Searching for a development paradigm in Ghana: Can the ‘Beijing Consensus’ provide an Anchor?

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Abstract. Since independence, Ghana has implemented many development paradigms, from big-push state-led industrialization to neoliberal market-oriented policies. However, the goal of industrialization has eluded the country. In recent years, new home-grown policy initiatives are beginning to replace neoliberal prescribed policies of Western donors and financial institutions. This study explores these new innovations focusing on the One District One Factory initiative. We make the case that the policy is an innovative thinking on industrialisation and may reflect a realignment of Ghana’s development paradigm with the Beijing Consensus after many years of being taunted as a success story of IMF-World Bank neoliberal reform programmes.

Keywords. Neoliberalism, Development, Beijing consensus, Washington Consensus, industrialisation.

JEL. O29, O25, O10, F59.

1. Introduction

One of the few noticeable developments in the international system over the past few decades is the impressive growth of China. The growth of China has rekindled the debate as to what the appropriate path to promote growth and development in the world’s poorest nations or to use Paul Coullier’s term the “Bottom Billion” is (Coullier, 2007).

Since the mid-1980s, the Bretton Woods Institutions and Western donors have pushed the agenda of neoliberal economic reforms and democratic governance (Washington Consensus or Market Fundamentalism) as the pathway to economic growth and development in developing nations. The assumption is that developing countries are unable to develop because of price distortion resulting from unnecessary state intervention in the market. These nations are subsequently counselled to adopt neoliberal policies and cut back the role of the state in the market place. This was
envisaged to correct price distortions and attract investment, which will propel development.

After many years of adopting neoliberal market policies, the envisaged growth and development has eluded many third world economies. On the contrary, third world citizens and governments have become disillusioned about the outcome of the neoliberal policies as many of these countries remain confined to the periphery of the world production chain, largely as suppliers of raw materials with associated unstable and low prices. The disillusion about the so-called Washington Consensus has become more pronounced since the 2008 financial crises. The former Deputy Treasury Secretary of the United States, Roger Altman rightly noted that the 2008 financial crises has brought the “American Model ...under cloud” (Altman as quoted by Kualantzick, 2013). The crisis has allowed long held and deep-seated resentments about the neoliberal agenda to be openly expressed, particularly in emerging economies.

Whereas the Washington consensus was in disarray, the fascination and the appeal of the Chinese growth model have witnessed significant swell. China’s global rise anchored on its monumental growth over the decades (Beijing Consensus) is clearly seen by most in the developing world as a clear alternative to the Washington Consensus that has dominated development thinking and policy over the past three to four decades (Turin, 2010).

China’s growth, contrary to the prescriptions of the Washington Consensus is underpinned by an active state involvement in the development process. It involves prioritizing areas that should receive needed funding and support from the state and state regulation of key sectors to promote overall growth. It recognises that the development process needs to take care of local circumstances. Self-determination in deciding without external influence what is appropriate for a nation is the unique attribute of what is now the Beijing Consensus. Unlike the Washington consensus, which consists of elaborate principle and policies, the Beijing Consensus allows each state the luxury to determine its best path to growth, highlighting local conditions and circumstances.

As pointed out by Ubi (2014) African countries have to learn from the Chinese growth and development experiences. However, it is unclear the extent to which these countries are being influenced by the Chinese experience and are pursuing policies to that effect. This paper explores the situation in Ghana in the light of what appears to be indicators of change in development thinking and practises.

In recent years, the Ghanaian state seems to be an active player in economic and development policy. Instead of cutting back, the state is taking the lead in providing incentives to businesses to invest in areas considered important for economic growth and development. Given the fact that Ghana has for long been taunted as a success of the neoliberal agenda in Africa, this new development is significant. In other words, to what extent can the claim be made that the new industrialisation policy of
One District One Factory is inspired or aligned to what is now known as the Beijing Consensus?

This paper will address two major issues. Firstly, it will attempt to ascertain the main features of the Beijing Consensus. Secondly, it will examine how the policy of One District One Factory is in line with the Beijing Consensus. To address these issues, the paper adopts the historical analysis approach with qualitative research design. This approach allows us to analyse the history of development and industrialisation in Ghana and how successive models of development approaches failed to address Ghana’s industrial development leading to the shift in development thinking in recent years.

The study relies extensively on secondary data. The rest of the paper will be elaborated in four sections. The next section will address the issue of the existence or otherwise of a Beijing consensus. The second part will be a historical analysis of Ghana’s development policies since independence. This will be followed by an assessment of the innovations in development thinking in Ghana with emphasis on the One district One factory Initiative. And the final part will draw conclusion.

2. Is there a Chinese model or a Beijing Consensus?

China’s economic growth and its impact on existing world order continue to be debated among scholars of various academic backgrounds. In the world of political economy, the debate is even more intense. Whereas some scholars have proclaimed the birth and dominance of a new economic model, others have played down such assertion and even denied the existence of a Chinese model of development.

