom.

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<sup>25</sup> The GIPC was established by an Act of Parliament (Act 478) in 1994, two years into Rawlings' constitutional rule. Website: <http://www.gipc.org.gh>.

- **Deregulation wherever safe and feasible, but with enhanced oversight of financial institutions.** Ghana has attempted to streamline various processes, among them investment and court procedures and land transfers. Regulation of the Ghanaian financial services sector remains relatively high, as it does with the Ghana Stock Exchange (which recorded gains of 154% for the year ending 31 December 2003). The solvency and capital adequacy ratios of the country's banks have recently improved, and it now enjoys a sovereign credit rating approximating those of Turkey and Brazil.
- **Legal security for property rights.** Whilst there is legal security for property rights in Ghana, these are effectively truncated by strongly contested traditional land claims and protracted settlement processes. Also, both the National Lands Commission and the courts appear unable to deal with title transfers, claims, disputes and litigation efficiently. This is being eased to some degree by the computerisation of both the Commission and the courts, using funds supplied by the international community.

The degree to which the pursuit of Washington Consensus prescriptions has been responsible for Ghana's recovery remains in dispute. That it has recovered (whether despite or because of its broad adherence to its prescriptions) is not. More central and indeed contentious to Ghana's recovery has been the role of the World Bank.

## **The World Bank — Ghana's Bank**

*We have moved Africa to the top of our development agenda at the World Bank.*

James Wolfensohn<sup>26</sup>

*There is an implicit assumption in Ghana that if you are in good standing with the Bank and the IMF then you are in the good books of the donors.*

Mats Karlsson<sup>27</sup>

Ghana is arguably the 'best practice' case for the World Bank in West Africa, because it follows that institution's prescribed reforms and modelling closely. Beyond conformity, however, there has been a significant effort made by both the Ghanaian government and civil society to ensure an increasing level of local co-design and ownership of Bank-aligned development programmes. Central to this process has been the drafting of the Ghana Poverty Reduction Strategy (GPRS), the local version of the generic Poverty Reduction Strategy Programme (PRSP) the key prerequisite in Ghana's qualification for the Heavily Indebted Poor Country (HIPC)<sup>28</sup> debt forgiveness initiative. The GPRS draws on the National Development Policy Framework, Ghana Vision 2020 which set this date as the target for the country becoming a middle-income state.<sup>29</sup>

Ghana will have achieved a balanced economy and middle income status and standard of living. This will be realised by creating an open and liberal market economy, founded on competition, initiative and creativity

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<sup>26</sup> Wolfensohn J, President of the World Bank, *World Bank Strategic Framework for Assistance to Africa IDA and the Emerging Partnership Model*. World Bank, 2004.

<sup>27</sup> Interview with Mats Karlsson, World Bank Country Director, Accra, Ghana, 19 August 2004.

<sup>28</sup> The term HIPC was and remains heavily contested in Ghana. Two years after decision point and months after completion point, there is a continuing public debate about Ghana being regarded internationally and being accepted by the government as a 'poor' country.

<sup>29</sup> Report for the Department of International Development, Ghana Case Study, *Civil Society Participation in Poverty Reduction Strategy Papers, 2*, May 2002, p.3.

from the use of all our human and natural resources and optimising the rate of economic and social development with due regard to the protection of natural resources and to equity in the distribution of the benefits of development.

A National Development Goal Setting Exercise preceded the drawing up of the Ghana Vision 2020 policy framework. The objective of the latter was to explore ways '[T]o improve the quality of life of all Ghanaians by reducing poverty, raising living standards through a sustained increase in national wealth and a more equitable distribution of the benefits therefrom'.<sup>30</sup> The GPRS has a number of new features, but also seeks to co-ordinate and enhance existing poverty reduction strategies. Its aims are, *inter alia*:

- to achieve a comprehensive understanding of poverty and its causes;
- to adopt measures to ensure macro-economic stability;
- to develop a framework for sustainable economic growth, so as to support poverty reduction;
- to effect three years of costed growth and poverty reduction measures (that will be integrated into medium-term expenditure frameworks and annual budgets);
- to introduce a broad-based sequence of initiatives in support of growth and poverty reduction;
- to design mechanisms to detect and prevent events that might cause poverty;
- to develop a comprehensive monitoring and evaluation methodology to assess the efficacy of the measures taken; and
- to bring about a reversal of the effects on women of socially-constructed inequities.

The GPRS also identifies the factors that led to the limited success of previous poverty reduction strategies. The central cause has been a

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<sup>30</sup> *Ghana Poverty Reduction Strategy 2002–2004: An Agenda for Growth and Prosperity. Analysis and Policy Statement, Fourth Draft, Accra, 22 January 2002.* p.1.

disjuncture between the National Development Planning Commission (NDPC) and the Ministry of Finance (MOF). To this can be added the setting of unrealistic financial and economic targets, and poor co-ordination between central, regional and local government in programmes designed to alleviate the plight of the poor.<sup>31</sup> The table below illustrates the variance over time between forecast and actual macro-economic targets.

<b>Major economic indicators: Average annual growth rates (1996–2000)</b>						
	<b>GDP (%)</b>	<b>Inflation (%)</b>	<b>Budget (+/-)</b>	<b>Money (%)</b>	<b>BOP (US\$M)</b>	<b>Exchange rate (%)</b>
Plan	7.8	17.6	n/a	19.5	104.3	11.4
Budget	5.3	13.3	-668.7	14.6	64.6	n/a
Actual	4.3	24.7	-1,201	29.2	-36.7	25.4

Source: Government of Ghana, NDPC, *Ghana Poverty Reduction Strategy*, 2002, p.2.

The table depicts an overall pattern of planning and performance misalignment. In 2000 this trend was accentuated by a relatively poor growth rate of 3.7%, and an inflation rate of 40.5%.

In 2002 Ghana took a further step in its socio-economic recovery that altered its relations with the Bretton Woods institutions and other creditor nations, particularly those belonging to the Paris Club. Having reached its triggers, the country qualified for debt forgiveness under the HIPC initiative and reached its decision point, the point at which conditions are met for the granting of debt forgiveness.<sup>32</sup> Under the enhanced HIPC formula, for Ghana to reduce its debt to 250% of government revenue translated into a debt forgiveness of \$2,186 million (net present value), representing 56.2% of its debt. This would

<sup>31</sup> Hughes T, *Ghana Country Report*, The Netherlands Institute of International Affairs (Clingendael), October 2003.

<sup>32</sup> International Monetary Fund and the International Development Association, *Ghana Enhanced Heavily Indebted Poor Countries (HIPC) Initiative Decision Point Document*, prepared by the Staff of the IMF and IDA, 4 February 2002.

mean a saving of some \$200 million in debt interest servicing over a 10-year period. In July 2004 Ghana became the 14<sup>th</sup> country to achieve its completion point, the point at which the final amount of assistance, together with any other assistance agreed to with creditors, is released because the country has met its pre-determined 'triggers' (established within the decision point document). In order to reach completion point Ghana demonstrated the following achievements:<sup>33</sup>

- The annual PRSP for Ghana Progress Report (GPRS) was submitted to the IMF and IDA boards and approved.
- A new three-year IMF Poverty Reduction Growth Facility (PRGF) programme was submitted and approved.
- The criteria for the use for poverty reduction of budgetary savings through the HIPC were met.
- Governance triggers had been met. More specifically, a new regulatory and oversight body for procurement had been established via the Procurement Act of passed in December 2003.
- Public expenditure management had been strengthened through a new cash management system in all ministries. Their reports are published monthly in the Gazette.
- Government functions were being decentralised and composite budgets prepared in three pilot districts.
- In education, the gross enrolment rate for girls at primary school level exceeded the target of 74%, reaching almost 78% for the 2002–03 academic year.
- The target of 46% of households with access to safe water was met.
- The target of 45% for recurrent health expenditures at district and lower levels was exceeded, reaching 49.6% in 2003.

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<sup>33</sup> All data are taken from International Monetary Fund and the International Development Association, *Ghana Enhanced Heavily Indebted Poor Countries (HIPC) Initiative Completion Point Document*, prepared by the Staff of the IMF and IDA, 15 June 2004.

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- Full economic pricing had been implemented in the electricity sector. This included lifeline pricing to ensure affordability for low-income users.<sup>34</sup>

Two recent developments are also particularly noteworthy. Expenditure on improving the lot of the poor increased significantly, reaching 6.9% of GDP in 2003, which was 2% higher than in 2001 and exceeded the annual amount saved through HIPC relief. Spending to assist the poorest sectors of Ghana's population now represents 24.5% of total government disbursement. Basic education and health expenditure has increased most rapidly, especially in deprived regions and amongst vulnerable groups. Secondly, Ghana's recent macro-economic performance has been encouraging. Whilst the GDP growth rate of 5.2% is the best in a decade, 12-month consumer price inflation had dropped from 23% at the end of 2001 to 11.2% in April 2004. In 2003 a current account surplus of 1.75% of GDP was achieved, with gross international reserves equivalent to four months' imports. This performance was made possible by robust cocoa prices and strong exports.<sup>35</sup>

Despite the relative success of Ghana's HIPC programme,<sup>36</sup> the World Bank remains acutely aware of the often corrosive regional context within which Ghana operates, and the ever-present possibility that it might derail the country's recovery and development. The region is described by the World Bank as a 'high risk; high transaction cost' environment. The Ghana Country Assistance Strategy (CAS), which is grounded on the Strategic Framework for International

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<sup>34</sup> An automatic price adjustment mechanism for the petroleum sector was not implemented. Prior to the December 2004 elections, this was perceived to be likely to prove socially and politically disruptive (i.e. unpopular with the electorate).

<sup>35</sup> IMF & IDA, *Ghana Completion Point Document*, *op. cit.*, pp.6–10.

<sup>36</sup> That HIPC has been a success is contested by academics and civil society organisations in Ghana. The HIPC Watch Project of the Social Enterprise Development Foundation of West Africa (SEND Foundation) is one such grouping of 30 CSOs that are critical of both the conceptualisation and the performance of the GPRS/HIPC initiative, particularly with respect to how the GPRS/HIPC social development and poverty reduction offset is spent.



Development Assistance in Africa (SFIA) and the West Africa Regional Integration Assistance Strategy (RIAS), takes cognisance of these threats. The RIAS was drafted in Bamako, Mali, in March 2001, and rests on four principles. The first is *subsidiarity*, meaning that national programmes and the Bank's assistance to Ghana should enjoy primacy, save in instances where regional initiatives hold a greater probability of success. (The Ghana CAS also acknowledges regional potential, such as the advantages of policy harmonisation amongst the members of the Economic Community of West African States — ECOWAS). The second principle is *the primacy of the private sector*, as the leading beneficiary of regionalism. It has thus become increasingly important for this sector in Ghana to become involved in the design, planning and implementation of Bank-sponsored programmes. *Pragmatism and progressivity*, the third, means that whilst the Bank will work directly with ECOWAS and the West African Economic and Monetary Union (*Union Economique et Monetaire Ouest Africaine* — UEMOA), it will do so particularly with a sub-set of West African countries in a multi-country strategy. This is in preference to dealing with all 15 ECOWAS countries and all seven UEMOA members at the same time. Finally, the Bank is increasingly committed to *working with other donors and agencies* in Ghana. These include the IMF, the United States Agency for International Development (USAID) and the Department for International Development (DFID). The Bank seeks to harmonise such efforts within Country Assistance Strategies (CASs). It is notable that, within the region, RIAS is responsible for 40% of analytical and advisory activities (AAAs). This is strongly reflected in the Bank's Ghana CAS.

