

**STRUCTURAL ADJUSTMENT
PARTICIPATORY REVIEW INITIATIVE
(SAPRI)**

GHANA COUNTRY REPORT

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For the
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LIST OF ABBREVIATIONS

AGC- Ashanti Goldfields Corporation
AGI- Association of Ghana Industries
AMC- African Manganese Company
BAF- Business Assistant Fund
CBS- Community Based schools
CHW- Community Health Workers
CIVISOC-Civil Society Coordinating Council
CSA- Civil Society Groups
DA- District Assembly
EC- Education Commission
EDSAC-First Education Sector Adjustment Credit
EIA- Environmental Impact Assessments
EIAL- Early Intensive Adjustment Plan
ERP- Economic Review Process
FDP- Foreign Domestic Programme
GDP- Gross Domestic Product
GES- Ghana Education Service
GLSS- Ghana Living Standard Survey
GNAT-Ghana National Association of Teachers
GNMC-Ghana National Manganese Company
GOG- Government of Ghana
GRNA-Ghana Registered Nurses Association
HIPC- Highly Indebted Poor Country
IFI- International Financial Institutions
IMF- International Monetary Fund
ISODEC-Integrated Social Development Council
MCH- Maternal and Child Health
MOE- Ministry of Education
NCTE-National Council for Tertiary Education
NGO- Non-governmental Organisation
NHIS- National Health Insurance Scheme
PAMSCAD-Programme of Action to Mitigate the Social Cost of Adjustment
PHC- Primary Health Care
PNDC –Provisional National Defence Council
PSRP- Poverty Reduction Strategy Programme
RECAST-Regional College Of Applied Arts
SAP- Structural Adjustment Programme
SAPRI-Structural Adjustment Participatory Review Initiative
SGMC-State Gold Mining Corporation
SOE- State Owned Enterprises
SSS- Senior Secondary Schools
TBA- Traditional Birth Attendants
TEP- Tertiary Education Project
TUC- Trade Union Congress
TNSC-Tripartite National Steering Committee
TWN- Third World Network

UDS- University for Development Studies
UNICEF-United Nations Children's Emergency Fund
URC- University Rationalisation Committee
UTAG-University Teachers Association of Ghana
POTAG-Polytechnic Teachers Association of Ghana
WAEC-West African Examinations Council
WTO- World Trade Organisation

SECTION A: SAPRI PROCESS AND CONTEXT

CHAPTER ONE

The SAPRI Process In Ghana

1.1 Introduction

In 1995 agreement was reached at the global level between civil society organizations and the World Bank to undertake a joint investigation into the impact of structural adjustment policies. Ghana was selected as one of the eight (8) countries in which a Structural Adjustment Participatory Review Initiative (SAPRI) would be implemented.

SAPRI was formally launched in Ghana on November 25, 1999. The review it was envisaged would last eighteen months however the process of implementation lasted four years and was finally completed in 2001. An equally important objective was to determine how the participation of Ghana's civil society could improve economic policy-making. In this sense, at least, SAPRI constituted a major experiment to address the problem of national economic policy-making as well as the promotion and development of a more transparent, inclusive and participatory process of decision-making.

1.2 Institutions/Structures

Lead Organizations

Two organizations played a central role in Ghana's SAPRI process. The Third World Network Africa (TWN – Africa) an international NGO in policy advocacy was appointed the regional lead organization responsible for co-ordinating the organization of SAPRI activities in Africa while ISODEC a Ghanaian NGO was chosen to be the lead organization in Ghana. Both institutions owed their positions and role in the SAPRI process to their active participation in mobilizing international opinion in support of SAPRI at the global level and following that became part of the global steering committee.

Tripartite National Steering Committee (TNSC)

At the very apex of the structural arrangements to realize SAPRI objectives in Ghana was the Tripartite National Steering Committee (TNSC) comprising civil society World Bank and GOG representatives, whose main responsibility was to oversee the overall SAPRI process in Ghana. This was a fourteen (14)-member committee with an independent chairperson of Professor Akilagpa Sawyerr, former Vice Chancellor of the University of Ghana, was the body that managed the political process of SAPRI. It was charged with engaging in public awareness activities, promoting education on public policies and encouraging transparent and participatory debate on developmental issues.

At various stages of its work the TNSC created a number of committees to facilitate the attainment of its goals.

Information Team

The first of these committees was the twelve-member information team, half of them from civil society and the other half from the Ghana Government and the World Bank. The team was tasked to review confidential World Bank documents related to structural adjustment. The information sifted was to inform the outreach program of CIVISOC and provide an informed basis for a rich debate during the First National Forum.

Tripartite Technical Committee

This committee with representatives of civil society, GOG and World Bank was an eight member body set up to carry out an identification of research issues, the research methodology and time frame in addition to the selection and recruitment of researchers for identified areas of interests.

Ad Hoc Planning Committee

An ad hoc planning committee was also set up to plan and organize joint national tripartite activities

Civil Society Co-ordinating Council (CIVISOC)

The institutional kingpin of the SAPRI process was the Civil Society Co-ordinating Council (CIVISOC). The CIVISOC was the elected body representing about 40 civil society / NGO's in Ghana. Its primary role was to oversee the main review exercise on behalf of these civil society organizations including the Trades Union Congress (TUC), the Ghana National Association of Teachers (GNAT) Civil Servants Association (CSA) Ghana Registered Nurses Association (GRNA) International NGO's and University and Polytechnic Teachers Association (UTAG & POTAG). The broad categorization of CIVISOC membership comprised:

- a) Labour Movements
- b) Business Associations
- c) Farmers and Fishermen's Group
- d) Zonal Co-ordinating Organizations
- e) Women's Organizations and NGO's
- f) Religious Developmental Associations

CIVISOC was under the chairmanship of Mr. Kwesi Adu-Amankwah (Secretary General, Ghana TUC) CIVISOC created four sub-committees on Media, Organizational, Financial and Technical matters to execute its mandate.

Management Committee of SAPRI

Of equal importance was the eight-member CIVISOC management committee, which was responsible for management decisions and the provision of general direction to CIVISOC in both the administrative and technical sense. The offices of the lead organization ISODEC served as the secretariat for CIVISOC.

1.3 SAPRI Activities

Once created the SAPRI structures created embarked on a wide range of carefully phased activities aimed at reaching the set objective of the SAPRI process. The activities occurred within three broad phases.

Phase one: Included the preparations toward and the holding of the First National Forum on 25 November 1997.

Phase two: Inter-forum activities that were undertaken between the holding of the First National forum and the second National forum 7-9 May 2001

Phase three: The Second National Forum 7-10, May 2001.

Phase One Activities:

The preparatory phase comprised of outreach programs and regional consultations on principal adjustment issues of concern to civil society and the First National Forum. ISODEC / TWN in the early part of 1997 disseminated a lot of information on SAPRI to a large number of NGO's and CSOs under outreach programmes. On April 26, 1997 a decision was taken to consolidate the outreach programme. A provisional outreach-working Group (PROWOG) was formed to broaden the SAPRI related outreach programs.

Regional Consultations: - Country wide regional consultations were organized with a view to realizing the following objectives:

- To disseminate information about SAPRI at the district and community levels.
- Initiate focused discussion on the social and economic impact of SAP.
- To compile major SAP related issues of concern to the people in the region.

The regional conferences were held on the following dates and venues:

- ❖ Ashanti Region: The workshop took place at Kumasi, 10th June 1997 and there were 27 participants.
- ❖ Brong-Ahafo: The workshop was held June 21 1997 at Sunyani. Total number of participants was 26.
- ❖ Western and Central Region: The workshop took place at Cape Coast 19th June 1997 with a total of 84 participants attending, 47 from the western and 37 from the Central region
- ❖ Greater Accra and Eastern Regions: held their workshop 18th June 1997 in Accra. GAPVOD the lead organization was able to assemble 37 participants.
- ❖ Volta Region organized its workshop on 10th June 1997 with 56 participants.
- ❖ Northern, Upper East and Upper West regions: Separate meetings were held in each region.

Each region elected four representatives at these meetings, to participate in the National conference scheduled for June 26- 29. The key issues of concern to the regions were identified as:

- Subsidy withdrawal and cost recovery
- Trade Liberalisation.
- High cost of credit
- Inflation
- Environmental impact of mining
- Currency Depreciation
- Agriculture and food security
- Health delivery and cash and carry system
- Local Industries

National Civil Society conference

A national conference of civil society groups was held 26-29 June 1997. About 72 participants drawn from all 40 NGO's and civil society groups in CIVISOC attended the conference.

The conference compiled a list of issues, which formed the basis for selection of priority areas for review in the main SAPRI exercise.

National Launch: The Vice President H. E. Atta Mills formally launched SAPRI in Ghana on the 25th November 1997, following a formal cabinet approval for the exercise. The political visibility of SAPRI was considerably enhanced by the presence of the Vice President and the many Ministers of State, Parliamentarians members of the Donor community and the UN. In addition the presence of a cross-section of people from all walks of life was a clear demonstration of the popular appeal of the initiative.

Pre First National Forum Outreach: In July 1998 CIVISOC embarked on another round of outreach work through the organization of a pre-forum workshop to update the regional/zonal coordinators and members of CIVISOC on the SAPRI process and prepare them for the regional forums, which were to take place after the workshop and prepare civil society for the First National Forum on SAPRI. The workshop that brought together forty-five representatives of civil society from all over the country was followed by a series of outreach workshops in each of the ten regions of Ghana.