The existence of a unique Chinese development model has been put forth forcefully in 2004 by Joshua Cooper Ramón. Ramón coined the term ‘The Beijing Consensus’ to describe what he perceives as a unique Chinese development model (Ramón, 2004, p.4). To him, ‘the Beijing Consensus’ has overtaken the Washington Consensus as the dominant development paradigm. In his words, the Beijing Consensus “replaces the widely-discredited Washington Consensus, an economic theory made famous in the 1990s for its prescriptive, Washington-know-best-approach to telling other nations how to run themselves” (Ramón, 2004, p.4). The Washington Consensus according to Ramón (2004, p.4) is “a hallmark of end-of-history arrogance...” China’s development produce an alternative thinking that is more realistic for many developing nations. According to Ramón (2004, p.5), “...whether China’s reform succeeds or ends in a tragic failure, the Beijing Consensus is already drawing a wake of new ideas that are very different from those coming from Washington”.

Though Ramón admitted that the Beijing Consensus does not put forward strict policy prescription as the case of the Washington Consensus, he put forth three key tenets that distinguish the Beijing Consensus. First, is the claim that innovation is the only means to accelerate change in society. Second, is the assertion that development entails much more than GDP or

GDP per capita growth rate. The ultimate aim of development should be to improve the standard of living or the quality of life of people. Third, and perhaps, the most important feature of the Beijing consensus for purposes of its international appeal is the argument that development requires self-determination, which is rooted in a classical or Hobbesian notion of sovereignty. It requires all nations to make free choices about their path to development without imposition by any external actor. Thus, there is no universal political and economic principle or rules that are applicable to all societies. There should be pragmatism in policy choice. In the words of Ramón, “China’s path to development is, of course, unrepeatable by any other nation” (Ramón, 2004, p.5). In this way, other nations must adopt development policies that best suit their conditions. The Chinese model is dynamic, flexible and lacks a clear set of readily prescriptive policies, which are applicable to all human societies. It calls on nations to identify what will work within a given socio-economic and cultural milieu and leveraging on it to propel their development.

The appeal of the Chinese model, particularly among developing countries cannot be ignored. According to Ramón “...what is more important is that China’s new ideas are having a gigantic effect outside China. China is making a path for other nations around the world who are trying to figure out not simply how to fit into the international order in a way that allows them to be truly independent, to protect their way of life and political choices in a world with a single massively powerful centre of gravity” (Ramón, 2004, p.3). He further noted that “China is writing its own book now. The book represents fusion of Chinese thinking with lessons learned from the failure of globalisation culture in other places. The rest of the world has begun to study this book” (Ramón, 2004, p.5).

There is little doubt that the rest of the world, particularly the developing world has started reading the Chinese story. As noted by Abad (2010, p.48) “some developing states have been encouraged by those impressive growth rates experience by the People’s Republic of China and have tried to follow a similar pattern of development”. According to Abad (2010, p.48), the Beijing Consensus represents “a clear departure from the classical mechanisms promoted by the global financial institutions...” In the view of Abad, although the Beijing consensus has not replaced the Washington Consensus, it “…could possibly replace the Washington Consensus (Abad, 2010, p.48). Two developments are likely to make this possible in his view. The first of these developments is the rising number of developing states, which are embarking on similar pattern of development. The second development is the growing number of states which are establishing trade and investment relations with China. Given the level of Chinese trade, investment and aid, particularly with developing nations, there is no doubt that China is having an influence within these nations (Abad, 2010, p.51).

In coming to a similar conclusion like Abad, Dirlik (2006) questioned the appropriateness or the usefulness of the concept of Beijing consensus,
arguing that the concept lack precise and specific conceptual meaning. In his view, the Beijing Consensus is “a notion, rather than a concept or an idea, because it does not have the coherence that we associate with either of those terms” (Dirlik, 2006, p.1). However, he concedes that the development pattern of China or the Beijing Consensus, particularly the inherent notion of self-determination, provides an alternative to US unilateralism. Dirlik concludes that the Beijing consensus is not a direct replicable model but a new paradigm or analytical lens to view the world.

To a large extent, Dirlick contention that the Beijing consensus lacks precision as a concept points to an implicit attempt to discover a given pattern or set of policy prescriptions as is often associated with the Washington Consensus. Yet, the absence of such attributes is the unique attribute of the Beijing Consensus. It emphasizes the need for development policy to be localised and determine by local circumstances without co-optation of the policy space by external actors. As noted by Turin, (2010, p.2), “The Beijing Consensus is not actually a consensus in the same way that Washington Consensus has come to be understood, as an ideal of development. Instead, it is a new way of thinking about the global order that is intended to be contrarian, and which realizes value-most basically-as an alternative to the currently dominant ideology”. For Turin, it is because of the position of the Beijing Consensus “as an “alternative” to the Washington Consensus that it is naturally appealing to states that have not benefited from the existing international power structure” (Turin, 2010, p.2). Thus, the Beijing Consensus will “continue to play a growing and increasingly important role in shaping future development initiatives throughout the world” (Turin, 2010, p.2).