The SFIA is predicated on the rejection of a 'business as usual' approach for the Bank's engagement with Africa. It is also an implicit admission of the shortcomings of previous models. Significantly, the SFIA notes that for success, development programmes must increasingly be 'owned' by Africans. Ghana has not only taken responsibility for its development strategies: it has strengthened its engagement with the international donor community by improving the co-ordination between the government, domestic stakeholders and the

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donors in the design, roll-out and implementation of development programmes. For example, in preparation for the Bank's new CAS in June 2003, the Institute for Economic Analysis organised five regional workshops that were attended by over 400 representatives of civil society (including NGOs, trade unions and women's groups) in order to broaden and legitimise the authorship of the CAS by Ghanaians.

The SFIA is founded upon four pillars:

- reducing conflict and improving governance;
- investing in people;
- increasing economic growth and enhancing competitiveness; and
- improving aid effectiveness.

Ghana has recently performed well on all four fronts. For example, since 1983 the country has enjoyed over two decades of peace and political stability, and has suffered no outbreaks of widespread social unrest and civil strife — an exception in West Africa. Maintaining good governance has been a priority of the Ghanaian government since the country returned to constitutional rule in 1992, but has enjoyed particular attention since the election to office of the Kufuor-led NPP government in 2000. That a peaceful change of government could occur through free and fair elections in 2000 and again in 2004 is a mark of the country's high standards of political governance. The focus on non-financial modalities for development plans is also significant for Ghana, as the country has increasingly emphasised human capacity-building in its development programmes. Economic growth rates have been positive, although peaking at 5%. From 2000 the Kufuor government announced the launch of a 'Golden Age of Business', which was accompanied by a number of Presidential Initiatives aimed at boosting economic growth and employment.<sup>37</sup> In terms of aid effectiveness, Ghana is developing as a model for both the improved co-ordination of international development aid and the

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<sup>37</sup> For example the cassava project, a Presidential Initiative, aims to create 60,000 new jobs.

channelling of such aid into poverty reduction programmes and medium-term expenditure frameworks.

Equally pragmatic are the 12 substantive axioms the SFIA takes into account. Among them are: 'fighting poverty is the goal'; 'economic growth is necessary'; 'development is multi-faceted'; 'diversity demands flexibility'; 'ownership is the key to sustainability'; 'the global environment matters'; 'capacity remains a critical constraint'; 'HIV/Aids is more than a health issue'; and 'gender and sustainability are development issues'. Of particular relevance to Ghana is that the SFIA also takes cognisance of six operational prescripts: be selective; work better with partners; move toward pragmatic support; devise and scale up innovative approaches; define and monitor results and evaluate performance; and streamline business processes.

The centrepiece of the donor community's Ghana development strategy is the World Bank's CAS, which was designed as a developmental programme to help meet the objectives of the Ghana Poverty Reduction Strategy (GPRS). It is founded on three pillars, each of which supports a corresponding pillar of the GPRS. The first is sustainable economic growth and employment generation. Ghana has repeatedly hit an economic growth ceiling of 5%, and has exceeded this rate only three times in 22 years. This rate of growth needs to be accelerated to 7–8% and sustained, if there is to be any realistic expectation that the MDGs can be reached. The Bank continues to encourage the disciplined management of public finances to ensure macro-economic stability, as a prerequisite for sustaining poverty reduction programmes. A decrease in domestic debt from 29% of GDP in 2002 to 14.8% in 2005 and an increase in expenditure on the needs of the poor by 3% per annum until 2007 are sought.

The second CAS pillar is human development and service provision. The aims identified are: tackling the HIV/Aids pandemic; increasing basic literacy and numeracy (particularly in deprived districts); improving the nutrition and health of communities (including bringing down infant mortality rates); reducing the incidence of malaria; and providing better obstetric care.

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The third pillar is the improvement of governance and development. This includes the strengthening of parliament to perform its oversight role; enlarging the capacity of civil society to contribute to policy formulation and provide feedback; and raising levels of transparency, accountability and efficiency in public institutions.<sup>38</sup>

Whilst these principles form the support system for the World Bank's CAS for Ghana, many of the core activities they entail are carried out in Accra in collaboration with international diplomatic missions, other aid agencies and NGOs. Ghana enjoys extensive bilateral relationships with Canada, Denmark, France, Germany, Italy, Japan, Netherlands, Switzerland, the UK and the US.<sup>39</sup> Important multilateral donors include the African Development Bank, the European Union (EU), the Food and Agricultural Organisation (FAO), International Fund for Agricultural Development (IFAD), the International Labour Organisation (ILO), the Nordic Development Fund, the UNDP, the United Nations Children's Fund (UNICEF) and WHO. In the case of pillar three, for example, the strongest governance programmes (particularly those aiming to strengthen parliament) are run by USAID, in collaboration with a number of NGOs. Again, the German foundations have been particularly active in building competence in civil society organisations to address issues such as governance and gender.

Of particular significance are the steps Ghana has taken to co-ordinate, institutionalise and prioritise its relationship with the donor community. The cornerstone of the new development matrix is the Multi-Donor Budget Support (MDBS) framework agreement,<sup>40</sup> which has recently achieved greater co-ordination with the objectives and programmes established through the GPRS.<sup>41</sup> For its part the

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<sup>38</sup> *The World Bank Country Assistance Strategy for Ghana 2004–7*, Country Department 10, Africa Region, The International Finance Corporation Sub-Saharan Africa Department, Report No. 27838-GH, 20 February 2004, pp.27–28.

<sup>39</sup> China and India have recently introduced co-operation programmes with Ghana.

<sup>40</sup> A schematic depiction of the framework is provided in Appendix II.

<sup>41</sup> The overall matrix of the Bank's activities according to the CAS is shown in Appendix II.

government has formed a mini Consultative Group to discuss matters of mutual interest with members of the donor community. Heading the government's team within the Group is the minister of finance. Currently 14 comprehensive development framework sectoral partner groups are active, each of them led by a representative of the relevant ministry. This has resulted in better co-ordination, the avoidance of duplication and more effective focus. It has also allowed individual donors and multilateral agencies to focus on what they do well, and to build on the lessons learnt from their previous sectoral (or regional) experience. Importantly, these groups establish focal points to which donors and members of civil society or government can turn to share information and improve co-ordination. One of the better examples of this collaboration is the establishment of the Common Health Account, which is managed by the Ministry of Health. Some 60% of total external financial support to the health sector is directed into this account. The same model is now being piloted within the education sector.

Despite these positive developments, Ghana remains heavily aid-dependent. It still represents the World Bank's largest programme commitment in Sub-Saharan Africa, amounting to a high case scenario of \$1.4 billion over four years. Ghana, in turn, is adept at managing its special status with a community it knows has a vested interest in its success. The relationship is also paradoxical, however, as the avowed objective of both the Ghanaian government and the donor community is to obviate the need for aid dependency. The developmental 'holy grail' is to forge a relationship and set of integrated programmes that will generate a Ghana-owned, self-sustaining developmental paradigm. This in turn will eventually wean the country from its addictive donor dependency. Currently, however, the donor community has not only channelled its support into the country's developmental and budgetary programmes, but has permeated the very fabric of modern Ghanaian

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society. The degree of Ghana's external dependence over a period of five years is indicated below.<sup>42</sup>

	1996	1997	1998	1999	2000
<b>Central government development budget</b>					
Domestically financed (%)	42.0	37.0	15.6	26.3	46.7
Foreign financed (%)	58.0	63.0	84.4	73.7	53.4
<b>Foreign debt service</b>					
GDP (%)	5.5	5.0	4.2	4.8	4.6
Tax revenue (%)	33.5	34.0	28.0	34.5	31.1

Donor aid to economic services and infrastructure budgets in 2001 was as follows: agriculture 86%, energy 90%, industry 72%, water 76% and roads 76%. The proportion of international budget support declined to some 45% in 2003–04. Whilst it would be an exaggeration to argue that, *sans* the donor community, Ghana would regress into a failed state, the withdrawal of such support would result, in the short to medium terms, in reversals in key infrastructural, health, education and governance programmes. These would have deeply damaging consequences for the country and potentially the wider region. They would also threaten the implicit and sometimes explicit operating assumption that a successful Ghana (achieving its core objective of becoming a middle-income country) will operate as a bastion for stability, good governance and enhanced development in West Africa. The logic is that should Ghana achieve this middle-income status, the donor community would then be free to turn its collective attention to less developed countries in the region, building on the lessons learnt and successes achieved in Ghana.

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<sup>42</sup> Government of Ghana, NPDC, *Ghana Poverty Reduction Strategy*, Fourth Draft, 22 January 2002.

## **Ghana, good governance and the international community**

Ghana has also earned a reputation as a haven of good governance in West Africa. The concept of governance and, more particularly, its value-laden construct 'good' governance, is a relatively new (and ill-defined) one. The term was first broadly used by the World Bank in its 1989 sub-Saharan Africa Report, which characterised the region as suffering from a 'crisis of governance'.<sup>43</sup> Santiso notes that increasingly, good governance has become both an objective and a condition for development assistance. However, in part owing to the prescripts of its Charter, which preclude the World Bank from taking political considerations into account in aid policy design, the Bank originally pursued economic and technocratic programmes to bring about good governance. Yet since 1996 the Bank has pursued some 600 governance programmes in 95 countries, including Ghana. There has been a progressive and necessary broadening of the understanding of governance as well as an acceptance that good governance cannot be separated from the establishment, strengthening and deepening of democracy. Thus there are now two dimensions to understanding the concept, both of which apply to Ghana. The first centres on bolstering the administrative capacity of the state to carry out both basic and developmental functions. Thus many of the Bank's earliest governance programmes in Ghana centred on such areas as public sector reform, the modernisation of public administration, financial management and the privatisation of state enterprises. The second operational definition emerged from a recognition of the artificiality and impracticality of a purely theory-bound approach to governance in the absence of a qualitative improvement in the behaviour and practices of the ruling regime. Beyond capacity-building and the pursuit of formulaic economic strategies, good governance necessitated the improvement of legal systems, transparency and accountability; and a broader participation in the overall management of the state and the public

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<sup>43</sup> Santiso C, 'Good governance and Aid effectiveness: The World Bank and conditionality', *The Georgetown Public Policy Review*, 7, 1, Fall 2001, p.5.

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sector. This shift has been central to the Bank's more recent activities in Ghana. By 1999 the Bank's policy analysts had distilled good governance into the following five criteria:

- effective government, including the quality of policy-making and implementation;
- a sound regulatory environment;
- an independent judiciary and control over corruption;
- the rule of law and protection of property rights; and
- a politically stable and accountable government that protects civil liberties.