These workshops served three main purposes.

- First provided information on the impending National forum on SAPRI.
- Second was to identify adjustment related issues of concern to civil society which would serve as the basis discussion at the First National forum on SAPRI and
- Third was to select regional representatives to the National Forum.

Papers presented at the workshops were:

- The Impact of Structural Adjustment on Education- Prof. Djangmah, Institute of Economic Affairs.
- The Impact of Structural Adjustment on Health. Dr. Nana Enyimayew School of Public Health
- The Impact of Structural Adjustment on Agriculture and Food security Dr. Wayo Seini (ISSER)
- Government and Structural Adjustment, Kwesi Jonah
- The Micro Impacts of Macro-economic Policies, particularly on sectors such as mining, industry and Employment- Kwesi Anyemedu (TUC)

1.4 First National Forum

The climax of the first stage of SAPRI activities was the First National Forum, a three-day event held at the Accra International Conference Centre under the theme, “Structural Adjustment – The Issues and the Debate” with the speaker of Parliament, Justice D.F Annan as the keynote speaker. The forum was intended to bring on to the discussion table the impact of Ghana’s structural adjustment on health, education, governance, agriculture, micro impacts of macro-economic policies and gender. The unique feature of the Forum was the opportunity given to the World Bank and Ghana Government to respond to the issues raised by civil society. A total of 350 participants from the World Bank, Government of Ghana and Civil Society attended the meeting.

A list of perceived areas of disagreement between the Civil Society on one hand and the Bank and Government of Ghana on the other were compiled. CIVISOC Technical Committee after a careful scrutiny of the list proposed to the TNSC that further investigations be conducted into the following areas:

- Investment Policy and The Mining Sector
- Trade Policy and Domestic manufacturing
- Agricultural Policy and Food Security
- Access To Social Services with Emphasis on Education and Health.

1.5 Inter-Forum Activities

All sides hailed the First National Forum as a remarkable success both in terms of the quality of presentations, discussions and the show of public interest and support. In spite of the high degree of success CIVISOC internal evaluation concluded that the low level of knowledge of economic policy issues limited effective civil society participation. A decision was quickly taken to institute remedial measures by intensive educational programmes.

a. Workshop On International Financial Institutions (IFIs)

The first of the CIVISOC educational activities on economic policy issues was a workshop on IFIs held in February 1999 and designed to increase the knowledge of participants of the enormous power and controversial roles of IFIs over economic policy in Ghana and the developing world at large. The workshop brought together 45 participants and equipped participants with the tools to access these institutions.

The following instruments were also examined:

1. Lending Instruments such as project and programme loans.
2. Policy Instruments such as WB Country Assistance Strategy (CAS) and IMF's Policy Framework Papers (PFP) and
3. Monitoring Instruments such as Article 4 Review, Performance Evaluation Reports.

The workshop content revolved around the principles of the market and growth theory, poverty alleviation, equity, participation and Gender.

b. Consultation on WB CAS 2000-2003

A remarkable recognition of the SAPRI exercise was recorded when the WB Country Director decided that he would appreciate a CIVISOC input into the World Bank's Country Assistance Strategy (CAS) for Ghana for the 2000-2003 period. CAS consultations were accomplished in two stages:

1. First a two-day workshop was held in Accra, 20-21st September 1999 to reach a consensus on the strategy of implementation.
2. Second, regional forums for consultations were organized for civil society organizations NGOs and CBAs.

The key concerns of participants were in the following areas:

- Agriculture and food Security
- Education
- Environment
- Governance and Decentralization
- Health, Water and Sanitation
- Roads and Communication
- Poverty and Micro Credit
- Private Sector Development
- Employment

c. Workshop on The Finance Committee of Parliament

On April 4 2000 a workshop was organized on the Work of the Finance Committee of Parliament for 12 CIVISOC members, staff of the SAPRI Secretariat and staff of the Centre For Democratic Development. The workshop took place at the CDD offices and the Chairman was Professor Gyimah Boadi of the CDD.

The Workshop became necessary because of inadequate linkage between civil society organizations and the legislature and its committees. It was organized to strengthen the relationship between civil society and the economic committees of parliament and to teach civil society ways of influencing the work of Parliament and its committees.

The Chairman of the Parliamentary Committee on Finance, Commodore Steve Obimpeh and three other members participated in the workshop by providing all the information needed about the committee.

d. CIVISOC And The Transition To a New Government 2001

In the December 2000 Presidential Elections Ghana recorded its first democratic alternation of power from one elected government to another. CIVISOC was fortunate to have been invited by the new administration the National Patriotic Party (NPP) government to participate in the work of the transitional team and specifically in the work of four sub-Committees appointed to work on various aspects of the economy. A meeting was organized on the 17th of January 2001 between a 9-member civil society delegation and the transitional team.

e. Foreign Visits To SAPRI Secretariat

A unique feature of the inter-forum activities of SAPRI was the reception at the offices of SAPRI of a delegation of Christian Relief and Development Association an umbrella organization of over 181 civil society organizations including NGOs operating in Ethiopia. The visit was intended to offer the Ethiopian visitors a first hand knowledge of the role and activities of Ghana's civil society organizations in the post SAP period in Ghana and draw on the experiences of Ghana's SAPRI exercise.

f. Pre- Second National Forum Outreach

Between April 17th and 2nd May, ten outreach workshops were held throughout the country to discuss four research reports:

- Trade Policy and Domestic Manufacturing
- Investment Policy and Mining
- Education
- Health

The report on Agriculture and Food Security, was not received and was therefore not available for discussion.

g. Second National Forum

The third phase was marked by the holding of the last major event of the SAPRI process in Ghana, the Second National Forum, 7-9 May 2000 at the Accra International Conference Centre. The theme was Structural Adjustment: The Issues and The Debate, the Keynote speaker was the Minister of Economic Planning and Regional Integration, Dr Kwesi Nduom, who deputised for H.E Mr John Agyekum Kufuor, president of the Republic of Ghana. The theme of his address was "Moving Forward From Economic

Decline and Structural Adjustment To Wealth Creation, Poverty Reduction and Prosperity For All”. In his address the Minister stressed the relationship between the Forum and the National Economic Dialogue scheduled to take place the following week.

Other prominent speakers included Professor Akilagpa Sawyer, Chairman of TNSC, Mr. Douglas Hellinger of the SAPRIN Secretariat, Washington DC. Mr Kwesi Adu-Amankwa, Chairman of CIVISOC and General Secretary of Ghana TUC, Dr A. Agambila representative of the Minister of Finance and Mr Peter Harrold, Country Director of the World Bank.

The researchers provided highlights of their research to the plenary. The syndicate groups engaged in a detailed discussion of the research reports on Education, Health, and Mining. The plenary received reports from the group discussions, made suggestions and put forward recommendations on the way forward for post-SAPRI work.

Altogether there were over 350 participants representing the World Bank, Government of Ghana and Civil Society Organizations.

1.6 The Context of SAPRI Research

In the 1990’s the World Bank through the application of the “ before and after” and the” with and without” approaches reviewed the impact of SAPs in sub-Saharan Africa. A critical survey of these reviews made a strong case for a more people oriented and grass root – driven and participatory review of the impact of SAP. By and large the impact of SAP on sustainable livelihood at the community level was of little more than secondary importance. Bank reviews chose to highlight a selective if not restrictive range of indicators of the impact of SAPs in sub-Saharan Africa. The most prominent among the Bank’s preferred indicators may be summarized as follows:

Aggregate Economic Performance

The data collected by the Bank from SAP implementing countries pointed to the fact that adjustment programs were moderately successful in improving their aggregate economic performance in comparison with their pre-adjustment performance and that of non-SAP implementing countries.

Stable Macro-Economic Framework

The Bank also concluded that a stable macro-economic framework was a significant contributory factor to adjustment success.

Implementation of conditions

Significantly too the World Bank noted that the implementation of conditions in countries with successful adjustment programs the Early Intensive Adjustment Loan (EIAL) countries implemented close to two-thirds of conditions set.

Adequacy of External financing

Adequate external financing was found to be a major requirement for sustained adjustment efforts.

Commitment to Reform Program

The Bank's reviews noted that the governments that best sustained their commitment to reform were those that "owned" the program.

Governments were committed to a sustained implementation of adjustment only when they were convinced that the operations were the most appropriate way out of their difficult economic situation.

External Flows and Domestic Savings

The need for increased domestic savings and direct foreign investment was found to be particularly crucial.

Social Impact

The Bank cannot be accused of ignoring the social impact of the adjustment policies in its reviews of adjustment in general and Africa in particular. The concern was that in these reviews the attention given to social impacts was scant and nowhere near adequate. Neither were broad conclusions about the social impact sufficiently reflective of the actual experiences and living conditions of people living under adjustment.

The Bank's reviews of the effect of adjustment on living conditions in the main concluded that there were indeed some short-run costs but there was no evidence to suggest that adjustment had caused overall misery to the poor. On the contrary orderly adjustment according to the Bank's reviews seemed to be less costly for most of the poor.

The Bank's reviews further indicated that current consumption appears to have been protected and other short-run indicators showed continued improvements.

In the face these Bank findings on the social impact of adjustment and the apparent consignment of the whole social impact issue to nothing more than a footnote in the adjustment process the need for new approach and emphasis became compelling.