Just as the Beijing Consensus has won many adherent and defenders, many have questioned its sustainability as a model for development. Suisheng (2010), for example, argued that although the Beijing Consensus is gaining popularity among developing countries, it may not endure long enough to displace the Washington models since the China model is peculiar to the Chinese historical experience. In his understanding, such conclusions that the Chinese model would replace the Western model are rather premature. He pointed out two conditions that could undermine the models ability to surpass the Washington Consensus. The first is that the model lacks moral appeal because it is guided entirely by pragmatism which by definition is behaviour disciplined by neither a set of values nor established principles. Also, he pointed out that the model has not been effective in dealing with many crucial aspects of human development both at home and abroad. Issues of environmental pollution, inequality and oppression are still largely unattended to by the model. While Suisheng (2010) may be right in suggesting that it is too early to assert that the Beijing consensus would replace the Washington Consensus, the two reasons he advanced as conditions that would undermine the model need to be interrogated. The first claim of the model lacking a value appeal is based more on misinterpretation of the model. The Beijing Consensus is not a

coherent water-tight set of policies or principles that countries are to follow in the manner like the Washington Consensus. It is distinguished by its flexibility and high degree freedom for each state to choose the best path to development. It does not seek to promote any particular value as a universal truth, which is applicable to all human societies. Secondly, issue of inequality and pollution are equally a greater challenge to developing countries that have experiment the Washington Consensus over the years. They are not unique to the Beijing consensus.

A more opened attack on the Beijing Consensus came from Yang (2010) in his article “The End of the Beijing Consensus: Can China’s Model of Authoritarian Growth Survive?”. For him the idea a Beijing Consensus is non-existing. According to him, “…over the last 30 years, the Chinese economy has moved unmistakably toward the market doctrines of neoclassical economics…purely redistributive programs have been kept to a minimum and central government transfer have been primarily limited to infrastructure spending” (Yang, 2010, p.1). He held the view that the Chinese political systems legitimacy is based on continues economic growth, however, growing inequality and internal and external imbalance have been created over the years. Unfortunately, “strong and privileged interest groups and commercialized local governments are blocking equal distribution of economic growth throughout society, thereby rendering futile the CCP’s strategy of trading economic growth for people’s consent to its absolute rule” (Yang, 2010, p.3). Yang (2010) concludes that popular discontent or resistant and economic imbalance are now driving China towards a crisis situation that would undermine the stability of the state and the CCP’s hold on political power.

John Williamson (2012) also explored the appropriateness of the Chinese model for developing nations. He cautioned developing countries on the attempt to adopt the Chinese model. According to him, the notion of innovation can be very costly to both multinational companies and those who have to pay for reinvention of the wheel. He also noted that China’s call for gradualism is only partially useful and not appropriate at all times. Furthermore, China’s authoritarian political system is only appealing to third world leaders not its people (Williamson, 2012). Williamson’s criticisms show yet again that much of the criticisms of the Chinese model are underscore by misrepresentation or misinterpretation of the Chinese model. For instance, the Chinese model does not insist on authoritarianism as a precondition for development. It equally does not insist that all countries have to adopt the gradualist approach nor does it call for all countries to reinvent the wheels of development.

There is little doubt that the Chinese experience offers a unique way of thinking about development in third world economies. Admittedly, Chinese experience may not repeatable in other economies but it offers new ideas on development. It is also having considerable influence on third world leaders. Ghana political leaders have not hidden their admiration for the economic achievement of the Chinese. Ex-president John Mahama,

expressed this by noting that “China’s example of having been able to create the largest movement of people out of poverty is an example to us that we can also replicate it in our country.”

This paper aims at assessing development policies in Ghana to establish how the Ghanaian leadership is pursuing policies that are oriented to local circumstance as advocated by the Chinese model. To this end, we are interested in assessing how the One District One Factory Initiative aligned with the Beijing consensus on the basis of being innovative and suitability to the Ghanaian situation.

3. The history of development policy in Ghana: From independence to 2016

Since independence in 1957, Ghana has experimented with different development paradigms with the aim of finding lasting remedy to the twin ills of poverty and underdevelopment. The weaknesses of the colonial economy were significant in galvanizing popular support for the anti-colonial movement in the Gold Coast (Ghana). Nkrumah mobilised the Ghanaian society with the promise that political independence would translate to economic growth and development. As Kwame Nkrumah aptly put it “seek ye first the political kingdom and all other things shall be added unto it” (Kwame Nkrumah as quoted by Addo, 1999, pp.82-83).

After attaining political independence in 1957, the CPP and Nkrumah set out to achieve economic development through what Krassowki, (1974) referred to as “planned restructuring” of the economy. Under the influence of what he termed “scientific socialism” or conscientism (Owusu, 2006, p.132; Nkrumah, 1970), Nkrumah hoped to transform Ghana’s agrarian and cash crop (cocoa) dependent economy to an industrial society. Though, the ultimate political goal was the establishment of a socialist state, it was believed that this goal can only be achieved through the establishment of an industrial foundation.

Subsequently, development plans were developed and implemented as the blueprints to economic growth and development (Adom & Zogbator, 2015; Fosu & Aryeetey, 2008). The objective of these plans was to achieve structural transformation of the agrarian Ghanaian economy to an industrial economy. The path to development of Nkrumah and the CPP entailed a considerable state involvement in the development process (Akornor, 2006, p.19). In this direction, there was emphasis on massive state-led import-substitution industrialization, with the goal of reducing the reliance on the export of primary products, particularly cocoa.