The historical lack of definitional clarity relating to good governance (and the resultant operational and programmatic weaknesses) was significant for Ghana. The absence of a political and explicitly pro-democracy thrust to the Bank's earliest governance programmes allowed it to work constructively with the Rawlings government, its questionable democratic credentials notwithstanding. In a less benign interpretation, the lack of an explicit democratic governance dimension to the Bank's programmes also permitted the Rawlings government to continue operating between the boundaries of democracy and autocracy until it was voted out of office in 2000. One of the peculiarities of recent Ghanaian history is that despite the distinctively mixed picture of governance and fiscal rectitude on the part of the Rawlings-led NDC government from 1992–2000, the working relationship between it and the World Bank was generally sound and constructive. Moreover, the earlier socialist/non-aligned Rawlings government was far from immune to the tectonic changes that were occurring, both in global politics and economic orthodoxy in the post-communist era. Consequently, the overall trajectory of the NDC under the watchful eye of the World Bank and donor community was towards economic liberalisation and greater democratic constitutionality.

The election of John Kufuor and the NPP in 2000 heralded the first period in which the Bank and the Ghanaian government were



philosophically *ad idem* on all the key tenets of desirable development, democracy, good governance and economic policy. The NPP is the inheritor of the Busia–Danquah tradition, which, in broad terms, is politically loosely neo-conservative and economically liberal, tending to favour free-market policies that promote the interests of the bourgeois, business, trading and land-owning classes. This political tradition is avowedly western in its orientation, and has eschewed socialist and indeed populist prescriptions.<sup>44</sup> Furthermore, having been excluded from political office by Rawlings in his military and party-political incarnations, the NPP came to power relatively free of the baggage of corruption, profligacy and human rights abuses accumulated by its predecessor.<sup>45</sup> In his first ‘State of the Nation’ address, Kufuor announced a policy that would show zero tolerance of corruption. The presidency has also launched a national governance programme as a full-fledged Presidential Initiative. Fast-track courts have also been established to tackle high-value, high profile white-collar crime.<sup>46</sup> The country now ranks as the fourth least corrupt in sub-Saharan Africa on the Transparency International Corruption Perceptions Survey.

In 2001 Ghana convened a meeting of ECOWAS justice ministers and sponsored the Accra Declaration against corruption and related crimes, later adopted as an ECOWAS protocol. Ghana is a signatory of the African Union’s convention against corruption, and in 2003 acceded to the African Peer Review Mechanism. Whilst the Bank found that it had an ‘easier’ partner administration with which to work

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<sup>44</sup> For example, in stark contrast to Nkrumah’s anti-apartheid policies, Busia favoured a form of ‘constructive engagement’ with apartheid South Africa, although his cabinet eventually overruled him.

<sup>45</sup> Kufuor served briefly as a deputy minister in the Rawlings government. This to some degree complicated the politics of the National Reconciliation Commission instituted by Kufuor to examine human rights abuses under previous regimes and administrations.

<sup>46</sup> The constitutionality of the fast-track courts was tested in court, with the government losing the first round of cases. However, their constitutionality has subsequently been accepted.

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after December 2000, the Kufuor administration also saw the need to re-examine the policies and programmes initiated by the NDC, including the Ghana Vision 2020<sup>47</sup> developmental blueprint. Following the formation of a new cabinet, this re-evaluation process translated into the appointment of new staff, advisers and analysts, and consequently led to more delays in planning and implementation. Despite these setbacks, within 15 months of coming to office the Kufuor government had overseen the drafting of the GPRS, a crucial trigger in Ghana's reaching its HIPC decision point.

## **Government, civil society and the international community**

Of significance to a study of Ghanaian best practice is the increased synchronicity between programmes of the Bank, the donor community, government development planning and civil society. One strand of this helix of development is largely economic; the other, avowedly political. One of the significant changes in the Ghanaian polity has been a (sometimes interrupted and fraught) shift away from autocratic and technocratic policy design and enforcement, towards an ethos and practice of consultation and consensus. Whilst the Bank's engagement with Ghana's economic reform programme permitted a largely technocratic, expert-driven approach, this was brought to an abrupt halt by popular protest against the government's introduction of value added tax in May 1995. During the protests five people were shot dead, and the long-serving minister of finance resigned. The government and indeed the Bank were confronted with the reality that whilst such technically-driven economic reforms were quicker to implement, sustainable policy reform in Ghana required broad consultation, consensus and public approval. It was at this point that the artificial boundaries between economic reform, governance and democracy became blurred and tenuous. Stated differently, after 1995

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<sup>47</sup> Republic of Ghana, *Ghana — Vision 2020 (The first step: 1996–2000), Presidential Report to Parliament on Co-ordinated Programme of Economic and Social Development Policies (policies for the preparation of 1996–2000 development plan)*, Accra, 6 January 1995.

neither the Bank, nor (more importantly) the NDC government could any longer maintain a 'business as usual' approach to economic policy, development and democracy.

Thus a crucial element to international engagement with Ghana, certainly since the 1996 elections, has been support for, and capacity-building with, civil society. This has produced two significant dividends. Firstly, the establishment of independent policy centres and think tanks has aided government consultation with civil society and legitimised subsequent decision-making. For example, the government worked closely with a number of economic and public policy think tanks on the formulation of the document before presenting the Ghana 2020 Vision document to parliament for approval. Clearly such consultation remains at the level of experts, albeit in the private sector, but it represents a significant step towards legitimising and entrenching public participation in policy-making.

Later the National Development Planning Commission, along with the International Institute for Environment and Development, conducted a status review of the National Strategies for Sustainable Development (NSSD), which had used Ghana as one of five case studies on developing countries. The aim was to help develop an understanding of international best practices in NSSD design and implementation. In 1997 the Bank broadened its policy engagement further through the formation of the Structural Adjustment Participatory Review. In the same year it helped to establish the Centre for Economic Policy Analysis. In a further positive development in 1999, the Bank commissioned a report by the Centre for the Development of People in the Ashanti capital, Kumasi, as part of its 20-country 'Consultations with the poor' survey. This was conducted in preparation for its poverty and development recommendations for the 2000–01 World Development Report. Data for the report were collected via 44 rural and 12 urban discussion groups. In addition, 40 individual case studies, 30 from rural and 10 from urban areas, were undertaken. Not only were the findings of the research fed into the Global Synthesis Workshop of the World Bank, but they were used in the preparation of the Ghana Participatory Poverty Analysis.

The most comprehensive of these public consultation processes took place during 2000–02 in preparation for the GPRS. As a first step, a Participatory Poverty Analysis (PPA) was administered in 36 sample communities from 14 districts and six regions. The preparatory phase of the GPRS was also anchored by a series of technical consultation and technical workshops. Draft reports were presented to the latter, which were attended by donors, members of government ministries, departments and agencies (MDAs), NGOs and civil society. These workshops not only invited contributions from a broad cross-section of Ghanaian society, but also ensured better co-ordination in the drafting of a mutually reinforcing set of programme objectives. A Civil Society Forum was convened to offer suggestions to the National Economic Dialogue, and these were used in the formulation of the Poverty Reduction Policy Framework (PRPF). The latter was then presented as a draft to development partners and MDAs. At the stage of integrating the PRPF with the Medium Term Expenditure Framework, consultations and workshops were again held with government officials and representatives of civil society. A final set of consultation workshops was held in the regions with political parties, after which the GPRS was finally presented to parliament for approval.<sup>48</sup>

Despite this degree of broad-based consultation between the Bank, donors, the government and civil society, the process did not escape criticism. Surveys conducted by the DFID show a low awareness of, and engagement with, the GPRS formulation process in a broad section of civil society, including journalists.<sup>49</sup> Furthermore, Ghanaians questioned were highly sceptical of both the then government's commitment to poverty reduction and of the likelihood that the GPRS would improve the living conditions of the poor. Those elements of civil society that were informed about the GPRS were often unsure about the modalities of engagement and input. Civil society involvement in the GPRS process was also hampered by problems of access to relevant information. Little attention was paid to consultation

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<sup>48</sup> Government of Ghana, *GPRS Fourth Draft*, 22 January 2002, p.8.

<sup>49</sup> *Civil Society Participation in Poverty Reduction Strategy Papers*, *op. cit.*, May 2000.

with, or granting a role to, traditional leaders in the drafting and implementation of the GPRS. Furthermore, the selection and composition of the five 'Core Teams', which dealt with the macro-economy; gainful employment/production; human resource development/basic services; vulnerability and exclusion and governance, were selected on a less than transparent basis. It has also been argued that the Core Teams lacked the governmental institutional support required to achieve optimal results in preparing the GPRS.<sup>50</sup> The involvement of the donor community in the GPRS was also uneven, with countries being bifurcated into an 'in' group that was invited to contribute to the Core Teams, and an 'out' group that was not.

The GPRS has also been criticised on a number of substantive grounds, fundamentally on the perceived disconnection between the analysis of the poverty problem and the formulation of policy. The GPRS regards decentralisation as the key mechanism for the implementation of poverty reduction policies, but underestimates the capacity and institutional limitations that affect the devolution of duties from the National Development Planning Commission to regional or local authorities. It is further contended that the Core Teams failed to disaggregate the statistics and data gathered to allow for more precise targeting of programmes, particularly in those regions most in need of development. Given the disadvantaged position of women and children in Ghana, the GPRS is also regarded as superficial in its analysis and prescriptions. Women and children are treated as a subset of the 'Special Programmes for the Vulnerable and Excluded', and warrant little discrete attention within the Strategy.<sup>51</sup> Finally, the linkage between environmental and social questions, which is crucial

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<sup>50</sup> The most thorough critique of the GPRS is to be found in Killick T & C Abugre, *PRSP Institutionalisation Study: Final Report. Chapter 3, Institutionalising the PRSP Approach in Ghana*, Submitted to the Strategic Partnership with Africa, 26 September 2001. The commentary in this paper draws heavily on Killick & Abugre's study.

<sup>51</sup> This lacuna has been recognised and remedied by the establishment of a Ministry of Women's and Children's Affairs.

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to both poverty reduction and the sustainability of livelihoods, is inadequately addressed. This dimension could also have acute implications for the exacerbation or reduction of conflict in urban, peri-urban and rural areas. The harmful effects in urban areas include inadequate housing, dilapidated or insufficient infrastructure and pollution; in peri-urban areas the environmental damage caused by mining activities; and in rural areas alarming rates of deforestation and land degradation attributable to commercial exploitation and the subsistence needs of the poor.

### **A regional return on donor investment?**

*The independence of Ghana would be meaningless unless it was tied to the total liberation of Africa.*

Kwame Nkrumah

Finally, given its consistently high profile in West Africa, Africa and (to a degree) world affairs, Ghana has the potential to make a regional return on the investment made in it by the international community. Today it is easier to detect Nkrumah's pan-African legacy in Addis Ababa than in contemporary Ghana, but it was his vision of pan-Africanism, more than that of any other African leader, that led to the founding of the Organisation of African Unity (OAU) in Addis Ababa in 1963. Moreover, Nkrumah was *primus inter pares* in championing the cause of national liberation and in particular leading the struggle against the apartheid government in South Africa. Indeed, under Nkrumah, Ghana became both an inspiration and refuge for liberation movements across the continent.