There arose an urgent need to bring the impact of adjustment on the lives of ordinary people to the very centre of the debate on adjustment. And there was a driving need to do so from the perspective of people who felt the pressures of day-to-day living in the adjusting countries.

It was in this context that the SAPRI process whose research problems were determined by civil society acting in unison with the Bank and Government provided a most welcome window of opportunity.

Persistent poverty

A compelling case was provided by the periodic survey of living standards in some of the countries implementing adjustment policies. The Ghana Living Standards Survey (GLSS 3) was conducted with the support of the Bank. Introduced with the support of the Bank, the GLSS results of 1996 revealed a pattern of poverty that was unacceptable for a country with a track record of nearly a decade and half of adjustment. More than 40% of the Ghanaian population was found to be living in poverty and nearly one-third in hard-core poverty.

The adoption of the participatory review approach, the selection of the research problems and the findings and discussions of results should be appreciated in this context.

SECTION B –THE RESEARCH REPORTS

The SAPRI Methodology

This section of the report contains the summaries of the four completed SAPRI research and a summary of discussions from the second national forum. The identification of issues for the research as already indicated was participatory. In order to ensure that the research exercise itself conformed to the spirit driving SAPRI, the process evolved its own methodological framework that was participatory and addressed the political economic framework within which power relations that dictate economic policy operated. The framework was also directed towards identifying how gender relations operated to affect the social impact of SAP. The details of the SAPRI methodology are provided below.

Political Economy Approach

The underlying assumption of the political economy approach is that two principal entities, the state and the market have the greatest impact on the lives of the people because of their primary responsibility for the simultaneous allocation of resources in society. The state allocates resources on the basis of its power and authority while market allocation is dependent on the price mechanism. The state however is not a totally disinterested entity and therefore cannot be expected to operate in a neutral way. The forces that control a particular state determine the pattern of resource allocation and therefore decide who gets what, when and how.

The blind forces of the market on the other hand allocate resources with little or no regard for social inequalities. The rich and the powerful, the poor and the weak are treated without due regard for their station in life. Therefore unless forces sensitive to social inequalities control the power of the state the poor and the weak will be at the mercy of the blind forces of the market with no hope of redemption by the state. The Political Economy approach therefore directs attention to specific questions such as:

- Who controls the state?
- In whose interests are the policies made?
- What is the impact of the market on the state?
- What influence does the state exert on the operations of the market?
- Who gains or benefits from the market allocations of resources and who loses?
- Does the state have the power to remedy the blind allocation of resources by the market?

Participatory Approach

The participatory approach was reflected in the inclusion of all segments of society by SAPRI in the discussion of the effects of economic policies. SAPRI is unique in terms of the opportunity it affords the Government, World Bank and Civil Society to review the adjustment programme in a framework of equal partnership and mutual respect. The breadth of the participation was meant to ensure that practically all relevant economic and social issues that could reasonably be attributed to structural adjustment policies were identified and analysed. In the research process the participatory approach dictated that the data gathering process itself was participatory by involving the research in the identification of research issues and the data gathering process.

Gender Analysis

Gender analysis in the SAPRI process assumes that gender constitutes one arena in which social and economic lives of members of any society are determined. Gender as a principal determinant of life chances act to modify the impact of economic policies on the lives of individuals. Women as subordinate partners in gender relations have been identified as having disproportionately received the negative impact of SAP.

Gender analysis centres on the systematic examination of the differing impact of development policy on men and women. It requires the disaggregation of data by sex and an understanding of how labour is divided and valued according to gender at all stages of the development process. The central question that must always be asked is how a particular activity, decision or plan affects men and women in relation to each other. Other questions centre on access to socially valued resources and the conditions under which these resources are distributed.

CHAPTER TWO

TRADE POLICY AND DOMESTIC MANUFACTURING IN GHANA

2.1 Introduction

2.1.1 Background,

The 1970s and early 1980s represented a period of economic crisis for Ghana and most African countries due mainly to severe deterioration in international trade relations, domestic policy mismanagement and national calamities. Many African countries resorted to structural adjustment policy reforms aimed at correcting the distortions, in their economies.

Faced with unfavourable terms of trade for their primary products and balance of payment difficulties in the 60s and 70s, many African developing countries turned more and more to protectionist policies and import substitution strategies. This however led to a crisis in many African economies due primarily to the fall in the prices of their major export commodities and therefore dwindling export earnings.

Believing that these economies were facing structural disadvantages that prevented them from industrializing and competing effectively on the international market, the World Bank and IMF prescribed a set of policy reforms based on the principles of free-market and free trade.

The underlying principles of these World Bank and IMF inspired reforms were the establishment of a free market system through trade liberalization, elimination of government controls on relative prices and exchange rates as well as sound fiscal and monetary management. These were the cornerstones of the Structural Adjustment Programmes (SAP) launched by many countries (Briggs and Srivastava, 1992. P1)

Based on neoclassical notions, structural adjustment policy reforms assumed that high supply elasticities would elicit speedy and sizable responses in investment and output under improved price incentives and free markets. Experience has however indicated that the growth impact of these policy reforms has been much lower than expected. The supply response of the manufacturing sector in particular has been uniformly inelastic in almost all Africa countries, which have implemented SAP.

After more than a decade of unprecedented economic decline, Ghana launched an Economic Recovery Programme (ERP) in 1983 together with a Structural Adjustment Programme (SAP), which was agreed between the World Bank/ IMF and the Government of Ghana. The initial phase of the ERP and the supporting SAP covering the period 1983-1986 focused on stabilization and liberalization of the economy in order to establish a new macro-economic policy environment for reversing the downward trend of the economy and pushing it back on the path of growth.

The programme centred on fiscal and monetary policy reforms to reduce the level of inflation, rationalization of exchange rate to stimulate exports, and on “getting the price right” in order to redirect resources towards the more productive sectors of the economy. Trade liberalization and rehabilitation of dilapidated productive and social infrastructure were also high on the agenda

Trade policy reforms have been a major focus of the adjustment process in Ghana. The main policy reforms include tariff adjustments, import and export liberalization, liberalization of the foreign exchange market, deregulation of domestic market prices and controls and also institutional reforms of revenue generating agencies such as the Customs and Excise and the Internal Revenue Services.

The study examined the impact of trade policy reforms on domestic manufacturing in Ghana. With the support of the World Bank and IMF, Ghana launched its SAP in 1983. The Ghanaian economy has therefore had one of the longest experiences with structural adjustment in Africa. Consequently it is regarded as an excellent case study for impact assessment.

2.1.2 Problem Statement

After nearly two decades of continuous stabilization and adjustment, there is great concern about the state of the Ghanaian economy under the impact of structural adjustment. While there is general agreement that the ERP and SAP have indeed succeeded in reversing the decline in the economy and also in generating modest economic growth over the years, its impact on domestic industry and the welfare of ordinary Ghanaians is strongly disputed especially since empirical evidence suggests that poverty appears to be increasing rather than decreasing in Ghana in the wake of structural adjustment. This view is vindicated by the developments in the 1990s, which saw a significant drop in private investment and a decline of the growth rate of manufacturing. This is particularly disturbing since government had looked to the private sector to lead the economic recovery and growth process (Steel and Webster, 1991,P1).

Generally, the reforms have had a substantial impact on the overall availability of goods and services on the local market as well as inputs to local industry. Bureaucratic and cumbersome foreign exchange rationing is a thing of the past, easing availability and access to foreign exchange for local businesses. The reforms have also contributed positively to export performance, enhanced technology transfer and also improved efficiency and quality of the products of local producers. In that context, trade policy reforms are perceived to have succeeded in exposing Ghanaian firms to greater international competition to the benefit of consumers.

It is however also countered that the sequencing of the trade reforms resulted in unnecessary damage to the local manufacturing sector. In that regard it is argued that radical import liberalization was implemented at a time when local manufacturers faced severe resource and management constraints. When these factors are combined with the exchange rate losses suffered by many firms and the increasingly high cost of credit, it is clear that local firms were unable to adjust properly and promptly to face external competition. The result was that many local firms, especially small and medium-sized enterprises, went out of business.

The decline in Ghana's manufacturing sector is reflected in the decline of its share in GDP and of its contribution to employment, compared to the growing preponderance of the service sector. Many local firms remain unable to gain access to capital, technology and managerial expertise and continue, therefore, to face unfair competition. It is believed that some firms that survived only did so by becoming capital intensive. Furthermore, the cessation of support for state-owned enterprises (SOEs) and their eventual divestiture or liquidation cannot be justified in all cases on grounds other than those of ideology.

The manufacturing sector, which adds value to goods, is crucial for enhancing the international competitiveness of countries. Therefore, the perceived demise of the local manufacturing sector in Ghana especially firms in the medium-scale category, which are crucial for employment creation and innovation, is a matter of great concern.

The study examined the extent to which trade policy reforms under the Structural Adjustment Programme have caused the decline in Ghana's manufacturing sector. The key issues examined by the research covered the extent to which the rate of growth of domestic manufacturing has declined in terms of volume of output, employment, expansion and income of manufacturing companies and establishment of new ones. The causes of the decline in the growth of manufacturing and the extent to which such causes were policy induced as well as an attempt to identify the micro-economic survival strategies adopted by domestic manufacturing firms during the structural adjustment period were part of the key issues covered in the research.