Many state-owned industries were established between the mid-1950s and 1960s to produce goods with local raw materials for local consumption and export in order to reduce imports and what was seen as unfavourable terms of trade. The enterprises were established to produce items including chocolate, vegetable oil, textiles, tobacco, drinks, glass, cement and shoes,


amongst others. To guarantee regular raw material supply for the newly established industries, state-owned farms were established. The infant industries were also shielded from foreign competition through tax holidays and other protective measures (Adom & Zogbator, 2015).

The state led import-substitution paradigm was informed by the dominant economic paradigm at the time. Viewing the world in a purely dependency terms, Nkrumah saw the ills of the Ghanaian economy in its confinement to the periphery of the world’s economy (Biney, 2011; Nkrumah, 1963). Thus, the basic goal was to break away from this structure through import substitution industrialisation. Nkrumah’s view of the development process entails some appreciation of what is contemporarily termed as the “Beijing Consensus”. He perceived the process as dynamic and requiring of changes where appropriate. In his owned words, the “uncharted path the country had embarked upon required proceeding from try and error. Changes, which are made today, may themselves call for further change tomorrow” (Nkrumah quoted by Biney, 2011, p.103). It is explicit in this assertion that Nkrumah understood the need to adopt policies based on circumstances and make necessary changes from time to time. While trying to achieve this, Nkrumah rightly understood the need for access to foreign capital. Consequently, he adopted a ‘strategy of competitive co-existence’ towards foreign industries operating in Ghana (Esseks, 1971, p.59). While welcoming foreign investment, the policy was to channel it to areas that the government perceived as engines of growth. Yet, the goal was to strengthen local enterprises and eventually decolonized the economy by taking it out of the control of both foreign capital and the colonial structures.

By the time Nkrumah was overthrown in 1966, his policies had achieved mixed results. On the positive side, there had been significant Ghanaian ownership of the economy compared to the early independence years. As at 1965, about 35 percent of imports to Ghana were handled by state importing enterprises while 50 percent of all insurance businesses were being transacted by the state insurance corporation. In addition, 27 percent of total output in the manufacturing sector was being produced by state owned enterprises or private enterprises with government interest (Esseks, 1971, p.59). On the other hand, Nkrumah’s policies failed to achieve the much touted goal of industrialization or economic transformation.

As at 1966 when the CPP was overthrown, Ghana’s economy was still dependent on primary commodity export. According to Clark & Söderling, (2000, p.5) “Nkrumah left Ghana no better off than when he started”. Indeed, much of the economic plans of the CPP could not materialize because of the collapse in cocoa prices in the mid-1960s resulting in dwindling foreign exchange earnings for the country. Between 1959 and 1966, the value of Ghana’s export slugged around £110 million, due largely to the fall in the price of cocoa (Essek, 1975). With dwindling foreign exchange, the state-led big push import substitution policy of the government at the time was undermined and this adversely impacted on...
the economic life of the average Ghanaian. Reduced foreign exchange earnings resulted in balance of payment problems and forced the government into excessive borrowing from abroad under supplier’s credit (Adom & Zogbator, 2015; Akornor, 2006).

In line with the socialist ideology, the CPP refused to devalue the national currency and engaged in a policy of import control through import licensing. The results of these policies were shortage of essential goods, depletion of the country’s reserves and high national debt, amongst other (Berry, 1994; Clark & Söderling, 2000). In the midst of the economic hardship, Nkrumah’s attempt to solicit international financial assistance yielded very little as the government have exhausted concessionaries granted by eastern bloc countries and was unable to attract funds from the west due to ideological reasons. The economic dissatisfaction or discontent partly resulted in the overthrow of the CPP in 1966 (Austin, 1966; Fuller, 2014).

The National Liberation Council (NLC), which overthrew the CPP shifted Ghana’s economic policy towards the neoliberal end of the ideological spectrum. The military junta made attempts to reverse Nkrumah’s socialist policies of import substitution. As an alternative, the government of the NLC turned to IMF and western donors and backed neoliberal economic policies in an attempt to revive the economy (Adom & Zogbator, 2015; Hutchful, 1987; Fosu & Aryeetey, 2008; Killick, 2010; Quartey, 2005). In line with neoliberal understanding, the state was seen as the main challenge to economic growth and neoliberal policies such as devaluation and privatization were pursued in an attempt to cut back the state. Some of the state-owned enterprises established by Nkrumah were privatized and the economy opened to international competition (Adom & Zogbator, 2015; Hutchful, 1987).

Notwithstanding the initial successes of the NLC, its policies resulted in high levels of inflation, job losses in the formal sector, unemployment, high national debt and economic hardship for the generality of the people. By the time the NLC handed over to the government of Kofi A. Busia in 1969, Ghana’s national debt stood at some estimated US$580 million (equivalent to 25 % of GDP) (McLaughlin & Owusu-Ansah, 1994, p.3).