Ghanaians, ranging from political leaders and opinion-makers to the citizenry, are highly conscious of both their special African liberation credentials and their country's peaceful and stable image and status vis-à-vis those of their neighbours. Every West African coup d'état, every civil war, every ethnic or religious conflict, every insurgency, every secessionist struggle, every illegal act committed by an organised crime network and indeed every national strike in the region sets

Ghana apart from its neighbours. This perception exists not only in the collective psyche of West Africa, but (equally importantly) in the donor community. With the exception of the internecine violence amongst the Dagomba in the Northern Region, contemporary Ghana is characterised by a condition of settled (if occasionally fragile) peace.<sup>52</sup> Even where conflict has broken out, it has not spread; nor has it cleaved to religious or purely ethnic lines.

Ghana was a founding member of ECOWAS, which at the time of its creation in 1975 consisted of 16 (now 15) countries. Ghana became its chair in 1994 under President Rawlings, and again in 2004 under President Kufuor. Ironically, during their respective terms in the chair, both Rawlings and Kufuor mediated in crises in Liberia. Ghana was also a founding member of the OAU's successor, the African Union (AU). It is a member of the Non-Aligned Movement and of the Commonwealth. Ghana also has a seat on the New Partnership for Africa's Development (Nepad) West African Heads of State and Government Implementation Committee.

Ghana's progressive approach to regional and pan-African relations is manifest in the work of the Ministry of Regional Co-operation and Nepad Co-operation (MRCN). The overarching objective of this body is to implement the GPRS effectively. Functionally it acts as the co-ordinating institution responsible for all national development policy and planning. The Ministry is also the pivotal government linkage point for the synchronisation of aid agencies, the World Bank and the IMF. Moreover it oversees Ghana's implementation of ECOWAS protocols, such as those relating to trade liberalisation and regional transport networks. It also serves as the ministry that introduces ECOWAS protocols to parliament for ratification. A particularly progressive dimension of the MRCN's pan-African activities is the leading role it has played in integrating domestic and regional policy

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<sup>52</sup> The Dagomba conflict can be traced back over two centuries. Tensions and violence in the north-eastern town of Bawku, have in the past been triggered by national electoral party campaigning, and have tended to flare up during national elections and then subside or smoulder during the interim.

with Nepad's objectives. The Ministry has convened a series of workshops and forums on Nepad and the APRM with parliament and civil society groups, to familiarise Ghanaians with the principles promoted by Nepad. It has also been instrumental to Ghana's decision to take part in the African Peer Review Mechanism (APRM).

Since taking office in January 2001, President Kufuor has embarked on more than 80 trips outside of the country. Whilst this has led to criticism from both the political opposition and commentators, the government has justified the president's travelling programme as one aimed at investment promotion, and one that has borne fruit.<sup>53</sup> In part pre-emptively and in part to assert his own presidential identity, Kufuor's first international sorties were to the country's regional neighbours Togo, Benin, Burkina Faso, Côte d'Ivoire, Nigeria and Mali.<sup>54</sup> Ghana's relations with its neighbours have been characterised by periods of tension, competition, xenophobia and healthy co-operation. Both Kwame Nkrumah and Jerry Rawlings were accused of undermining the leadership of their more conservative neighbours in Côte d'Ivoire and Togo at various times. Relations with Burkina Faso, whilst warm during Thomas Sankara's reign, cooled after his assassination in 1987 and the support Burkina reportedly gave to Charles Taylor's Liberian rebels during the outbreak of the 1989 Liberian civil war.

Due to Nigeria's regional dominance, however, it is relations with that country that are most significant for Ghana. The West African behemoth has been, and remains, an occasionally difficult regional

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<sup>53</sup> For example, it is claimed that Kufuor's 2004 trip to the United Kingdom yielded £156 million worth of assistance to Ghana, which was directed towards development, primary education, and support for the Kofi Annan Peace Keeping and Training Centre in Accra. Significantly, however, no claim was made that the trip generated direct British investment into Ghana. See Kwaku Obeng T, 'Kufuor's travels yield dividend', <http://www.ghanaweb.com/GhanaHomePage/features/artikel.php?ID=57166>.

<sup>54</sup> Kufuor's predecessor, President Rawlings, was sarcastically described by his critics as 'Nigeria's Foreign Minister', denoting the close if sometimes fraught relationship between the two countries, particularly during General Sani Abacha's rule.



neighbour. For example, it is the major supplier of petroleum to Ghana, historically supplying up to 90% of its needs. Yet relations between the two countries were severely strained in 1983, when Nigeria expelled one million Ghanaians, followed in 1985 by the repatriation of a further 300, 000. This external shock came during a period of drought and severe economic problems in Ghana. Furthermore, whilst Rawlings' coups led to Ghana's suspension from the Commonwealth and strained relations with neighbours and foreign benefactors alike, Nigeria's own fraught political record (particularly under the military rule of Generals Babangida from 1985 and Abacha from 1993) made it difficult for the two countries to maintain stable and constructive relations. However, economic ties between them are likely to be strengthened by the completion of the West African gas pipeline, and the political relationship between President Kufuor and his Nigerian counterpart, President Olusegun Obasanjo, is strong.<sup>55</sup>

International faith and political investment in Ghana has also been enhanced by the country's exemplary track record in peace-keeping, principally in Africa, but further afield as well. In 1960 the country undertook its first peace-keeping commitment under the United Nations flag in Congo Leopoldville (now the Democratic Republic of Congo — DRC). Notably, Ghana sent troops to the Congo within 48 hours of the passage of the UN Security Council resolution mandating its mission there. Since then, some 80,000 Ghanaians have served in 30 peace-keeping missions. One of these was in Rwanda, where the Ghanaian-commanded contingent remained *in situ* despite being ordered to withdraw by the UN.<sup>56</sup> One hundred and twenty Ghanaians have lost their lives in peace-keeping missions to date. In addition to the well-publicised role played by Kofi Annan as Under-secretary for Peace Keeping at the UN, Ghanaians have twice commanded the UN peace-keeping force in Lebanon. They have also served in the

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<sup>55</sup> The opposition NDC party was critical of the political support allegedly provided to Kufuor by Obasanjo during the December 2004 election campaign.

<sup>56</sup> The latest of these missions is in Darfur, Sudan, where a Ghanaian contingent forms part of the African Union monitoring force.

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Economic Community of West African States Monitoring Group (ECOMOG) in Liberia and Sierra Leone. In June 2003 the US provided Ghana with \$4 million to fund its peace-keeping initiatives in Côte d'Ivoire as part of the ECOFORCE contingent. The UK also gave Ghana financial support for its peace-keeping efforts during and after Prime Minister Blair's visit. This faith in Ghana as a regional stabilising force was confirmed by the establishment in Accra of the Kofi Annan Peace Centre, which is supported principally by the UK, Germany and the Netherlands.

Yet despite the country's internationally respected status, that so many of Ghana's most qualified and talented nationals elect (or are forced by circumstance) to emigrate, or temporarily find work beyond its borders, remains a cause for concern. The emigration of highly-qualified Ghanaians represents a loss of scarce human capital and a massive opportunity cost to the country. In purely financial terms, however, there are two sides to this phenomenon. Whereas the loss to the Ghanaian economy of its educated talent is incalculable, repatriation of funds from Ghanaians living outside estimated to be \$500 million represent the third-largest contributor to GDP. Ghanaians continue to be driven out of the country by abject domestic circumstances and lack of opportunity. This makes offers of employment in other countries particularly attractive, especially to members of the professional classes. It is unlikely that this trend can be reversed in the medium term, because a profound change in life chances for Ghanaians and for the professionally-qualified in particular would be required to make it possible.

In recognition of this reality, the Rawlings government passed the Citizenship Act in 2000, which permits Ghanaians to hold dual citizenship.<sup>57</sup> The Kufuor government subsequently took the pragmatic decision to strengthen and leverage relations with its extensive diaspora. A 'Homecoming Summit', co-ordinated by the Ghana Investment Promotion Centre (GIPC) on behalf of the government, was

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<sup>57</sup> Despite this 'progressive' step, concerns remain that the Act effectively confers second class citizenship on those holding dual nationality.

held in April 2001,<sup>58</sup> following an intensive international information and marketing campaign. The aim of the exercise was to locate all members of the Ghanaian diaspora and to invite them back to Accra to discuss ways of formalising investment linkages. The objectives of the Summit were use its nationals living abroad to:

- promote and to boost direct and indirect investment into Ghana;
- bring back expertise and a productive work ethic into Ghana; and
- reinforce western experiences of democracy and good governance (including a zero-tolerance approach to corruption).<sup>59</sup>

Beyond developing a useful database and sensitising Ghanaians belonging to the diaspora with regard to the greater role they could play in the post-Rawlings Ghana, any concrete outcomes of this initiative have yet to materialise.

## **Conclusion**

Ghana's post-colonial history has encapsulated the best and the worst of times. Measured against important developmental, social, economic and political criteria, Ghana enjoyed considerable comparative and competitive advantages with respect to its regional and continental peers when it gained independence. It appeared to possess the necessary qualities to become Africa's first post-colonial success. Instead it regressed to the point of state failure. The only calamity it avoided was civil war and famine. Although much of this developmental failure can be ascribed to structural weaknesses that had been deepened and exacerbated by colonialism, it was equally the result of a succession of overly-ambitious and arguably inappropriate domestic policies in the era following independence that brought the

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<sup>58</sup> Ironically, the organisers of the Homecoming Summit advertised that they were unable to pay for the hosting of the event owing to austerity measures. They therefore called for (and received) commercial and other sponsorship.

<sup>59</sup> See for example, 'Positive contributions for positive change in Ghana: The Homecoming Summit', <http://www.ghanareview.com/Homecoming>.

state to the point of near collapse. Development was further retarded not only by the frequency of regime change prior to 1983, but by the efforts of each successive regime to reverse, abandon or 'correct' the programmes of its predecessor. Each change of administration was also accompanied by a re-orientation in the country's relations with the international financial institutions and with the donor community. In summary, Ghana suffered not only from discontinuity, but (more importantly) from developmental disorientation.

Having reached a political tipping point in 1983, the Rawlings-led regime (later the country's government), made a profound and ultimately determinant shift away from ideological and programmatic radicalism and towards socio-economic pragmatism. For some 20 years since the Economic Recovery Programme was introduced, Ghana has broadly pursued and adhered to (although in a highly uneven manner) the prescripts of successive incarnations of structural adjustment. Concomitantly, the country has shown all the classic signs of structural adjustment, including greater fiscal discipline, lower rates of formal employment and modest, yet positive, growth. Most of all it has maintained general socio-economic stability (occasionally threatened by exogenous shocks). More recently Ghana has approximated a high case scenario for countries pursuing a Washington Consensus model of economic development. Increasingly Ghana and the Bretton Woods institutions have moved towards a position of collaborative developmental policy design and implementation. Under the 'governance-orientated' conditionalities imposed by the Bank and indeed the international donor community, Ghana returned to constitutionality in 1992, and made its most dramatic democratic leap in 2000, when power was peacefully transferred from Rawlings's NDC to John Kufuor's NPP. Democracy was further consolidated in 2004 by the peaceful re-election of Kufuor and the NPP.