2.1.3 Objectives of the Study

The main objective of this study was to assess the response of the Ghanaian manufacturing sector to trade reforms in terms of levels of structural transformation, actual and potential contribution of the sector to employment, technology transfer and value added exports.

In addition the study had the following objectives:

1. Review existing literature on trade policy reforms and manufacturing industries in order to establish correlations in terms of causes and effects.
2. Appraise trade and industry policies in Ghana before and after the introduction of the structural adjustment programme.
3. Trace the levels of change that have occurred in the growth rate of domestic manufacturing in the country.
4. Disaggregate domestic manufacturing firms by size, sub-sector and gender, and indicate the extent to which their characteristics may reflect trade policy impact.
5. Examine the micro-economic survival strategies adopted by the various categories of domestic manufacturing firms throughout the structural adjustment era.
6. Examine the scope for effective support for the domestic manufacturing within the constraints of the WTO.

2.1.4 The Research Process

The research process began with a review of available literature on trade policy reforms and Structural Adjustment Policies, with a view to determining the theoretical basis of trade reform policies, the element of and need for Structural Adjustment reforms, and also the impact of SAP on Ghana's economy.

From a register of manufacturing firms in Accra, Tema and Kumasi, a categorization of small, medium and large-scale industries was made on the basis of the number of persons employed. The final list of firms to be subjected to analysis and study was selected in terms of ownership

by gender, firm size and material resource base. In all, 51 manufacturing firms were covered in the survey of the three locations: Accra (34), Tema (6) and Kumasi (11).

Key public institutions surveyed consisted of the Ministry of Finance, Ministry of Trade and Industry, Ghana Export Promotion Council, National Board for Small-Scale Industries, Ghana Standards Board, Ghana Gateway Project, Ghana Free Zones Project, Customs, Excise and Preventive Service. The others included the Ghana National Chamber of Commerce, Ghana Institute of Management and Public Administration, Institute of Statistical, Social and Economic Research, Management Development and Productivity Institute, Centre for Economic Policy Analysis, Registrar General's Department, Ghana Statistical Service, National Council on Women and Development, 31st December Women's Movement and Ghana Enterprises Commission.

The private sector organisations comprised the Private Enterprise Foundation, Association of Ghana Industries, Association of Ghanaian Exporters, Export Finance Company, Ghana Association of Women Entrepreneurs, Enterprises Support Services of Africa, Association of Small-Scale Industries, Impresario Technologicas (EMPRETEC), Ghana Union of Traders Associations and Women's World Banking of Ghana Limited.

The survey of public institutions and private organisations was conducted within the framework of workshops that adopted participatory and consultative approaches to gather information and interpretation from the participant-informants. Gender balance in terms of participation and disaggregation of data was sought. The participants were divided into smaller groups of six or seven persons for focus group discussions to amass information. Focus group discussions were also held with entrepreneurs and employees of manufacturing firms in the research centres (Accra, Kumasi and Tema).

The deliberations focussed on their problems, the causes and the survival strategies. Group formation took into account firm size, sub-sector and gender considerations.

2.1.5 The Analytical Framework

The methodological framework employed in this study was that evolved for SAPRI through deliberations at a series of workshops. The exercises, which were anchored to a participatory philosophy, sought to facilitate the full participation of all those sections of society that have traditionally been excluded from the decision-making processes connected with the institution and implementation of SAP in Ghana. It adopted a political economy approach as the overarching framework that incorporated gender issues and the participation of civil society as essential ingredients. The essence of this approach was to establish a basis upon which serious consideration could be given by all parties to policy design in future economic reform processes. The assessment focussed on the determination of the impact of trade policy reforms on domestic manufacturing in the country within the context of SAP.

A simple input-output model was adopted as the scheme for the analysis of the impact of the trade policy reform on domestic manufacturing in Ghana. The primary variables used in the assessment of impact comprised employment, output, market expansion, enterprise growth, gender ownership and enterprise constraints.

2.2 Literature Review

An extensive body of literature now exists on the impact of structural adjustment in Africa. Some studies are very specific in dealing with the impact of the many aspects of structural adjustment policies. For the most part, the various studies have come to conclusions that are mutually contradictory. To some extent, the differences in the research output arise from the methodologies used (Simeon Ibi Ajayi, 1994: P 56). Classified in accordance with their institutional origin, the studies fall into two main groups, namely World Bank-IMF studies conducted by their staff, and independent work carried out by other scholars.

The World Bank-IMF type studies rely on quantitative and complex statistical methods, employing aggregated macro-economic data and indicators. Aggregate trends and phenomena tend to mask the dynamics and structural characteristics of the micro-economic scene. These studies, until recently, tended to indicate that structural adjustment programmes were successful.

The second category of studies examined issues such as “adjustment with human face”, “growth-oriented adjustment” and the “social dimensions of adjustment” in order to point out the disparity between outcomes and expectations. Their methods tend to be a juxtaposition of qualitative and quantitative methods.

The review of available literature also disclosed that the incompatibility of trade reforms and industrial policies have not received much critical attention. Investigations into the subject have treated the domestic manufacturing sector as homogeneous instead of it classifying them into three categories namely (a) exporting firms (b) import competing firms and (c) firms producing non-tradables i.e. products meant solely for domestic use.

The Ghanaian experience of trade policy reform has been summarised by Killick as one of clear, overall improvement but a mixed record of performance, with the economy remaining aid dependent (Killick, 1995: P.101). The manufacturing sector bounced back from decline to growth in response to the economic reforms initiated in 1983. By 1987, domestic manufacturing accounted for 9.4 per cent of real gross domestic product (GDP). Since then, however, the sector’s performance has been rather unimpressive in terms of growth, share of real GDP and industrial output. Capacity utilization in the sector increased from a low level of 18 per cent in 1984 to 40 per cent in 1988 and then 38 per cent in 1989, levels that are deemed unacceptably low.

After the launch of the Economic Recovery Programme in 1983, the performance of the domestic manufacturing sector improved rather sharply in good part due to the availability of imported inputs. The real annual growth rate of manufacturing value added rose sharply from 12.9 per cent in 1984 to 24.3 per cent in 1985, but then fell back to 11.0 per cent in 1986 and 10.0 per cent in 1987

According to Dawson, small manufacturing enterprises are characterized by such a high degree of heterogeneity that the impact of structural adjustment policies on the sector would tend to be differentiated (Dawson, 1993 and Mumbengegwi, 1993). While structural adjustment policies had a depressing effect on urban small manufacturing enterprises in Ghana (Dawson 1998, Sowa et al 1992), higher growth rates were achieved by technologically complex small export-oriented manufacturing enterprises.

Peter de Valk also observed that liberalization had gone too far too fast such that even the most successful firms suffered during the structural adjustment process (Peter de Valk, 1994)

2.3 Domestic Manufacturing Prior to the SAP, 1983

The principal objectives of post-independence development policies in Ghana were to diversify the predominantly agricultural economy, create employment for the rapidly growing population, raise per capita incomes, improve the balance of payments and achieve rapid economic growth. Based on the modernisation paradigm, and the drive to catch up with the advanced industrialised nations, development through massive industrialisation and through import-substitution constituted the main policy thrust.

The focus was on the development of large-scale, capital-intensive manufacturing industries owned and managed by the state. These industries were protected from foreign competition through a restrictive trade policy regime, complemented by an array of subsidies serving as incentives. Trade policy instruments included; quantitative import restrictions, foreign exchange rationing, high tariffs on imported consumer goods, import licensing and domestic price controls. Other measures included the administrative fixing of minimum wages, rents and interest rates.

The Industrial Review Series of the United Nations Industrial Development Organisation described the immediate post-independence era as one of industrial growth (UNIDO, 1986: p.14) in terms of output and employment as follows (Boapeah, 1994:p18):

- While gross national product was growing at around 2.5 per cent annually, constant price manufacturing value added grew at 8.8 per cent;
- The growth rate of manufacturing output rose from 10 per cent in 1960 to 13.0 per cent between 1963 and 1970;
- The share of manufacturing in total industrial output grew from 10 per cent in 1960 to 14 per cent in 1970;
- Total employment in the manufacturing sector increased by nearly 90.0 per cent between 1962 and 1970;

The growth of domestic manufacturing could however not be sustained beyond 1970. Although the Nkrumah government was overthrown in 1966, no major changes were subsequently effected in the country's trade and industrial policies. The performance of industry in Ghana during the period 1970 to 1983 could be described as stagnation and decline. By 1982, the profile of the domestic manufacturing sector was characterised by:

- (a) Serious under-utilisation of installed capacity.
- (b) Obsolete machinery, which was performing inefficiently.
- (c) Over-dependence on imported raw materials for industrial operations.
- (d) High and uncompetitive prices of products.
- (e) Poor quality products.
- (f) Low labour productivity.
- (g) Low valued-added.
- (h) Low contributions to GDP growth.
- (i) Haphazard location of industries leading to over-concentration in a few urban rates, particularly Accra, Kumasi and Takoradi.

- (j) Lack of horizontal and vertical integration in the industrial sector for comprehensive industrial development.

The poor performance of the domestic manufacturing sector during the mid-1970s and early 1980s was due principally to inappropriate economic policies pursued by various governments since the 1960s. These policies made the Ghanaian economy unable to cope with the changing external economic environment and the inter-related problems of capacity utilization, high unit costs, low productivity, widespread inefficiency and uncompetitive position in international markets.