The Progress Party (PP) continued with the neoliberal policies of the NLC. The lynchpin of the PP government’s economic policy was the private sector. Unlike the state led industrialization of the CPP, the PP emphasized a minimum role of the state and an aggressive emphasis on the private sector. Thus, neoliberal economic policies including devaluation of the national currency, relaxation of import and foreign exchange controls and others were pursued. Foreign investment was encourage in the industrial sector of the economy (McLaughlin & Owusu-Ansah, 1994). However, Busia maintained most of the state Owned Enterprises (SOEs) inherited from Nkrumah regardless of their unprofitability largely due to political reasons. Indeed, these enterprises became the channel for distributing rents for political support (McLaughlin & Owusu-Ansah, 1994, p.39-57.)
While the Busia government did not fully withdraw the state from the ‘commanding heights’ of the economy, the general approach to economic policy was neoliberal and important neoliberal policies were pursued. Notwithstanding the change to a neoliberal economic agenda, the objectives of economic policy in Ghana remained the same. It was to propel economic growth and change the structure of Ghana’s economy from an agrarian economy to an industrial society. The only change was the theoretical framework of achieving the goal. The state led big push import substitution of Nkrumah (Scientific Socialism) was replaced by the market led neoliberal framework.

Unfortunately, the tenure of the PP government was short-lived. It was overthrown in another military takeover in 1972, just two years into office. Economic grievances were adduced by the coup leaders as one of the major reasons for their intervention. The new administration was opposed to the neoliberal agenda of the PP. The leader of the National Redemption Council (NRC)/Supreme Military Council (SMC), I.K. Acheampong was unequivocal when he stated that:

“The political frame of reference which has guided your actions and your advice especially in the past two years, must be cast into the rubbish heap of history. This means a departure from the laissez-faire, so called free market economy and the institution of effective planning in the allocation and utilization of resources.”

The SMC returned Ghana to a socialist oriented economic policy with the state as the main actor within the economic process. As pointed out by Leith & Söderling (2000), among the first acts of the National Redemption Council was to decree “…a revaluation of the Cedi; a return of control prices to their pre-devaluation levels; a refusal to pay “unjust” foreign loans that had been taken out by previous civilian governments; and a fourfold increase in the minimum wage. The NRC also launched with great fanfare “Operation Feed Yourself,” to achieve national food self-sufficiency” (Clark & Söderling, 2000).

The NRC/SMC resuscitated most of the CPP era economic policies. The NRC’s commitment to dependency theory inspired policies was unquestionable. In line with the dependency orientation of the regime, in December 1972 the NRC through a decree acquired a 55% equity participation in foreign owned mining and timber companies operating in Ghana. The government went further to nationalize Ashanti Goldfields and the Volta Aluminium Company (Clark & Söderling, 2000). These policies however failed to propelled Ghana’s development and only reinforced the challenges of poverty and underdevelopment. Crucially, they left the country still dependent on the export of primary products, particularly cocoa. As Acheampong’s policies gradually brought the economy to a halt, he was forced out of office by General Akuffo, in what was termed the ‘palace coup’ in 1978. Though Akuffo was more flexible in terms of

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3 Acheampong, (1973) Speeches and Interviews, Chairman of the National Redemption Council, p.31.

economic policies, state led development was still the hallmark of the regime (Aryeetey, Harrigan, & Nissanke, 2000).

By 1979, Ghana’s economy was virtually bankrupt with shortage of essential commodities. Capitalizing on the popular discontent, the Armed Forces Revolutionary Council (AFRC) overthrew the SMC II. The AFRC spent just three months in office and had no coherent economic programme to tackle the root of the economic challenges. In what was termed “a house cleaning exercise”, the AFRC burn down the central Accra market in a populist move to tackle high prices of consumer goods. Three former heads of state including Afrifa, Acheampong and Akuffo were executed by firing squared for corruption (Adedeji, 2001; Arnold, 2005). The AFRC handed over power to civilian rule after three months in office.

At the time, the Peoples National Party (PNP) and Dr. Hilla Limann took office in 1979, Ghana’s economic situation is daunting and needed major reforms. However, the PNP was unable to take major policy decision because of internal divisions among ideologues within the party. While socialist hawks insisted on a state-led development agenda, liberal elements within the government called for neoliberal reforms and a program with the World Bank and IMF. Largely, Limann’s government became a government of indecision and was overthrown in December, 1981 by the Provisional National Defence Council led by J.J. Rawlings.

Following a populist Libyan model of revolution, the new military junta sought to tackle the challenges of economic development, particularly the shortage of essential goods through confrontation with businessmen and women who were deemed corrupt. Price and exchange rate control and hostility towards foreign capital had not helped the economic situation to improve. Consequently the economy deterioration continued and was compounded by drought in 1982 and Nigeria’s expulsion of thousands of Ghanaians who were illegally residing in that country.