The high point of Ghana's engagement with the Bretton Woods institutions and the donor community has been the successful design of a multi-donor budgetary support programme, which holds the potential for even better policy prioritisation, co-ordination and

implementation. The close institutional collaboration between the government of Ghana and the donor community, particularly since 2001, would seem to approximate a best practice case. Even more encouraging has been the greater involvement of civil society in the conceptualisation, design and roll-out of development policy, from initiatives aimed at improving the lives of the poor to governance.

Finally, Ghana has the potential to become a best practice case of 'return on investment' for the international community, not simply domestically, but in the region as a whole. Ghana's recovery is likely to have a valuable demonstration effect. It will also permit the country to take advantage of its greater legitimacy to play an enhanced role in promoting development and stability in a chronically unstable region.

## Appendix I<sup>1</sup>

<b>Ghana's post-colonial governments</b>			
<b>Name and type of regime</b>	<b>Date</b>	<b>Leader</b>	<b>Main elements of development strategy/policies</b>
Convention People's Party (CPP), liberal-democratic turned authoritarian, pro-East and anti-West	1957–1966 (9 years)	Kwame Nkrumah	Structural transformation and economic nationalism: state-led industrialisation and large-scale capital intensive agricultural schemes, distrust for peasant agriculture, state regulation and control of the economy, social redistribution and egalitarian system, anti-local capitalism
National Liberation Council (NLC), military dictatorship, pro-West and anti-East	1966–1969 (3 years)	General A Ankrah	Gradualism and free-market economy: state sector activities restricted mainly to infrastructure and public utilities, a balance between agriculture and industry, stress on growth and efficiency, promotion of private foreign and domestic investment
Progress Party (PP), liberal democratic regime, pro-West	1969–1972 (25 years)	KA Busia	Gradualism and free-market economy: economic growth and efficiency, the promotion of private foreign and domestic investment but with emphasis on the development of indigenous entrepreneurial class

<sup>1</sup> Adapted from, Dzorgbo Dan-Bright S., *Ghana in Search of Development — The Challenge of Governance, Economic Management and Institution-Building*. Ashgate: Aldershot, 2001, p.292.

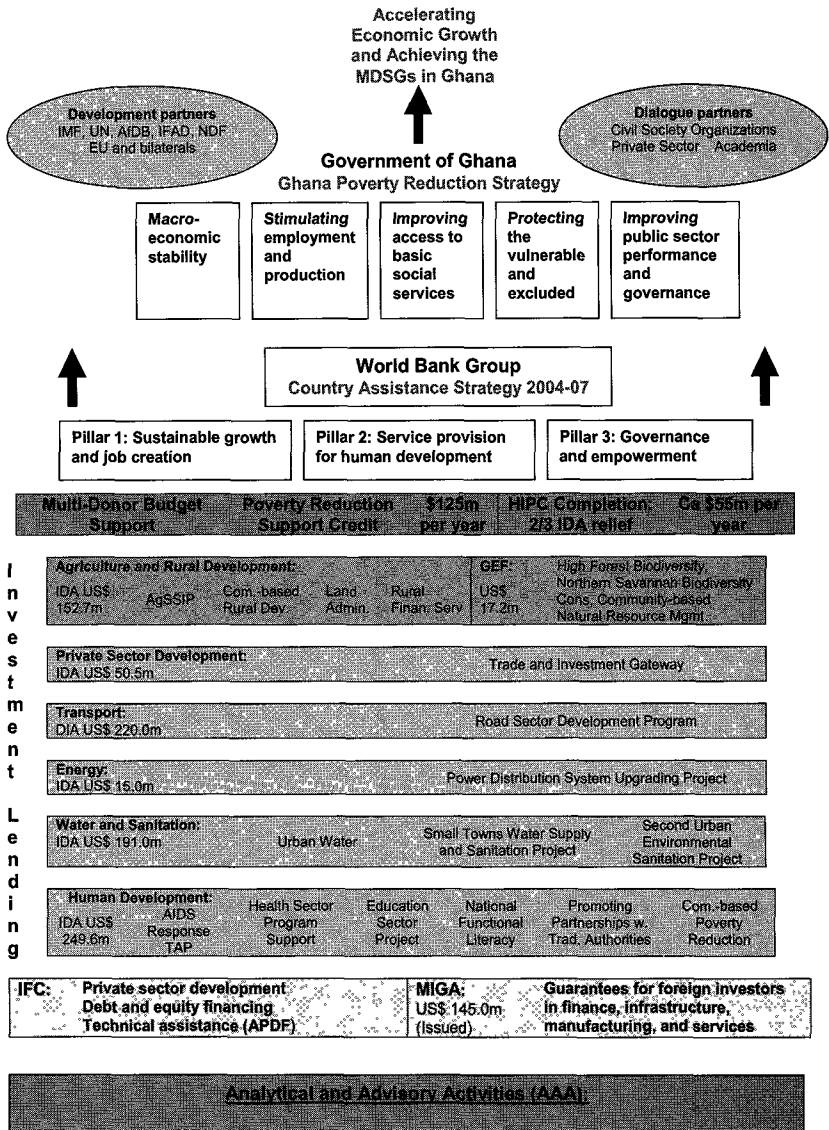
<b>Ghana's post-colonial governments (continued)</b>			
<b>Name and type of regime</b>	<b>Date</b>	<b>Leader</b>	<b>Main elements of development strategy/policies</b>
National Redemption Council and later Supreme Military Council, (NRC/SMC), military dictatorship, pro-East and anti-West	1972–1978 (6 years)	Col Acheampong	Re-etatisation of society: economic nationalisation and 'non-policy' regime, social re-distributive policies
Supreme Military Council II (SMC II), military dictatorship, pro-West	1978–1979 (1 year)	General Akuffo	Gradualism: free-market economy
Armed Forces Revolutionary Council (AFRC), military dictatorship, pro-East	1979 (112 days)	Fl Lt Rawlings	No development strategy, moral revolution: anti-corruption crusade, 'anti-commerce' and redistributive policies
People's National Party (PNP), liberal democratic, regime pro-West and East	1979–1981 (2 years)	Hilla Limann	Gradualism and free-market economy: promotion of private foreign and domestic investment
Provisional National Defence Council (PNDC), military dictatorship, pro-East and anti-West	1981–1983 (2 years)	Fl. Lt Rawlings	'Dependency'-inspired actions: class struggle, anti-business policies, confiscation of means of production and property as a prelude to socialism

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<b>Ghana's post-colonial governments (continued)</b>			
<b><i>Name and type of regime</i></b>	<b><i>Date</i></b>	<b><i>Leader</i></b>	<b><i>Main elements of development strategy/policies</i></b>
PNDC, military dictatorship and civilianised as National Democratic Congress (NDC)	1983–2000 (7 years)	Fl Lt Rawlings, later Mr Rawlings	Economic liberalism: free-market economy via a structural adjustment programme
New Patriotic Party (NPP), liberal traditionalist, orientation towards ECOWAS, OECD countries, China and Africa	2000–present	John A Kufuor	Economic liberalisation, HIPC completion, 'Golden Age of Business'



Appendix II



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# **Mozambique: External Engagement and Diplomacy**

Eduardo J Siteo, Florentino D Kassotche and Amílcar F Pereira

## **Introduction**

When talking about diplomacy as an instrument for the implementation of foreign policy, it is fundamental to place it in the context of a country's domestic and foreign policies. In the case of Mozambique, the reference point is 25 June 1975, when the country attained its independence. Indeed, during the first few years after that time, Mozambique had a slightly doubtful approach to aid from, and technical co-operation with, the West. This attitude was motivated by the suspicion that there were hidden motives behind the giving of aid. However, in the early 1980s the country began to receive significant amounts of assistance from Western governments, particularly the Nordic countries and the Netherlands. This support came as an addition to the privileged co-operation the country then enjoyed with the Eastern socialist bloc, especially the former Soviet Union, what was then East Germany (GDR), Bulgaria and Romania.

Mozambican diplomacy is thus a result of the country's political and strategic positioning during different phases of its history as a sovereign country. To begin with, as this paper indicates, immediately after independence, the country adopted a socialist model of social and political organisation, and this decision determined the pattern of foreign engagement and diplomacy that followed. However, faced with the harsh reality of war and a reduction in the state's capacity to survive as a viable entity, the government was forced to re-define its strategy a few years later. Fundamentally, the philosophy adopted at this time can be defined as an attempt geared towards 'reducing the number of enemies, and increasing the number of friends'. In this context, the ruling party had to persuade the international community of the authenticity of the changes in its philosophy. At the same time, it had to embrace both the multiparty system and the free market, of

which marked the effective integration of Mozambique into the ideological orientation of the Western bloc.

The real turning point, as this paper argues, came in 1985–87, when Mozambique joined the Bretton Woods multilateral financial institutions. This was followed by the introduction of a structural adjustment programme. As early as 1982, three years previously, Mozambique had started a new era in its relationships with Western countries. The main initiative of this quest for improved relations started in October 1983, with a presidential visit to Portugal, France, England, the Netherlands and Belgium. These visits aimed to clear up misconceptions in Europe as to the nature of the conflict in the Southern African region, which was then understood according to the prism of East-West confrontation. The critical intentions were to convince the West that Mozambique was not a dogmatic ally of the Soviet policy agenda, and to persuade investors from those countries to operate there.

These actions by the government gave Mozambique a new image. After serious reflection, the West decided to regard Samora Machel not as a convinced socialist, but a nationalistic, moderate leader. Following these changes the country became eligible for the re-scheduling of its external debt, and also became the beneficiary of a spectacular increase in aid. The Nordic countries and the Netherlands retained an important role, and the United States (US), the United Kingdom (UK), the European Community (EC), the International Monetary Fund (IMF) and the World Bank all started gaining prominence as donors from this time. The role of the United Nations (UN) agencies and of non-governmental organisations (NGOs) also became much more important. Subsequently, Mozambique had to agree with the idea of the 'Top Ten' (comprising ten external partners, known as the G-10: Belgium, Denmark, the EU, France, Ireland, Netherlands, Norway, Sweden, Switzerland, and the UK) countries, who provided direct budgetary support to Mozambique. These subventions covered about half of the government's budget and supported its balance of payments. The Top Ten also monitored Mozambique's use of its support, and checked on governance and bureaucratic procedures. The

role of the IMF and the World Bank was to be the observers of the reform process, and to act as advisers with the power to influence and determine the rules of the game.

This is the history — sometimes complex, often harsh for the people of the country — of Mozambique's foreign engagement and diplomacy. In the pages that follow, the socio-economic and political dimensions of Mozambique's recent history will be discussed at greater length.

## **The political context**

In a space of two decades, starting in 1984, Mozambique went through a series of political transformations. These to a very significant degree reflected not only the direction of world events but also the specific context of politics in sub-Saharan Africa, particularly in southern Africa.