2.4 Trade Policy Reforms under the SAP, 1983-1998

The aim of the trade policy reforms was to rationalise the incentive system and improve the competitiveness of domestic manufacturers. In the initial stage, the extensive quantitative restrictions and domestic price controls were removed and the exchange rate was allowed to float with market forces. Price distortions arising from tariffs and protective duties were reduced and finally phased out in 1980. Along with the liberalisation of imports, export duties were removed and export licensing abolished in 1990. Export incentives were introduced, including duty-free imports of machinery and income tax rebates based on export sales.

After 1983, the manufacturing sector bounced back in response to the economic reforms, hitherto made. By 1987, domestic manufacturing accounted for 9.4 per cent of real GDP. Since then, however, performance has been rather unimpressive in terms of growth, share of real GDP and industrial output. In the manufacturing sub-sector, capacity utilisation increased from its low level of 18 per cent in 1984 to 40 per cent in 1988, a level deemed unacceptably low and indeed it is still on a decline since then, registering 38 per cent in 1989. The rate of growth in output slowed down from 25 per cent recorded in 1985 to 0.6 per cent in 1989.

Growth Rate of Manufacturing

The manufacturing sub-sector's contribution to national output gained an upward trend since 1995, moving from 1.8 per cent in 1995 to 3 per cent in 1996 and accelerating to 5.4 per cent in 1997 before falling back to 3 per cent in 1998, reflecting its longstanding volatility. This development was due to the fact that after the existing usable capacity had been brought into production, the enhanced pace of expansion could not be maintained. Further growth in manufacturing activity required new investments to refurbish and modernise run-down facilities. But the fiscal and monetary policies put in place did not allow for the necessary investment to be undertaken to revamp existing capacity let alone create new ones. This broad presentation however conceals variations in the performance of individual sub sectors. While local resource based manufacturing such as wood and beverage firms fared well, others did not do so well.

Manufacturing Sector Exports

As a result of the new incentives offered under the trade policy reforms, Ghana's manufactured exports increased from US\$3.5 million in 1986 to US\$14.7 million in 1991. The rate of growth must be treated with caution because of the rather low base from which it started. Disaggregated data showed that the growth came mainly from domestic resource-based firms that already had established markets. The leading performers were the wood and aluminium firms that already had long experience in international trade.

The growth in manufactured exports however did not meet the modest targets set by the Ghana Export Promotion Council. There was little sign of local enterprises entering new areas even within the category of domestic resource-based exports. Thus, overall, Ghana's performance in export of manufactured goods has been rather unimpressive in the wake of structural adjustment. The limited export response was due to a number of constraints including:

- Difficulties with infrastructure.
- High cost of transaction into international markets.
- Lack of technical experience in competitive marketing.
- Difficulties in accessing export finances.

2.5 Impact of Trade Reforms on Domestic Manufacturing

2.5.1 Trade Liberalisation

Trade liberalisation consists of import liberalisation and price liberalisation. Import liberalisation made it possible for domestic manufacturing firms to gain access to otherwise scarce material inputs and equipment while price liberalisation allowed firms to pass their higher costs of production to consumers.

Trade liberalisation was meant to favour increased production and exports however the inflow of imports adversely affected medium-sized firms. The textile industry in particular was severely overwhelmed by competition from cheap imports. Small-scale manufacturing recorded notable growth rates, probably due to the response of women to the decline in real family incomes in the 1980s. Female labour participation rose after 1983 relative to that of males. But this was for the most part in the small-scale category, one that is characterised by self-employment and easy entry as well as exit. A lot of the retrenched labour also sought job opportunities in the small industry sector.

However the current situation of the domestic manufacturing sector cannot be assessed in reference to the trade reforms alone, but rather in the overall context of the structural adjustment programme and the entire economic environment.

There is therefore a need to look at other important policy measures relating to exchange rates, interest rates, lending policy, foreign exchange retention and repatriation, tariff adjustment, excise duty and sales tax, along with the divestiture of state owned enterprises (privatisation). These are dealt with below.

2.5.2 Exchange Rate Realignment

The highly overvalued exchange rate of the local currency (the cedi) was adjusted in order to stimulate a supply response through export expansion and import substitution. The devaluation also aimed to reduce drastically the excess profits of importers and greatly improve the prospects for firms manufacturing for export. But many firms have been adversely affected by the sharp rise in the price of imported inputs and the cost of financing them.

Although industries using domestic resources (food and wood products) have recorded high growth rates, the performance of import-dependent firms has been somewhat unstable and unimpressive. Problems such as a low capital and equity base as well as inadequate working capital seriously affected their import capacity resulting in low utilisation of both capital and labour. The firms most badly affected are in the textile and chemical product sub-sectors. There are, nevertheless, clear cases of positive recovery and growth of some firms in these sub-sectors.

2.5.3 Interest Rate Liberalisation

Interest rate policy has moved towards complete deregulation and the promotion of competitiveness in banking business. Positive real interest rates were expected to bring aggregate demand and supply into balance, reduce inflation and discourage capital flight. However, interest rates have tended to be discouragingly high for borrowers. With high interest rates and cumbersome procedures for obtaining credit, operating costs and production levels have not measured up to expectation. As a result, the potential benefits from heightened competition and increased exports have not materialised.

2.5.4 Lending Policy and Credit Control

Manufacturers require medium to long-term credit to retool and expand. The higher risk associated with the high default rates makes bankers reluctant to extend medium and long-term credit to manufacturers. They prefer to extend short-term credit to commercial firms. The Business Assistance Fund (BAF) was set up to help firms in distress But it failed to do so partly because it took too long to process applications for loans. Moreover the amounts granted have, in most cases, been inadequate and both the moratorium period (six months) and the period of repayment (18months) are too short.

The financial system in Ghana remains fragile. Financial resource mobilisation is limited and constrains lending. Most firms cannot raise equity capital by selling shares on the Ghana Stock Exchange Market because they cannot meet the stringent listing requirements of regular records, adequate capitalization and proper management. There is also limited knowledge and experience of partnership and limited liability firms, among wealthy and resourceful Ghanaians. Added to that is the non-enforcement of rules and regulations by the public sector and the slow pace of the courts in dealing with business issues.

2.5.5 Stakeholder Assessment of the Impact of Trade Reforms

There is hardly any consensus on the effect of trade reforms on domestic manufacturing in Ghana. The evidence is of both negative and positive effects. The assessment of the result of the study was based on the perceptions of four categories of stakeholders – entrepreneurs, employees, members of public institutions and private organisation, all in the domestic manufacturing sector. A gender perspective was sought by using both male and female respondents.

From the responses, the group most adversely affected was the medium-sized category. The overriding reasons assigned were that the medium-sized firms lacked the flexibility to adapt or adjust that is characteristic of small firms on the one hand, and on the other, the economies of scale inherent in large-scale manufacturing firms. Small-scale firms appeared to be better off than the other two categories. On gender basis, the female perception of the impact of the trade reforms has been negative, probably in consonance with personal experience. Males gave a varied assessment, suggesting that firms under male ownership fared better than those owned or operated by women

The most adversely affected sub-sector is the textile products group, followed by that of food. The sub-sector that had largely benefited from the trade reforms was the wood products sector. The chemical products category has also fared well with the trade reforms. Reasons for these performances will be explained later on in the report.

The entrepreneurs interviewed mentioned operational costs, production levels, market competition, and product quality, export volume, employment levels and business management as aspects of their operations affected by policy reforms. These were set in a matrix with the policy measures and then subjected to entrepreneurs' group discussion. Gender-specific perceptions were sought by constituting male-entrepreneur and female-entrepreneur groups. The female entrepreneurs were unable to address the impact of repatriation of foreign exchange and export retention because they had no relevant experience. They had also not been involved with the divestiture of state-owned enterprises.

The above observations were discussed with officials of the component institutions of the Ministry of Trade and Industry. The emerging consensus on the causes of the decline in the growth rate of domestic manufacturing may be summed as follows:

1. Macro-economic environment characterised by high inflation, a highly depreciated local currency (the Cedi) and high interest rates. This tends to discourage investment inflows in view of the low returns to existing industrial investment.
2. Lack of access to finance and credit and high interest rates.
3. Poor managerial skills and lack of technical know-how with most entrepreneurs, having little education and training in managerial and technical skills at the upper end of the technology spectrum
4. Inadequate knowledge and information about export market requirements, procedures and techniques.
5. Lack of research and development information.
6. The state of physical infrastructure.
7. Weak inter-linkages between small, medium and large firms.
8. Problems of business association in mobilizing and contributing members.
9. The role of the state.
10. Institutional weakness of public sector agencies in managing and implementing policies.

In August 2000, the Ministry of Trade and Industry organised a workshop to evaluate the performance of the domestic manufacturing sector, with participants coming from public and private sector institutions

Participants identified the macro-economic uncertainties and insufficient access to foreign exchange, currency rate depreciation, inadequate fiscal controls and high inflation. The financial constraints comprise low access to credit, high interest rates, tight lending policy and currency problems. Demand is constrained by low incomes, high costs (inflation), unsophisticated consumers and lack of aggressive marketing skills. The inability of firms to adjust is attributed to lack of inputs and their high cost, high local market concentration, low productivity, limited exports and high competition. The infrastructure constraints relate to government support service and facilities including transport, electronic communication, education, research and development.