To address the issues, the PNDC looked towards the Eastern bloc countries for economic assistance. Unfortunately, the government was unable to secure any meaningful economic help from it ideological allies. Consequently, in 1984, the PNDC made what is popularly called “U-turn” and adopted the World Bank/IMF sponsored Structural Adjustment Programmes (SAP). The SAP was Western donor driver and originates from the Bretton Woods institutions’ simplistic diagnosis of the African economic stagnation as a product of macroeconomic imbalance and market distortion that need to be corrected by disengaging or cutting back the state from the market (UNCTAD, 2002, pp.1-2). It took no account of the African complex socio-political and cultural environment. The PNDC adhered strictly to the neoliberal tenets of the programme and was largely able to improve the macroeconomic situation. The political arrangement and policy position of the PNDC during this period can be likened to the Chinese political and economic system of today - an authoritarian (military) government pursuing neoliberal policies. However, unlike the Chinese, the
PNDC was not in absolute control of how the reforms unfolded, it was dictated from without with less attention to local conditions. The adoption and the implementation of the Structural Adjustment Programmes (SAP) or the Economic Recovery Programmes (ERP) as they were locally called in the mid-1980s by Ghana was taunted as an example of the “success story” of the neoliberal agenda within the West African sub-region (Kraus, 1991; Jeong, 1995; Meng, 2004). In line with the market-led neoliberal paradigm, the PNDC embarked on economic restructuring by pursuing vigorously policies of devaluing the national currency, reduction of budget deficit, retrenchment of public labour, rehabilitation of infrastructure, privatization of state owned enterprises, exchange rate liberation and foreign direct investment promotion. These policies had seen significant improvement in Ghana’s macroeconomic performance. From a negative GDP growth prior to the adoption of the SAP in 1984, the country witnessed on the average, more than 5 percent annual GDP growth since 1984. However, the SAP adversely affected the livelihood of the generality of the Ghanaian population, particularly the poor (Easterly, 2001). It came at great social, economic and environmental cost to the people. Cutbacks in education, health, welfare expenditure and retrenchment of public labour brought economic hardship to many. In addition, local businesses and industries were unable to compete favourably with foreign business due to the removal of protective measures which hitherto shielded them (Agyei-Mensah & de-Graft Aikins, 2010; Adedeji, 2001). The PNDC was forced to address these challenges by implementing Programme of Action to Mitigate the Social Cost of Adjustment (PAMSCAD). PAMSCAD, however, had little effect in alleviating the plight of the people (Brydon & Legge, 1996).

By the late 1980s and early 1990s, the Western agenda had shifted from pure economic reforms to governance reform. The World Bank in its 1989 report on Sub-Saharan Africa noted that the African crises is a “crises of governance” (World Bank, 1989). In other words, the new Western diagnoses of the African development challenges was that ‘poor governance’ or lack of good governance and democracy were responsible for underdevelopment on the continent. Thus, neoliberal economic policies need to be underlined by western liberal democratic governance structures. Subsequently, democratic political reforms became part of the conditions for assessing western funding. In line with this development and domestic political pressure for democratization, Ghana returned to constitutional democratic rule in 1993 (Oquaye, 2004; Gyimah-Boadi, 2004). The return only aligned the political system to the neoliberal economic policy agenda.

The National Democratic Congress (NDC) which was essentially the PNDC in civilian regalia continued with the many liberal economic reforms initiated during the PNDC era. By 2000 when the NDC left office, the
failures of the liberalization programme were obvious. The situation in Ghana by 2000 was succinctly summarised by Meng (2004).

In the past two decades of being the IMF and World Bank “success story”, Ghana has simultaneously confronted the challenge of increasing dependence on foreign aid, an exponential external debt, high rates of unemployment and poverty, and deindustrialization resultant from the elimination of protective measures.

This ultimate goal of industrialisation and development was not achieved by the neoliberal policies since 1984. On the contrary, the industrial base of Ghana has been eroded due to exposure of infant domestic companies international competition. The result of this deindustrialization of Ghana is what has been termed “Growth without development” (Ayalazuno, 2014). Periods of growth are normally driven by higher demands and prices of raw materials in the international market. The economy then begins to experience difficulties during periods of low demand for raw materials in the international market.

A change of government brought the New Patriotic Party (NPP) to power in 2001. The overall policy direction of the NPP government was to create an enabling environment for the private sector to thrive (Golden Age of Business), while reducing the role of the state to minimum regulation and provision of social service.

The huge public debt, high inflation and falling national currency inherited by the Kuffour-led administration led the country to apply for the World Bank Highly Poor Indebted Countries Initiative. Access to funds under the HIPC initiative was dependent on implementation of structural adjustment reforms aimed at macroeconomic stabilization, reducing credit to government, inflation reduction, trade liberalization, and the preparation of Poverty Reduction Strategy. The Poverty Reduction Papers was then the new framework for World Bank and IMF activities in developing countries (ActionAid Ghana, 2010, p.15). The country had consequently prepared and implemented an interim GPRS (2001-2002), and GPRS I and II (2003-2010) (Whitfield, 2005).

In November 2006, the country successfully exited the IMF programme with the economy largely stabilised and the hope of a new beginning without neoliberal conditionalities. Unfortunately, this hope was short-lived. In 2008, the economic situation began to deteriorate. The global financial crises, weak economic fundamentals (increasing inflation, budget deficit, cedi depreciation etc), and worsening credit rating, forced the incoming NDC (Mills-Mahama) administration to reengage the IMF for a 3 years Extended Credit Facilities (ECF) with conditionalities (inflation reduction, cutting of public expenditure, reducing the budget deficit etc) between 2009 and 2011. The implementation of reforms again helped Ghana to stabilise the economic situation. However, this resulted in higher levels of unemployment (ActionAid Ghana, 2010).