To begin with, the ruling party *Frente de Libertacao de Mocambique* (Frelimo), ostensibly abandoned Marxism–Leninism as its official ideology, and moved closer to the traditional European parties of the Left. It quickly declared its membership of the social democracy network and aligned itself alongside the British Labour Party, the European socialist parties, and others. Subsequently, Frelimo announced that the regime would no longer follow a socialist orientation. Instead, it intended to move towards a liberal market economy. Obviously, these transformations cannot be entirely separated from the demise of the old Communist bloc, the disintegration of the Soviet Union itself, and the coming to an end of the apartheid regime in South Africa.

At the beginning of the 1990s, Frelimo decided to relinquish its one-party rule and instead enshrine the principle of multiparty politics in the country's constitution. Indeed, in the Rome 1992 Peace Accord between the Frelimo government and the then *Resistência Nacional Moçambicana* (Renamo) guerrilla fighters, the principle of 'free and fair multiparty elections' was established as a key political mechanism for the formation of subsequent governments. However, the context

within which these political transformations occurred in Mozambique set them apart from similar events in the former eastern European countries. The transformations in the former took place against the background of the violent political and military confrontations between the ruling party and its political opposition, which had marked the regime virtually since independence from Portugal in 1975. Following these events, in October 1994, Mozambique went on to hold its first multiparty general elections. These were reported by the UN as having been 'generally' free and fair.

So far three multiparty general elections have been held (in 1994, 1999 and 2004). On all three occasions the ruling party was returned to power, though a sizeable Renamo contingent was elected to Parliament (112 in 1994; 117 in 1999, and 90 in 2004, out of a total of 250 MPs). Local elections were held in 1998 and 2003. While Renamo refused to take part in the 1998 local elections (as did 15 other small parties), it contested the November 2003 elections as part of an electoral alliance with 10 minor political parties. These elections were contested by all parties. The novelty in the 2003 election results was that Renamo was able to secure majority in four municipalities out of 33. These, interestingly, included the second and third most important cities in the country: respectively Beira, in the central province of Sofala; and Nacala-Porto, located in the northern province of Nampula. Effectively, then, the political landscape in Mozambique is dominated by Frelimo and Renamo, the only parties with clear organisational structures and with physical representation in all districts of the country. Their mutual distrust plus their zero-sum style of politics in an environment where political institutions and multiparty culture remain weak mean that the democratic process in the country is still fragile and problematic.

Indeed in an assessment conducted by a team of researchers associated with the Population Studies Centre of the Eduardo Mondlane University in March 2003, a number of problem areas related to governance were identified. The first of these was the government's performance in sensitive areas such as education, health, citizens' security and justice, which is generally regarded by the



citizens as unsatisfactory. The second concerned the track record of the government in the economic domain. The most common responses indicated that the administration's effectiveness is 'obfuscated' by regional imbalances and its inability to remedy the situation. Third, what the researchers called the 'logic of patronage' and the authorities' unwillingness to fight generalised corruption were causes for concern. Fourth, the researchers reported that 'the apparatus of justice is weak, politically tendentious and inefficient'. The fifth problem area related to the questionable legitimacy of the existing political institutions in the country. Particular focus was placed on the lack of participatory mechanisms by means of which the citizenry can be involved in the process of governing the country. Finally, the researchers found that civil society organisations in the country were structurally weak and, in general, were led by people who had close ties with the ruling party, with the exception of some churches. Consequently, most civil society organisations, the researchers maintained, are unable to play the role of 'genuine interlocutors of political power'.

The Mozambican League of Human Rights (LDH), which is the most vocal NGO in the field, in its 2003 report on the state of human rights in Mozambique from 1999–2002, outlined a number of problems. Human rights violations reported to and/or pursued by the LDH, and included in their assessment, were numerous. These included work-related and criminal cases, domestic violence, abuse of authority, torture and summary executions among many other forms of human rights violation. Equally, in an 'occasional study' on democratic governance in Mozambique by the UN Development Programme in 2000, which focused on the identification of priorities for the period 2002–06, the issue of human rights was also singled out. In a specially commissioned paper written by José Norberto Carrilho and Leopoldo de Amaral for the study, the study identified several categories of social group that are most at risk of human rights abuses. These included women, children, demobilised soldiers, people who had been made redundant after privatisation, those who lost their property following the dramatic floods of recent years, and people living with disabilities.

This summary is intended to show that although Mozambique has gone a long way towards establishing normality in the country after 16 years of civil war that destroyed its social fabric, much remains to be done in the domains of democratisation, good governance and human rights. The depth of the problems as well as the multiplicity of their causes suggest that strategies designed to solve them will need to have a built-in holistic approach that brings together the government, the private sector, civil society organisations and the donor community.

## **Mozambique's socio-economic record**

### ***The colonial political economy***

Following the Berlin Conference in 1885,<sup>1</sup> which is often taken as marking the effective occupation of Mozambique by Portugal, and up to 1975, the year of the birth of the new state of Mozambique, the political economy of the country may be divided into three different historical phases.

- From 1885 to 1926, the economy was characterised by the predominance in the country of non-Portuguese external capital.
- From 1926 to 1960, the fascist and nationalist economic policies of Antonio Salazar were followed. His main goal was to use Portugal's colonial possessions for the purposes of capital accumulation.
- From 1960 to 1973, the country experienced an initial deep economic crisis, followed shortly thereafter by a substantive restructuring of capital that gave rise to an apparent boom in the industrial sector.

It was during the first period of Portuguese domination that the main features of the Mozambican political economy were firmly established.

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<sup>1</sup> Malyn Newitt is inclined to see this as probably the 'official' starting-point of a series of events that led to the final drawing of the frontiers of Mozambique by 1890–91. See Newitt M, *A History of Mozambique*. London: Hurst & Company, 1995, pp.341–355.

These were to survive well beyond the birth of the new state in 1975. Its major characteristics were the deep dependence of the economy on foreign capital, and, second, Mozambique's role as a service economy in the context of Southern Africa.<sup>2</sup> Indeed, the colonial economy of the country was initially made possible by the recruitment of British and South African investment, allied with the imposition of a harsh forced-labour system.

Here it is important to note that before António de Oliveira Salazar was installed as the fascist dictator of Portugal in 1928, three British, German and French chartered companies controlled over half of the land in Mozambique, particularly in the central and northern parts of the country. These companies established large plantations and forced peasants to cultivate crops for export, among them, cotton, sugar, cashew, sisal and tea. The companies also had the prerogative to recruit and export labour to neighbouring countries in a form of slavery, most notably to the then Federation of Rhodesia and Nyasaland. The main companies were the Moçambique Company, the Niassa Company and the Zambézia Company.<sup>3</sup> This infusion of capital that did not originate in Portugal and the corresponding establishment of chartered companies with the type of prerogatives described above, in return for direct payments to Portuguese accounts, gave a *rentier* character to the Portuguese exploitation of the colony. That situation prevailed from 1891, when the companies were first established, until 1941, when the Portuguese colonial regime finally extended its political and administrative authority over the entire territory.

However, the economic survival of colonial Mozambique was mainly attributable to agreements signed between Portugal and South Africa, starting in 1897. These agreements were aimed at ensuring the provision of large quantities of mine labour to South Africa, and the use by the latter of Mozambican port and railway facilities. At the heart

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<sup>2</sup> Mondlane E, *The Struggle for Mozambique*. Penguin Books, 1969 Munslow B, *Mozambique: The Revolution and its Origins*. London, New York & Lagos: Longman, 1983; Newitt M, *ibid*.

<sup>3</sup> Mondlane, *ibid.*; Newitt M, *ibid*.

of this development there were two sorts of motives. The first was Portugal's inability to exploit the natural and human resources of Mozambique through capitalist means. The second was the rapid penetration into the country of the growing capitalist economy in the Southern African region. This influenced both the economy and social relations of the people living in the south zone of Mozambique in particular.<sup>4</sup>

The revenues acquired by Portugal through its policy of providing migrant labour to South Africa were of strategic importance, both for the financial sustainability of the colony and for capital accumulation in Portugal.

During the period of the fascist and nationalist economic policies of Salazar, the agreement remained untouched. Subsequently, they were reinforced even though the chief policy of Salazar was to increase the production of raw materials in the colony through forced labour, in order to boost the industrialisation of Portugal. This should have meant the allocation of all the active labour force to the agricultural sector, but instead Portugal strengthened the accords with South Africa. The terms were that the territory from the south of Mozambique to the 22<sup>nd</sup> parallel was to function as a labour reserve for the mining industry of South Africa. This policy was allied to the reinforcement of the forced-labour system, both for the provision of mine workers to South Africa and for the production of export crops intended for the manufacturing industry in Portugal.

The challenges that these contradictory policies posed to the development of the colonial Mozambican economy were far-reaching. To begin with, they meant that the agricultural and agro-industrial potential of the country was not developed, owing to both the forced-labour system and the heavy reliance on the service economy.

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<sup>4</sup> See Covane L, '*A emigração clandestina de moçambicanos para as minas e plantações sul-africanas, 1897-1913*', in *Cadernos de Historia*. Maputo: Departamento de História/Núcleo Editorial da UEM, 1990, p.95. The relevant literature on these topics also includes CEA—UEM, *Mozambican Miners in South Africa*, Maputo, 1977; and Wield D, *Some Characteristics of the Mozambican Economy Particularly Relating to Industrialisation*. Maputo: CEA-UEM, 1977.

Secondly, they placed a heavy burden on the peasants' production capacity, contributing to the permanent distortion of the rural economy. The colonial agreements to supply migrant labour and the constraints imposed on the peasant economy also made possible the creation of a huge mass of proletarians who had no means of making a living in their country of origin.

### ***The situation in Mozambique after independence***

Following the fall of the colonial system, the economy entered into a deep crisis, first of all as a result of the massive emigration of skilled labour, including most of the Portuguese settlers. The latter had been forced by circumstance to abandon Mozambique even before independence. However, it may be argued that the reduction in the recruitment of the Mozambican labour force to South Africa from a figure of 118,000 in 1975 to a mere 44,100 in 1976 did much to exacerbate the economic crisis. As indicated by Newitt:<sup>5</sup>

The full importance of the mine earnings was only appreciated when South Africa cut down and eventually stopped recruitment after 1975, precipitating a disastrous depression in the economy of southern Mozambique.

This was the context in which the apartheid regime unilaterally abandoned its agreements, both on the use of Mozambique's ports and railroad services, and on workers for its gold mines, which had been in force since 1928. As a result, the new regime in Mozambique experienced great difficulty in raising the financial resources necessary to boost the economy. Almost simultaneously, the country reduced its revenues even further by closing its borders with Rhodesia, in compliance with the UN sanctions against that country's minority regime, led by Ian Smith. The point here is that while during the colonial period the economy had been dependent upon its service sector, conditions had altered. The main reason was that the country's principal partners in that sector (South Africa and Rhodesia) could not

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<sup>5</sup> Newitt M, *op. cit.*, p.502.

maintain normal economic relations with Mozambique. The nature of the relationship between Mozambique and its immediate neighbours, particularly during the late 1970s and the 1980s, has to be judged in terms of the deep reliance of Mozambique on the economic sub-system of Southern Africa, which was dominated by South Africa. Crucially, then, in economic terms and towards the end of the 1970s Mozambique needed to maintain its old-established economic partnership with South Africa, while at the same time the interests of South Africa required less and less engagement with Mozambique.