The manifestation of the decline in the growth rate of the manufacturing sector took the form of low levels of production, low job creation, little or no expansion of existing enterprises and constrained entry of new enterprises. The basic causes of the decline were summed up as low investment, outdated technology and low skills, which are not mutually exclusive. Further disaggregation of the root causes revealed factors such as macro-economic uncertainty, financial constraints, adjustment constraints, demand constraints and infrastructure constraints. Cutting across these elements is the problem of poor policy co-ordination and implementation. At the

base of the problem tree are the problems experienced at the level of the firm, problems which have, in fact, also been stated by entrepreneurs in our field survey.

2.5.6 The Gender Dimensions

Gender issues connected with policy elements are normally analysed in terms of:

- The welfare needs of women in relation to those of men, since the former are more vulnerable and require specific support.
- Equity criteria, since women have the right to equality with men.
- Poverty reduction, since even poor women will be able to meet basic family needs and domestic obligations if granted access to the means.
- Efficiency, where greater participation by women will greatly engender project success.
- Empowerment, because of the unequal distribution of power and benefits between men and women.
- Gender balance, in which circumstances men and women are allies.

These fundamental dimensions have been placed in a compatibility matrix with the reform policy measures.

The results are useful on the simple grounds that the policy reform measures did not take into account gender-related problems, needs and priorities. Consequently, there are no clear organisational and administrative structures in place to ensure equal access (gender balance) to the benefits accruing from these policies for both men and women.

2.6 Performance of Manufacturing Firms

2.6.1 Employment

Out of the entire sample, 51 per cent of the firms experienced an increase in job creation since the inception of the structural adjustment programme. The increase was most pronounced in large-scale manufacturing. Most (62 per cent) of the firms in the medium-sized category experienced a decline in employment generation.

2.6.2 Production

For all firms, 55 per cent recorded increases in production output while 29 per cent saw decreases during the period under review. Whilst remarkable increases in output were recorded by small manufacturing enterprises, medium-sized firms experienced an appreciable decline. This was the case for half the firms established prior to the structural adjustment era and 60 per cent of firms that emerged during the SAP era. Most (67 per cent) of the large enterprises experienced an increase in production output.

2.6.3 Markets

The majority (52 per cent) of small-scale manufacturing firms produce for the local market. Up to 54 per cent of medium-sized firms complained about a contraction in market size. There was no appreciable change in the market situation for large-scale manufacturing enterprises.

2.6.4 Performance by Sub-sector Categories

The sub-sectors involved in the study comprise food, textile, wood and chemical products enterprises. The indicators involving changes in employment, production output, market and

enterprise growth were used to assess the sectoral performance. Production and employment is quite impressive for all these sub-sectors, except that of textiles.

Wood product firms performed creditably showing increases in employment, production and expansion of market size. These firms use domestic inputs and have benefited from trade liberalisation through increased exports of value-added lumber and knocked-down furniture.

In terms of growth in numbers of enterprises, the textile and chemical products firms were found to be more or less stable. The food and wood sub-sectors witnessed a considerable increase and decrease respectively.

2.6.5 Performance of Firms by Gender Ownership Categories

While the ownership of small, medium and large firms was found to be predominantly male, the situation differed across sub-sectors. Many women were in the food and textile product sub-sectors, while wood and chemical products firms were in the domain of the masculine gender.

In terms of employment, all firms suffered some job losses but this was pronounced in female-owned firms. The trend was the same for production output and market size. Over 50 per cent of the female-owned firms suffered a contraction of production during the period under review. About the same proportion of male-owned firms increased their output. A majority of the firms did not experience changes in market size. However, for those firms that did experience contraction, most were female-owned. It could be said that female-owned firms were more sensitive and vulnerable to the forces that brought about changes in employment, production output and market size.

2.7 Causes of Decline

2.7.1 Reasons for the Poor Performance

The present predicament of the domestic manufacturing sector has its roots in the restrictive trade framework pursued over two decades prior to SAP, entrenched uncertainties in the production process coupled with the paucity of industrial skills and policy failures.

Nevertheless manufacturing continues to be the largest sub-sector in the industrial sector, contributing more than half to the sector's output with construction accounting for 21.2%, electricity and water 12.1% and mining and quarrying 10.6% of real industrial output.

For Ghana, the very structure of its domestic manufacturing sector is a primary, underlying cause of its persistent crisis. There is enough evidence (Dinye, 1991: P.31-32) that the sector has:

- Placed emphasis primarily on the production of consumer goods and primary processing, paying little attention to the fabrication of intermediate and capital goods which normally constitute the nucleus of a strong industrial base.
- Failed to promote inter-sectoral and inter-regional linkages. Limited inter-sectoral linkages resulted in an insignificant flow and interchange of factors of production in the economy. Failure to foster inter-regional linkages led to lopsided spatial development in the country.

- Encouraged the use of large-scale, capital-intensive technology, which limited the possibilities of job creation. But with a limited domestic market, installed capacity in most cases was far beyond what the local market could absorb, resulting in the under-utilization of industrial capacity. Small-scale industry was not accorded the attention it required to enable it to play its proper role in economic development.
- Promoted industries, which depended largely on the domestic market for distribution of their output. Most of them competed with imports and had limited scope for expansion because of the limited size of the domestic market.
- Allowed foreign capital investment to dominate the manufacturing sector. This resulted in losses of capital that would otherwise have been re-invested instead of repatriation of profits.
- Accorded excessive protection to domestic industries that allowed inefficient enterprises to operate. Inefficiency resulted in high prices and the inadequacy of quality control on industrial products limited export opportunities for Ghanaian manufactured goods.
- Allowed for heavy involvement of the government thereby limiting the scope of the growth of indigenous entrepreneurship.

Policy reforms under the SAP have significantly enhanced the environment for private enterprise, by introducing much more freedom to the private sector. However the trade policy reform measures appear to have addressed mainly the symptoms rather than the fundamental causes of the problems of the domestic manufacturing sector.

2.7.2 Macro-Dimension

For all sizes of firms, limited access to credit stood out as the single most important problem, followed by insufficient demand or markets for their products. For the small firms, the other important problems were the high cost of utilities and of domestic raw materials, and competition from imported products. The medium-sized firms suffered the high cost of imported raw materials, competition from imports and high interest rates. The large firms had to grapple with high costs of imports, high interest rates, inflation and competition from imports.

Across all sector categories, limited access to credit and insufficient demand, in that order, were the dominant problems that caused a decline in performance. The textile sector was overwhelmed by competition from imports. The wood industry faced supply problems with regard to domestic and imported inputs. The food and chemical firms suffered from limited access to credit and inadequate demand. The problems were found to be more severe for women than for men.

The years of protection and attendant lack of competition and import strangulation had weakened the manufacturing sector to such an extent that it had become difficult for it to recover in the newly liberalised regime. Differential effects were identified. Firms that were able to adjust and adapt to the environment were able to get on to the path of growth and even flourish. The weaker ones stagnated or closed down.

The sector most severely affected was the textile products sector, followed by that of food. The size group most adversely affected was the medium-sized category. It lacked the flexibility of the small firms sector and the economies of scale that go with the operations of large enterprise.

The decline in domestic manufacturing was attributed to low investment, outdated technology and low skills. The broader situation included macro-economic uncertainty, financial constraints, lack of adjustment support, constrained demand, inadequate infrastructure and the paucity of co-ordination of the overall policy environment.

2.8 Survival Strategies

The survival strategies adopted by firms in the domestic manufacturing firms included the following:

Survival Strategies of Firms after the Launch of the Structural Adjustment Programme

Strategic Components	Strategic Measures
Raw material availability Access and affordability	<ul style="list-style-type: none"> - collective purchase - reduced imported proportion - developed local raw material sources
Labour force input fine-tuning	<ul style="list-style-type: none"> - staff training - reduction of numerical strength - intensification of supervision - sought foreign participation
Capital input Fiscal and plant	<ul style="list-style-type: none"> - rehabilitation/replacement - foreign participation sought for investment - ploughed back returns - established clusters to secure credit - relied on personal savings/relations
Marketing production, Promotion	<ul style="list-style-type: none"> - product mix and diversification - exploration of export avenues - opened up distribution channels/networks - improved product quality - advertisement, packaging, incentives
Business environment Collective bargaining	<ul style="list-style-type: none"> - established associations to influence policy; fight against unfair competition and dumping cheap imports. - used foreign exchange to anchor inflation - used social channels to get access to credit (acquaintances and friends in advantaged positions) - unauthorised methods to circumvent or reduce taxes.

About one-quarter of the firms were in decline whilst another quarter were already in a situation of distress. The textile and food product firms were on the decline and distress lists respectively.

In terms of performance, firms in the domestic manufacturing sector were classified in four categories and designated as growing, reviving, declining and distressed. Considering size categories, the medium-sized group was the most disadvantaged since it registered the highest number of distressed firms. The next sub-sector was that of textile manufacturing firms, followed by that of food.

According to gender, female-owned firms suffered adversely. Small manufacturing firms fared very well, most probably due to their ability to adjust. Wood products did comparatively better while the performance of large-scale manufacturing firms was not impressive.

2.9 Conclusion

Both macro- and micro-level information provide evidence that trade reforms initially did reverse the decline in the domestic manufacturing sector. However the manner in which the trade reforms were implemented, “too fast and too far”, has had an adverse effect on the sustainable growth of firms in the sector. Other structural adjustment policies and the role of the government in the liberalized trade environment restrained investment and growth in the sector. The response could only be described as modest and aid-dependent. To this must be added the external shocks from the international market and natural disasters, which still plague the Ghanaian economy.