By 2010, the country had attained lower middle income economic status. Notwithstanding this, there are structural challenges to the economy. The economy is highly dependent on the export of primary commodities i.e.

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Gold, cocoa and lately petroleum. Industrial growth, particularly manufacturing remains very weak. This situation has made the country vulnerable to external shocks, particularly fluctuations in the price of its major export commodities. To correct this, the government launched the Ghana Shared Growth and Development Strategy. The lynchpin of the policy is to develop an export led economy with modernized agriculture linked with industry. In this regard, deliberate measures were put in place to encourage manufacturing and value addition to the country’s raw materials before export (National Development Planning Commission, 2010).

In 2014, the president presented an elaborate policy document entitled Agenda for Transformation, which aimed at accelerating the transformation of the country’s economy from an agrarian economy to light industry export led economy. The policy emphasized the need to provide support to prioritized companies to lead Ghana’s industrial transformation. In relation to this, cabinet approved for the establishment of an Export and Import Bank of Ghana.

In 2015, the government entered into a credit facility with the IMF amid economic pressure arising from high inflation, a prolonged power crises, high budget deficit and dwindling revenue due to falling prices of major exports. The three year credit facility came with condition of freezing public sector employment, reducing the budget deficit and other austerity measures. The programme was subsequently extended by the NPP (Nana Addo led) administration to April 2019.

4. Emerging development policy issues in Ghanasince 2016 - One district one factory concept

The return of the NPP to power with an overwhelming majority at the 2016 polls was largely due to the many economic challenges confronting the country. A freeze on public sector employment for the greater part of the eight years NDC administration (2008-2016) has precipitated what for the lack of better words can be described as an ‘unemployment crises’, particularly among young graduates. The situation is compounded by a major power crises between 2012 and 2016, which contributed to an estimated average production loss of US $ 2.1 million per day (Kumi, 2017; ISSER, 2015). The power crises popularly termed “dumsor” adversely impacted on the ability of the private sector to expand and provide employment for young school leavers.

In addition, the perennial challenges of depreciation of the national currency (cedi), rising inflation, trade deficit, and growing public debt confronted the new managers of the national economy. These challenges are partly the result of structure of the Ghanaian economy, which is dependent on raw material exportation with a weak manufacturing base. A compilation of the contributions of various sector to economic growth in Ghana by Alagidede, Baah-Boateng, & Nketiah-Amponsah (2013) between 1984 and 2012 shows that industrial growth in Ghana is mainly driven by I.K. Hlovor, & Y. Shaibu. JEPE, 6(1), 2019, p.39-57.
the mining and construction sector. The manufacturing base of the
economy remains weak and its contribution to overall growth had been on
the decline since 1993 (Alagidede, Baah-Boateng, & Nketiah-Amponsah, 2013). They also pointed out that a shift from the dominance of agriculture
to the dominance of the service sector is not evidence of the structural
transformation of the economy. According to them, “evidence available
suggests that the dominance of informal activities in the services sector and
the dwindling importance of manufacturing in economic arrangements
make it difficult for this structural shift to be judged as structural
transformation of the Ghanaian economy” (Alagidede, Baah-Boateng, &
Nketiah-Amponsah, 2013, p.10).

From 2007 to 2016, data from the Ghana Statistical Service reveals that
the observations of Alagidede, Baah-Boateng, & Nketiah-Amponsah (2013)
about the sectorial growth and contribution to GDP had not changed (see
Table 2&3). In 2015 and 2016, the industrial sector grew at -0.3 and -0.5
respectively. The sector remains weak and uncompetitive in the face of
succinctly summarised the issue by stating that, “the country continues to
export primary commodities such as unrefined minerals, raw agricultural
products, and crude oil, together contributing about 86 percent of the
country’s total exports” (Osei-Assibey, n.d.).

| Table 1. Growth Rates of Gross Domestic Product at Constant 2006 Prices (percent) |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Agriculture                      | -1.7      | 7.4       | 7.2       | 5.3       | 0.8       | 2.3       | 5.7       | 4.6       | 2.8       | 3.0       |
| Industry                         | 6.1       | 15.1      | 4.5       | 6.9       | 41.6      | 11.0      | 6.6       | 0.8       | -0.3      | -0.5      |
| Manufacturing                    | -1.2      | 3.7       | -1.3      | 7.6       | 17.0      | 2.0       | -0.5      | -0.8      | 2.2       | 2.7       |
| Services                         | 7.7       | 8.0       | 5.6       | 9.8       | 9.4       | 12.1      | 10.0      | 5.6       | 6.3       | 5.7       |