### ***Mozambique's political economy after 1975***

One way of analysing the economy of Mozambique after it gained independence is to divide it into three distinct phases:

- From 1974 to 1977: the transitional period, which was characterised by a deep crisis in the economy;
- From 1977 to 1984: the period where the economy was managed from a socialist perspective, with central planning as the prime institutional arrangement for the allocation of resources and management in general; and
- From 1985 onward, when the institution of a market economy became the norm.

With the end of the colonial system, the country's economy was plunged into crisis, first of all as a result of the loss of those settlers who decided to abandon the new born state, and their destruction of the infrastructure they had built.<sup>6</sup> The policy option adopted by the Frelimo government envisaged a situation where agriculture was to be the basis of the economy, and industry the driving force. Though

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<sup>6</sup> With the end of colonial rule, most of the Portuguese expatriates and many skilled Mozambicans fled, leaving the country without the technical and managerial skills in commerce, factories, the professions, the transport system, and the government. Some of these expatriates also destroyed their former properties when leaving the country.

sound in principle, the policy lacked any tangible precedent in the economic history of Mozambique.

At the third congress of Frelimo, which was held in February 1977, Frelimo transformed itself from a liberation movement into a Marxist-Leninist party. Afterwards Frelimo adopted a new development strategy that was designed both to achieve the levels of economic performance the country had reached before the crisis in 1973, and to eradicate underdevelopment within 10 years. In the agrarian sector the plan envisaged the establishment of state enterprises and co-operatives, and in the industrial sector, priority was to be given to basic industries. This first undertaking of the regime did not succeed for a number of reasons. These were its heavy dependence on externally acquired resources;<sup>7</sup> the bureaucratic allocation of resources following the methodology of central planning; and, perhaps most significant, the destructive effects of the civil war that broke out around 1977 between the government and Renamo.

The country's export trade was devastated by the destruction of rural life brought about the guerrillas and their sabotage of transportation routes. The annual loss ranged between \$250 and \$300 million. There was also a significant decline in transit traffic revenue, particularly because of the diversion of South African cargo to other routes, which amounted to \$275–\$300 million a year. If to these figures one adds the cost of the emergency programme,<sup>8</sup> which was running at \$300 million a year, the large-scale destruction of health and education infrastructure, and the corollary of millions of displaced people and refugees, the effects of the war become even more evident. By 1984, real per capita gross domestic product (GDP) had fallen to 50% of pre-independence levels. By 1992, nearly half of the then 16 million

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<sup>7</sup> Goods imported included capital, skilled labour, investments, transportation equipment, machinery, mineral products and foodstuffs.

<sup>8</sup> The emergency programme run by government agencies and mainly funded by the UN and bilateral donors such as USAID provided food to prevent starvation, and towards the end of the armed confrontation encouraged the repatriation and resettlement of refugees.

Mozambicans were either internally displaced or living in refugee camps in neighbouring countries.<sup>9</sup>

Thus, the liberalisation process<sup>10</sup> that took place after 1985, when Mozambique joined the Bretton Woods system (and which was strengthened in 1987 with the implementation of the structural adjustment programme), was determined both by political and economic motivations. It was intended to open the economy, to reduce macro-economic imbalances and restore economic growth. It also meant the effective integration of Mozambique into the capitalist circle, thus ending the socialist experiment undertaken by the regime shortly after independence.

Apart from its deeply negative social implications, namely job losses and widespread increases in poverty, one of the main aspects of the Economic Rehabilitation Programme (the PRE — the Mozambican version of the World Bank's structural adjustment programme)<sup>11</sup> is its excessive dependence on foreign aid. Indeed, external funding has been used both in the emergency programmes designed to assist

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<sup>9</sup> These analyses and statistics are developed in the following publications: OXFAM/Quan J, *Mozambique: A Cry for Peace*. Oxford, 1987; UN Economic Commission for Africa, *South African Destabilisation: The Economic Cost of Frontline Resistance to Apartheid*. New York, 1988; Wilson KB & J Nunes, 'Repatriation to Mozambique', a chapter included in Allen T & H Morsink (eds.), *When Refugees go Home*. Geneva: United Nations Research Institute for Social Development (UNRISD) 1994; and USAID, *Impact Evaluation*. Washington DC: USAID, 1999.

<sup>10</sup> After independence, Mozambique's government adopted a socialist-style planned economy ill-suited to a country composed primarily of subsistence farmers. The government nationalised many companies, launched ambitious state-run agricultural schemes, and introduced price and marketing controls. Liberalisation was seen, by mid-1980s as a way out of the economic stagnation that resulted from these inappropriate government policies and its excessive intervention in the economic domain.

<sup>11</sup> The Economic Rehabilitation Programme was designed with the support from the World Bank. It constituted a fundamental shift from a command economy to market-based policies and structural reforms. The programme included unifying the exchange rate, liberalising trade, eliminating most price controls, liberalising interest rates and privatising public enterprises.



communities living in conditions of absolute poverty and in the provision of inputs to make economic growth possible. A consequence of this dependence on foreign aid is that while the macro-economic indicators were registering positive growth throughout the 1990s, the national debt trebled. It has become more than four times the GNP.<sup>12</sup>

The main challenges faced by the Mozambican economy at present are related to two factors: the process of globalisation and the growing phenomenon of regionalism (as a response to, and a reduced form of, globalisation). In the case of Mozambique there is a direct connection between the processes of liberalisation and globalisation. It was only after the country had shifted from a centrally-planned into a market-driven economy that most people discovered the concept of globalisation. It was through the liberalisation of trade, investment and financial flows; the privatisation of former state companies; and the government's relinquishing its control over the economy that the country became part of the 'global village'. Liberalisation also meant the effective (re)-integration of Mozambique into the capitalist sub-system of the Southern African region. At the regional level, this was facilitated by the end of both the war in Mozambique and the apartheid era in South Africa. So, apart from the historical linkages that tie the economies of countries in the Southern African region, the ongoing process of regional integration (or regionalism) can be seen as a pragmatic response to globalisation, in the sense of combining the efforts of individual countries to compete more efficiently in the global economic arena. However, the enduring asymmetry between the countries of the region, particularly given the dominant role played by South Africa, means that regionalism in itself constitutes a form of mini-globalisation. In these circumstances the major challenge that both regionalism and globalisation pose to Mozambique is the extent to which the subordinate role that has been played by the country during both its colonial and post-colonial periods can be transformed into a true partnership for development. The current philosophy of Nepal within the context of the African Union plus the developments within

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<sup>12</sup> Wilson KB & J Nunes, *op. cit.*, pp.168.

the SADC community seems to indicate the path that might mitigate the impact of the asymmetric partnership between Mozambique and its African counterparts.

It is relevant here to discuss the extent to which the state will (re)define its role vis-à-vis capital and labour so that a minimum equilibrium may be established to overcome the negative social implications of the current process of liberalisation, mainly in terms of the privatisation of former state companies. The development strategy put forward by the government of Mozambique in the aftermath of the last three multiparty general elections has been mainly oriented towards poverty alleviation through sustainable economic growth, in an environment of peace, political stability and national unity. The major components of this strategy comprise:

- the development of human resources;
- the rehabilitation of basic infrastructure;
- the restoration of agricultural production; and
- incentives to encourage private investment.

And, at the sector level, its priorities are education; health; rural development; and employment.

Since the restoration of peace in the country in 1992, Mozambique has experienced one of the highest average annual growth rates in the sub-Saharan African region. This cannot be seen as surprising in a country that has started its economic dynamics from scratch. Agricultural production and commerce, which benefited from the increased security and the return of workers to the farms, have driven the average annual growth to an average 8% from 1993 to 1997, while the privatised manufacturing industry has played a growing role in the economy. The GDP growth rate was around 1.3% in 1995, but it rose to 6.6% in 1996 and then to 14.1% in 1997.<sup>13</sup> However, in 2002 and 2003 it fell to 7.4% and to 7.1% respectively,<sup>14</sup> a tendency the Bank of

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<sup>13</sup> UNDP, 1998, *op. cit.*

<sup>14</sup> Bank of Mozambique, annual report, 2004.

Mozambique has attributed to the global economic and financial environment, which has been affected by the Iraqi war and the Zimbabwe crisis.

Nevertheless, the seemingly sound economic performance in Mozambique has particularly benefited from the growing interest of foreign investors, as can be seen in the 'mega projects' that are currently in hand. The first of these was the mozal aluminium smelter, which represents a \$1.3 billion investment by Gencor/Billiton, the Industrial Development Corporation (IDC) of South Africa, Mitsubishi of Japan, and the government of Mozambique. The biggest of these large undertakings is the Maputo Iron and Steel project, which is budgeted at \$1.6 billion, followed by the Maputo Development Corridor project, which is estimated at \$1.4 billion.<sup>15</sup> More recently, SASOL has added a project to the list of billion-dollar investments. However, this pattern of economic growth causes a twofold problem. First, the massive influx of foreign capital that is responsible for the positive macro-economic indicators has had little impact on the rural agricultural sector, on which the basic living conditions of more than 65% of the population depend. Secondly, the level of employment generation created by mega projects is well below what is needed, even considering only the surplus labour in the urban areas.

However, it is interesting to observe that though the implementation of the PRE has yet to bring substantive improvements to the living standards of most Mozambicans, there is a strong perception among Mozambique's cooperating partners that the structural adjustment policies used in Mozambique are a success. Multilateral financial institutions and the donor community at large tend to praise Mozambique for being able to maintain political stability and simultaneously create a vibrant climate in which liberal economics can flourish.

In a nutshell, one can argue that the developmental agendas in Mozambique from 1985–87 onwards have been the result of the interaction of three basic players: the government of Mozambique,

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<sup>15</sup> UNDP, 1998, *op. cit.*

bilateral donors and the international financial institutions. Most of the local actors in Mozambique are still fragile, poorly organised and lacking in capital and know-how.

## **The diplomatic record of Mozambique**

The history of Mozambique's foreign policy fills a period of about 30 years, starting in 1975, the year in which Mozambique became independent of Portuguese colonial rule. Nevertheless, because of the political and historical continuity between Frelimo as a liberation movement and the government of Frelimo, a proper reflection of Mozambique's external engagement and diplomacy also requires the examination of the period from 1960 to 1974, which covers the years of the liberation struggle.

When Frelimo was first constituted on 25 June 1962, as a result of the unification of the then existing nationalist movements (such as Udenamo — Mozambique National Democratic Union — and Manu — Mozambique African National Union) the aim was the total elimination of colonialism through any means, including military struggle. This objective was to become the *leitmotiv* of the new movement's internal and external activities throughout that decade. It is true that there were divergences within the movement on the strategy of armed struggle, but the overriding objective (of achieving independence) proved both consistent and universal. In the context of the economic fragility of the then few African independent states, Frelimo could not look to them for support. During this era the movement received various forms of assistance from the following sources:

- There was all-encompassing support from the Eastern socialist bloc, particularly in the political, military, diplomatic and humanitarian arenas.
- Assistance (particularly diplomatic and logistical) was provided by the Organisation of African Unity, fundamentally via the then African Liberation Committee based in Tanzania.