Matters Arising from the Second Forum Trade Policy and Manufacturing in Ghana

2.10.1 Introduction

The discussant of the syndicate group reviewing the report on trade noted that the research was a balanced piece of work in that it did highlight the achievements of the reform policies and also covered the failures of reforms in the sector. The picture of pre-SAP decline of the sector described in the report was noted as being unprecedented.

The discussant however raised a few points about the research’s observations. The findings of the study that medium-sized firms appeared to have less protection under SAP policies than the large and small-sized firms were received with surprise. It was felt that the failure of some firms to sustain initial impressive performance over the adjustment period could be attributed as follows:

- ◆ Tight macro-economic policies accompanying SAP in the 1980s became weaker in the 1990s at the time when they were needed to give a second round of boost to positively impact on industry.
- ◆ There was also some amount of naivety in policy making that led policy makers then to assume that all it required was to “get prices right” and all else will be fine.
- ◆ There was very little in terms of analysis of firm level approach to growth and in addition there was a clear absence of internal processes of micro-economic policies conducive to the development of the manufacturing sector.

The coverage of the research was noted to be inadequate in that the three Northern Regions in the country were not covered. The study also failed to examine SAP policy implementation process and also data that was both sector and area specific were not covered. The research in addition failed to highlight the fact that the trade reform policy facilitated the dumping of cheap

goods on the local market thus stifling the development of local manufactured goods. The research report was also silent on the effect of trade policy on agricultural production and land degradation. The political and socio-cultural factors partly responsible for the decline in trade and manufacturing under SAP was not adequately covered in the research.

2.10.2 Issues

It was the opinion of the group that SAP policies were not ideologically neutral but were a reflection of the western liberal market strategies to get debtor nations to continue to service external debts. SAP cannot be said to an economic model but more of power relations where globalisation and the free movement of capital round the world and opening up markets were leading to dangerously re-colonisation of Africa. SAP conditions of high interests rates and low exchange rates cannot create conditions for industries to perform at their optimum best.

It was noted that SAP would in no way help the manufacturing sector of the economy develop unless there was a massive injection of external assistance in the order of marshal plan. The issue of rising interest rates and depreciating exchange rate does not only rest with the government but with civil society denouncing the rates as debilitating and not in the interest of the country's efforts at developing. In fact it was noted that the SAP approach of trade liberalisation, interest and exchange rate policies had not succeeded promoting industrial development in Ghana and other African countries. The Bank therefore ought to accept the fact that it has not provided answers to the country's development problems. As such SAP policy can be said to be the wrong solution to our economic problems.

SAP reform policy of trade liberalisation according to participants has failed to achieve the expected objective to build capacity of local firms to compete on a level playing field in the global market place. SAP has rather weakened the capacity of domestic firms to compete with foreign firms. The trade liberalisation policies under SAP were noted to have killed a lot of initiatives in the domestic manufacturing sector which had been undertaken in the wake of the severe drought in the early 1980s. SAP also created unfair competition due to unfavourable taxes and tariffs. No conditions were created under SAP for capacity building and financial support measures to enhance the competitiveness of local manufacturing.

Current economic policy initiatives being pursued were also evaluated. It was the opinion of group members that the HIPC initiative was an extension of SAP. In the same vein the Poverty Reduction Strategy Programme (PSRP) was also acknowledged to be the same as SAP. Members noted that civil society and in fact the entire Ghanaian public had not been sufficiently involved in the formulation and implementation of SAP and neither had they been adequately consulted about initiating the PSRP. The group questioned the need to implement the current PSRP and noted that a better approach will be to target wealth creation through development of five key areas, agriculture, education, health, culture and housing. PRSP and HIPC it was felt should provide an opportunity for the Bank to listen and learn from its past mistakes. It might be necessary to pressurise the Bank to drop its rigid macro-economic policies on PRSP.

The infrastructure proposed for promoting trade and manufacturing was based on cost recovery for investment and not for promoting domestic manufacturing. The rationale behind SAP was not to improve the capacity of local manufacturing firms the emphasis was more on the liberalisation of trade without any effort to protect and promote local firms. In this sense then SAP did not provide safeguards against corruption and mismanagement. Unfair global terms of

trade were overlooked in the trade policy reforms. The removal of subsidies from agricultural sector adversely affected overall domestic production.

The group also wondered if any literature existed on skills and technology audit in relation to manufacturing because there was an obvious silence on the role of human capital development in the enhancement of the manufacturing sector. Participants at the syndicate group felt that there was a need for human capital building.

On the whole participants in the Regional forums felt that SAP had had both positive and negative impacts. The positive impacts of SAP were the general availability of machines and raw materials as well as increased competition. The lack of job opportunities for the youth, increased rural-urban migration and low wages paid by employers and increased social vices were cited as the negative impact of SAP. The negative impact of SAP also stemmed from the lack of capital in the system, the high cost of local and imported raw materials and in addition the absence of modern technology for industry. The expectations of Ghanaians was that SAP would bring some level of improvement in their lives, but SAP rather brought in its wake abject poverty to a greater percentage of the population.

It was observed that the internal capacity for manufacturing in Ghana was not developed before the initiation of the liberalisation policy resulting in an uneven playing field for local industries in Ghana. Thus in spite of the disadvantage of developing countries in the accumulation of capital and knowledge, they were being forced to open up their economies for competition with better endowed countries in trade and the flow of capital but not in labour. It was also pointed out by the group that the operating environment was crucial for the ability of any enterprise to compete fairly. The existence of an unfavourable environment in terms of high interest rates, high inflation and persistent devaluation, had the tendency to de-protect Ghanaian firms.

Regional reports from the Upper West Region (UWR) concluded that SAP incapacitated the region as far as Trade and Industry was concerned. In the Upper East Region (UER) SAP stifled growth and development of several sectors of the economy e.g. textiles, wood and food processing, service, manufacturing as well as agriculture.

2.10.3 Women

The discussions in the syndicate group covered the poor performance of female-owned firms. The group did feel that there was the need to recognise female family roles and how such roles affected the operations of their enterprises. The creation of humane avenues for women to access credit beyond micro-finance institutions was seen as a possible solution. In addition it was felt that female owned enterprises could benefit immensely from an enhanced facility that helped to improve the way their products are packaged. Women in industry should be targeted for special support and capacity building measures. Future policies should take account of the fact that women's manufacturing efforts still remained at the micro-level. It was suggested that agro-based industries should be promoted to support women especially in the cotton and sheabutter industries. The gender component of development programmes should be properly assessed before implementation.

2.10.4 Recommendations

It was the opinion of the syndicate group on trade at the second forum that there should be an integrated and co-ordinated approach to improve agro-processing industries. Government should also review its current policy on development of manufacturing industries. Abandoned

industries should be re-activated and local entrepreneurs should be encouraged through loan schemes.

It was also recommended that the government reduce interest rates on loans for the manufacturing sector and raise interest rates on savings. Tariffs on imported goods should be raised and local manufacturers should be given a tax holiday or rebate. There should also be measures to limit the export of local raw materials as such exports deprive local industries of raw materials.

Tax rebates must exist for raw materials imported by domestic manufacturing firms and industrial linkages should be encouraged in order to ensure substantial development and growth of the sectors. It was suggested that measures needed to be taken in order to support domestic industries through an improved macro-economic environment, an appropriate tax regime and a strengthening of the production base to meet export demands.

There is a need for selective import restriction measures to deal with the flooding of the Ghanaian market with foreign goods in order to protect our local industries. The exposure of local industries to unfair competition should be avoided in order to discourage the retrenchment of workers.

The participants of the regional forum in the Volta Region were of the view that the ownership of divested State Owned Enterprises (SOEs) should be critically reviewed. The SOEs that are performing well should not be divested but rather strengthened. Political interference in the management of SOEs should stop and those that have been abandoned should be revamped. Distressed industries that are still viable ventures should be given promoted.

It was further suggested that government come up with a comprehensive Medium-Term plan to stimulate the trade and domestic Manufacturing Sector. The government should establish regional investment advisory centres to address imbalances in the manufacturing activities in some regions. The government's trade liberalisation policy must be selective and promote the development of domestic manufacturing industries. Trade tariffs and quota systems should be critically reviewed with our trading partners.

Subsidies on agricultural in-puts should be re-introduced and Ghanaians should be encouraged to patronise locally produced goods.

The government should strengthen its supervisory role to remove all bottlenecks and study all foreign aid policies and the conditionalities attached before implementation.

Ghanaian entrepreneurs and investors should be encouraged and assisted to acquire SOEs on divestiture in an open and transparent manner devoid of corrupt practices. Divested proceeds should be used to support rapid development and retire domestic debt and not current government expenditure.

Measures should also be taken to develop and strengthen the capacity of quality control institutions like the Ghana Standard Board, Consumers Associations and the Association of Ghana Industries (AGI). Such a measure would help to ensure that Ghanaian products meet the high standard required to make their marketing competitive. Capacity building of all

institutions, manufacturing firms, entrepreneurs, women, labour and consumers association should be an integral part of SAP.