Source: Ghana Statistical Service

| Table 2. Distribution of Gross Domestic Product (at Basic Prices) by Economic Activity (percent) |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Agriculture                      | 30.4      | 29.1      | 31.0      | 31.8      | 29.8      | 25.3      | 22.9      | 22.4      | 21.5      | 20.3      |
| Industry                         | 20.8      | 20.7      | 20.4      | 19.0      | 19.1      | 25.6      | 28.0      | 27.8      | 26.6      | 25.1      |
| Manufacturing                    | 10.2      | 9.1       | 7.9       | 6.9       | 6.8       | 6.9       | 5.8       | 5.3       | 4.9       | 4.8       |
| Services                         | 48.8      | 50.2      | 48.6      | 49.2      | 51.1      | 49.1      | 49.1      | 49.8      | 51.9      | 54.6      |

Source: Ghana Statistical Service

The new NPP administration like previous governments in Ghanaian history was confronted with the challenge of transforming the economy by
ensuring value addition to raw materials through manufacturing. A key
strategy in transforming Ghana to an industrial powerhouse within the
West African Sub-region is the implementation of the ‘ONE DISTRICT
ONE FACTORY’ (ODOF) initiative. The initiative was a campaign promise of the then opposition NPP. Being a campaign promise, it is mainly a Ghanaian home grown idea without foreign input. It aims to ensure even
distribution of industries across the country and providing a path to the
industrial development of Ghana. According to the ODOF secretariat, the aim of the government is to “address the problem by undertaking a massive industrialisation campaign across the country, which will equip and empower communities to utilise their local resources in manufacturing products that are in high demand both locally and internationally. This will allow the country to reap the well known rewards of industrialisation, such as gains in efficiency in every facet of life in our society, increase in agricultural and manufacturing output, a reduction in the reliance on imports and increase in the production of consumer goods and food availability” (One District One Factory Secretariat, 2018). The minimum numerical target is to have a factory in each of the 254 districts in Ghana by 2020. The new government, therefore, embark on many foreign trips to sell the idea to foreign investors. The government equally encouraged local businessmen to take advantage of the initiative by partnering foreign investors or having their investments registered under the programme.

The policy is ambitious in scope and “since Kwame Nkrumah’s regime in the early 1960s, no government has demonstrated such a level of commitment to the economic transformation of districts in Ghana” (Haruna, 2017, p.4). However, unlike the state owned enterprises (Socialism) of Nkrumah, the current policy is best described as ‘public or state initiated and private sector driven industrialization strategy’. The strategy is defined by the active role of the state in assisting private investors to explore and invest in areas considered by the government as having the potential to provide employment and add value to the country’s exports. In this regard, the ODOF secretariat has identified eight (8) main priority areas under the initiative. These are input/raw material producer groups, Agro processing and business, Textiles and Clothing, ICT, Pharmaceutical and cosmetics, Waste management, Distribution and trading, and Tourism, Arts and Crafts (One District One Factory Secretariat, 2018). The strategic areas shows that far from being motivated by mere desire to diversify exports and the economy, the policy aims also to improve all sectors of the Ghanaian economy.

The government in partnership with some financial institutions (Ghana Exim Bank, GCB Bank, CNBM, UMB and Access Bank) is also facilitating access to credit for the projects registered under the initiative, although, it is the investors who are responsible for the credit facilities and any related liability. To support the programme, the government has acquired US $2 billion loan facility from the government of the People’s Republic of China (Haruna, 2017). That this loan was given at a period that Ghana was under IMF bailout programme shows Beijing willingness to support countries without the conditionalities of western donors. The disbursement is however done through the partner financial institutions (Ghana Exim Bank, GCB Bank, CNBM, UMB and Access Bank).

By this strategy, the government is able to achieve a dynamic balance between active state involvement and private sector led industrialization. However, there are many issues that need to be addressed to ensure its

sustainability in the long term. Among these issues are ensuring reliable power supply, improving infrastructure facilities, (particularly roads and railways to link the industries to commercial centres), ensuring regular supply of raw materials, maintaining macroeconomic stability, and avoiding political patronage in selecting investors. Again, political commitment not only from the NPP but also the opposition NDC is needed for the long term success of the new approach. Oppositional politics, which manifest in excessive criticism of government policies and efforts to undermine policies regardless of the benefit to society of the policies must give way to national consensus on this important policy.

5. Conclusion

The potential of this innovative policy to transform Ghana’s economy cannot be overstated. It is an important innovation in the quest to industrialised Ghana. With other important policy inventions such as the Planting for Food and Jobs, and One village One dam initiatives, the government of Ghana is experimenting new innovative ways of addressing the challenges of poverty and underdevelopment. As the country prepares to exit the latest IMF supported adjustment programme, it is incumbent on the government or any successor to continue on the path of innovation and experimentation. Development options are not cast in stone and there is no universal path to industrialisation and development. Perhaps, the Ghanaian leadership, after years of attempting without success is beginning to read the ‘Chinese story’ in terms of being innovative and tailoring policies to domestic circumstances.

The new industrialisation policy aligned favourably with the three tenets of the Beijing consensus identified by Ramón (2004). It is innovative, self-determined, and aimed at poverty reduction and improving the standard of living of Ghanaians. Ghana has taken an important first step in experimenting a new form of home-grown industrialisation policy. Perhaps, this time, the anchor will hold on ideas cooked and mastered in Beijing and not Washington.

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