- The group of the countries comprising the Non-aligned Movement also provided support.
- There was limited assistance (excluding all military goods) offered by the Nordic countries.
- International humanitarian movements and organisations also helped the Frelimo cause.

Frelimo also benefited from a special relationship with Tanzania under then President Julius Nyerere; Zambia under President Kenneth Kaunda; and Algeria, the only Francophone country in this group.<sup>16</sup> To this it is important to add the strong links Frelimo had with other Lusophone African liberation movements, such as the MPLA (in Angola) and PAIGC (in Guinea-Bissau and Cape Verde) through the Conference of the Nationalist Organisations from Portuguese Colonies (CONCP). Given the Cold War logic then prevalent in the international arena, there was a bipolar opposition: one side was represented by NATO led by the US (which Portugal supported) and the other by the Warsaw Pact led by the then Soviet Union, Frelimo had to take a strategic decision over its external engagement. This decision amounted, basically, to Frelimo siding with the Soviet Union, though pragmatically Frelimo maintained relations with the Soviet Union and China simultaneously, in a period when these two countries were politically and ideologically arch-rivals. This sense of pragmatism can still be detected in Frelimo's survival strategy, both when struggling to secure its hold on power, and when offering a measure of accommodation to Renamo when the fragile political stability inaugurated by the 1992 peace accord seems threatened.

Towards the end of the 1960s a new challenge confronted Frelimo. This concerned the form of social and political organisation that was to be adopted in the country after the end of colonial rule. In this

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<sup>16</sup> Algeria is the country where the first FRELIMO guerrilla fighters received their military training. Among them was the first Mozambican President, Samora Machel, and other important leaders of the liberation struggle against Portuguese colonialism.

## ***Global Best Practice***

extremely difficult exercise Frelimo was to be heavily influenced by three factors:

- the human degradation and alienation that Mozambicans had experienced during the colonial and fascist period;
- the pattern of external strategic support provided to Frelimo during the liberation struggle; and
- the regional and international political dynamics of the time, which were characterised by the confrontation between the capitalist West and the socialist East, and the predominance of white minority rule in southern Africa.

Consequently, Frelimo decided on a socialist model of social and political organisation as the organising principle of the new state of Mozambique. Soon after the country gained independence, Frelimo structured its foreign policy along the following principles. The general orientation of the new state would be based on the philosophy and praxis of non-alignment. The country would act as an agent against imperialism and as an active supporter of liberation movements in Africa and beyond. It would also support an alternative regional and international paradigm free of the influence of colonialism, neo-colonialism and racism.

However, during the 1980s, after the withdrawal of the colonial powers from Africa and the increasing incapacity of the Soviet-led socialist bloc to come to the rescue of its struggling ally (which was particularly evident when Mozambique was denied access to COMECON), this strategic positioning became outdated. Other crucial factors were the deepening of the government's military confrontation with Renamo and the extreme virulence of the apartheid regime's destabilisation policy against Mozambique. This led the leadership of Frelimo — as the governing and then only party — to re-conceptualise its external engagement and diplomacy. The elements of this new context were to comprise the following measures:

- The Nkomati Accord, officially designated as the 'Agreement on non-aggression and good neighbourliness' between the government of

the Republic of South Africa and the (then) People's Republic of Mozambique was signed by both parties on 16 March 1984.

- Mozambique entered into negotiations and agreements with the Bretton Woods multilateral financial institutions, namely the IMF and the World Bank.
- Mozambique became effectively integrated into the Western world and gradually disengaged from the Soviet-led east socialist bloc.
- Frelimo abandoned Marxism-Leninism as the party and state official ideology.
- The government adopted a wide range of social and economic reforms epitomised in the structural adjustment programme, known as PRE in its Mozambican version.
- Frelimo recognised that any country's strategy of socio-economic and political development had to take into consideration the regional context in which the country finds itself (because it derives much of its strengths and weaknesses from it).

As a result of this new strategic positioning (and Frelimo's *realpolitik*) Mozambican diplomacy embarked on a new mindset and praxis. It was during this period of diplomacy that President Samora Machel visited West Germany, Italy, the UK, the US, France, the European Community, Japan, Belgium, and the Netherlands, among other Western countries. It was also around this time that Mozambique established diplomatic relations with the Vatican. In 1988, Pope John Paul II paid a visit to Mozambique, which was perceived by commentators as another sign of change, given that Mozambique, immediately after gaining independence, had declared itself a secular state. Apart from the opening of new diplomatic missions in the UK, Sweden, West Germany and Kenya, the country also established new alliances when it acceded to a number of regional and international bodies. These include the Commonwealth, the Community of Portuguese speaking countries, the Southern African Development Cooperation Conference (SADCC) (later SADC) and the OAU (later the

African Union), the Organisation of the Islamic Conference, as well as the grouping of African, Caribbean and Pacific countries (ACP).

This new diplomatic strategy brought Mozambique credibility in the international arena (particularly as regards the vision and praxis of President Joaquim Chissano, who stepped down in 2005). Additionally, and as a direct result, Mozambique was dropped from the US *black list*,<sup>17</sup> in the Ronald Reagan era. At the same time, the country became a beneficiary of US aid, and other Western countries increased their assistance to the country. Not surprisingly, Mozambique also received military aid from the UK and France.

### **Final Remarks**

Mozambique, as argued in this paper, has become largely dependent on external resources for its development. Much of the aid and debt relief provided is tied to particular conditions. And in this regard, Mozambicans naturally feel serious concerns about national sovereignty and the ability of the government to set its own priorities and design its own programmes for development. It is true that the role of the external environment is largely intended to catalyse the country's development process. However, in the case of Mozambique, the external community overpowers the government to a very significant extent.

The government of Mozambique adjusted its domestic and foreign policies in recognition of the objective circumstances in the world in which it operates and taking into account the pressures imposed by international actors. Basically, this re-definition of policy and strategy led Frelimo to identify a new vision of the relationship between itself and the people, and also to commit the leadership to human rights principles, as the fundamental tenets of the process of democratisation.

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<sup>17</sup> Black-listed countries by the US State Department were not eligible for donor support by the US government; most of the countries in the list were generally classified as allies of the East Communist Bloc.



It is fair to say that Mozambican diplomacy has successfully adjusted itself to the new circumstances. The shift from the 'socialist orientation' to free market principles; the signature of both the Nkomati Accord and the Rome General Peace Agreement between the ruling party and Renamo are some of the changes highlighted in this paper. We also outlined the country's membership of international institutions, organisations and communities, all in all to be taken as symbols of the maturation of the country's diplomacy and foreign policy. Even considering the possibility that the events recalled here might have been the result of short-term survival decisions by the government of Mozambique when faced with harsh domestic and external realities, they still add up to a plausible history of diplomatic transformation over the years.

It is the willingness of Mozambique's government to favour a pragmatic above the ideological approach in order to bring about development in the country, and its willingness to accept its role as a regional player that can offer important lessons for other countries in Africa in the 21<sup>st</sup> century.

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## **List of Acronyms**

AAA	Analytical and advisory activities
AFRC	Armed Forces Revolutionary Council
APRM	African Peer Review mechanism
AU	African Union
CAS	Country Assistance Strategy
CPP	Convention People's Party
DFID	Department for Internal Development
DRC	Democratic Republic of Congo
ECOMOG	Economic Community of West African States' Monitoring Group
ECOWAS	Economic Community of West African States
ERP	Economic Recovery programme
FAO	Food and Agricultural Organisation
Frelimo	Mozambican National Resistance/ Resistencia Nacional Mocambicana
GIPC	Ghana Investment Promotion Centre
GPRS	Ghana Poverty Reduction Strategy programme
HIPC	Highly Indebted Poor Countries
IDA	International Development Association
IDC	Industrial Development Corporation
IFAD	International Fund for Agricultural Development
ILO	International Labour Organisation
IMF	International Monetary Fund
LDH	Mozambican League of Human Rights

## ***Global Best Practice***

Manu	Mozambique African National Union
MDAs	Ministries, Departments and Agencies
MDBS	Multi-Donor Budget Support
MDG	Millennium Development Goals
MOF	Ministry of Finance
MRCN	Ministry of Regional Co-operation and NEPAD Co-operation
NAL	National Alliance of Liberals
NDC	National Democratic Congress
NDPC	National Development Planning Commission
NEPAD	New Partnership for Africa's Development
NLC	National Liberation Council
NPP	New Patriotic Party
NRC	National Redemption Council
NSSD	National Strategies for Sustainable Development
OAU	Organisation of African Unity
PNDC	Provisional National Defence Council
PNP	People's National Party
PP	Progress Party
PRC	People's Republic of China
PRE	Economic Rehabilitation Programme
PRGF	IMF Poverty Reduction Growth Facility
PRPF	Poverty Reduction Policy Framework
RIAS	West Africa Regional Integration Assistance Strategy
Renamo	Liberation Front of Mozambique Frente de Libertação de Moçambique
SAP	Structural Adjustment programme
SFIA	Strategic Framework for Assistance to Africa
Udenamo	Mozambique National Democratic Union

*List of Acronyms*

UEMOA	West African Economic and Monetary Union
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	UN Children's Fund
US	United States of America
USAID	United States Agency for International development
WHO	World Health Organisation

## **About the authors**

**Tim Hughes**, MA, is Parliamentary Research Fellow at the South African Institute of International Affairs, and heads SAIIA's research programme examining the consolidation of parliamentary democracy in the SADC region. He holds an MA in Political Studies (*cum laude*) from the University of Cape Town. He taught at UCT and has lectured in the US, Africa and the Middle East. He has worked for the British Broadcasting Corporation, as well with South African trade unions and the corporate financial sector. Particular thanks are expressed to Elizabeth Sidiropoulos, Mats Karlsson, Douglas Macarthur and Charles Brown for their invaluable assistance during the research of the paper on Ghana.

**Florentino D Kassotche**, MA, is a Diplomat in the Ministry of Foreign Affairs and International Co-operation, Mozambique.

**Amílcar F Pereira**, Lic., is a Lecturer and Researcher in the Department of Political Science and Public Administration, Eduardo Mondlane University, Maputo, Mozambique.

**Eduardo J Sítóe**, PhD, is Head of the Department of Political Science and Public Administration at the Eduardo Mondlane University, Maputo, Mozambique.

The Global Best Practice series examines a number of country case studies with the aim of assessing their potential applicability in the African development context.

The SAIIA Global Best Practice Project  
is funded by the Konrad Adenauer Foundation.



Konrad  
-Adenauer-  
Stiftung

ISBN: 1-919969-49-7

The South African Institute of International Affairs (SAIIA)

P O Box 31596 Braamfontein 2017, South Africa

Tel: 27-11-339-2021

Fax: 27-11-339-2154

[www.saiia.org.za](http://www.saiia.org.za)

e-mail: [saiiagen@global.co.za](mailto:saiiagen@global.co.za)