A case was made for the establishment of a Social Accountability Fund to provide civic organisations funding to train people in tracking the use of funds. Special funds should be set up or existing ones expanded to support local industry. A special packaging industry should be developed to improve the marketability of locally manufactured goods especially those produced by women entrepreneurs.

Government should intervene appropriately to determine the level of interest rates and institute concessionary rates to manufacturing firms. There was also the need for a national Trade and Manufacturing Plan for the development of domestic manufacturing and to enhance competitiveness.

Developing countries like Ghana have to insist on sovereignty over their own economic and social development policy decisions and continue to advocate for participation and democracy. Governments need to make their own people the first reference point in policy making. Developing countries were urged to claim sovereignty over their social and economic policy decisions and use such a position to direct their interactions with foreign partners.

There was the need to protect the rights of labour and provide decent jobs. It was suggested that in order to improve the performance of the manufacturing sector there was the need to create decent well-paid jobs for the population through:

- ◆ The pursuit of food self-sufficiency and security as objectives of the agricultural sector.
- ◆ Human resource development as a priority for education.
- ◆ The exploitation of the potentials of the health sector to provide jobs.
- ◆ The promotion of social housing schemes as a policy means for creating jobs and also.
- ◆ The targeting of the cultural sector specifically for job creation.

CHAPTER 3

IMPACT OF MINING SECTOR INVESTMENT IN GHANA: A STUDY OF THE TARKWA MINING REGION

3.1 Introduction

3.1.1. Background

Mining Investment since 1984 has been promoted as a result of a new global development paradigm that emphasizes private sector led development as engine of economic recovery and growth. This paradigm is at the core of SAP. The division of labour is for the state to focus on industry regulation and promotion and private companies to operate, manage and own mineral enterprises.

Ghana is an obvious laboratory for these reforms. It comes third after South Africa and Zimbabwe in geological ranking. Ghana is Africa's second most important producer of gold, beaten only by South Africa. It is the 3rd largest producer of manganese and aluminium and a significant producer of bauxite and diamonds. In Ghana, Gold mining dominates the mining sector.

From the beginning of Ghana's economic policy reform in 1983 to date the mining sector has witnessed a massive inflow of Foreign Direct Investment (FDI) and increased production, especially in the gold sector. By the end of 1999, the sector had attracted over US \$3 billion worth of foreign direct investment. Ghana now has 19 operating mines and over 128 local and foreign companies with exploration licenses primarily in gold. The sector now accounts for more than 30% of gross foreign exchange earning. In 1997, officially reported output of newly established mines of gold was 54.4 metric tons with a market value of about \$545 million.

This mining boom notwithstanding, considerable scepticism persists with regard to the real benefits accruing to the ordinary Ghanaian in the mining communities and the country as a whole. Many believe that viewed against the extremely generous fiscal and other incentives given to mining companies under the mining sector reforms a thorough cost/benefit analysis of the resurgent mining sector would probably return a negative figure.

3.1.2 Post-Colonial Policy Shifts 1957-86

Predominantly foreign and primarily British ownership, management and operation characterized Ghana's mining industry during the colonial period. Indeed Ghanaian gold miners were banned after 1933 from operating mines due to the promulgation of the mercury Law of 1932, which made it illegal for Ghanaians to use mercury for mining.

The post-colonial period, 1957 onwards witnessed a substantial reversal of this trend. The period between 1957 and 1980 was characterized by the declaration of permanent sovereignty over natural resources by developing countries, primarily through large-scale nationalization of mining investment, renegotiation of existing arrangements and the creation of state enterprises and numerous commodity producer associations.

Ghana's mining industry gradually came under state control from 1957 to 1986. The first step towards state ownership was the creation of the State Gold Mining Corporation (SGMC) established in 1961 to acquire five gold mines (Bibiani, Tarkwa, Prestea, Konongo and Dunkwa

Mines) from British Companies. The next major move by the state was in 1972, when the government forcibly took 55 per cent shares in Ashanti Goldfields Corporation (AGC), Ghana Bauxite Company (BAC) and Ghana Consolidated Diamonds Company. The Ghana National Manganese Corporation (GNMC) took over manganese operations at Nsuta from the African Manganese Group (AMG), a British subsidiary of Union Carbide.

The government's main objective in the acquisition of these mines was to protect jobs and give the state access to foreign currency generated by the mines. The policy at that time was aimed at maximizing government revenue, control of resources and employment generation. Obviously the reasons for state-takeover were often unrelated to efficiency or economic probity. It was not long before the mining sector became constrained by lack of investment and exploration. The state owned mines were under capitalized and became increasingly obsolescent. Lack of investment, maintenance and modernization left the mines uncompetitive. Apart from AGC and GNMC, which were operating profitably, the SGMC and BAC were operating at a loss and SGMC closed the Bibiani and Konongo mines which were recording serious losses.

Output figures showed a dramatic drop in every branch of mineral production. From a peak of 912,592 ozs in 1964 gold output dropped to 276,659 ozs, in 1983, diamonds from 1,968,176 carats to 336,612 within the same period, bauxite from 271,025 metric tons to 70,235 and manganese 424,657 to 179,987.

3.1.3 The Post 1986 Mineral Industry

After 1986 Ghana's mining industry began to make positive responses to progressive changes that had transformed the industry worldwide. The first of these changes was improved exploration, mining and processing technology that revolutionized the entire mining industry worldwide, particularly in the domain of gold. The development of processes such as cyanide heap-leach and bio-oxidation made viable the processing of low-grade material which had hitherto been considered waste and the efficient processing of more complex ores such as sulphides and oxides.

The second major global change in the industry was in the area of policy. Everywhere in the World there was a shift away from state ownership of mines towards private investment.

In step with these global changes, Ghana shifted its focus from direct state investment in the mining sector to the promotion and regulation of private companies. Within the framework of the country's economic recovery programme of 1983, and more specifically under its structural adjustment programme, the mining sector was a major target for reform to address the concerns of investors and financiers, to arrest the decline of the industry and stimulate growth.

The results were dramatic. Gold production, which dwindled from a peak of 915,317 ounces in 1960 to 282,299 ounces in 1984 rebounded to 998,195 ounces in 1992 and hit all time high of 1,706,229 ounces in 1995. Other minerals experienced a similar rise in output.

3.2 Policy Changes In The Mining Sector Under Sap

Under SAP Ghana's mining sector benefited from two broad sets of reforms;

- (a) Macroeconomic policy reforms.

(b) Sector specific reforms.

In concrete terms the mining sector policy reforms included:

- Changes in mining sector legislation to make the sector attractive to foreign investment.
- Increasing fiscal liberalization.
- Strengthening and re-orientation of government support institutions for the mining sector.
- Privatisation of state mining assets.
- Enactment of environmental laws and other mining sector legislative changes.

At the macro level the policy framework focused on trade liberalization policies, public expenditure policies, state owned enterprises reform and public sector management.

In the early years of the reform programme, mining sector policies aimed at increasing the worth of existing mines through rehabilitation made possible by loans from multilateral and bilateral financial agencies.

Later the reforms embraced privatisation of state-owned mines. The state off-loaded its shares in all state-owned mines retaining only 19.1 per cent of its 55 per cent share in the rich Ashanti Goldfields Corporation and 20 per cent in Ghana Bauxite Company in which it also had 55 per cent. In other state-owned mines the government restricted itself to the statutory 10 per cent free equity reserved for it.

From 1983 to date various pieces of legislation have either been promulgated or revised in order to facilitate mining sector reforms. Among these are the Minerals and Mining Law 1986 PNDCL 153, Establishment of Minerals Commission, 1986, PNDCL 154 Minerals and Royalty Regulations L.I 1349 (1987), Small Scale Mining Law 1989 PNDCL 218.

The effect of changes in mining laws was to confer a wide range of concessions on mining investors, especially in the form of tax exemptions. For example corporate tax of mining companies came down from a high of 55 per cent to 35 per cent. In addition mining companies were permitted to retain between 45 and 90 per cent of their export values in off-shore accounts for the purpose of procuring equipment, spare parts and raw materials and for dividend payment and remittance in respect of goods for expatriate personnel among others.

In addition the Ghana government was assisted by the World Bank to restructure mining sector support institutions such as the Minerals Commission and its Small Scale Mining Department and Geological Survey Department. The objective was to enhance the capacity of mining institutions to carry out their functions of encouraging and regulating investments in the mining sector in an environmentally sound manner.

3.3 Structure Of Mining Industry

The structure of the mining industry is pyramidal. At the apex of the pyramid are a few large junior companies from Canada, Australia and South Africa with lesser investors from the United States, United Kingdom, Norway and China.

In terms of nationality of ownership, 85 per cent of the industry is owned by foreigners and the rest by the state of Ghana and several small-scale Ghanaian operators largely due to the legal restriction of small scale mining to nationals and the 10 per cent free equity legally allotted to the Ghanaian state.

In terms of size, one large scale mine, (AGC) accounts for 50 per cent of total Gold output while in terms of mineral composition, gold alone accounts for more than 90 per cent of total value of minerals output in the country.

In the large-scale mining sector the investment pattern after SAP has been a complete reversal of the pattern of the past. The Ghana Government controlled 55 per cent of all mining companies. The pattern today is 70 per cent for foreign companies on the average.

Supporting the Mining Companies is a large network of state and private institutions that facilitate, regulate and control the industry.

These are:

- The Ministry of Mines and Industry.
- The Minerals Commission.
- The Geological Survey Department.
- The Chamber of Mines.
- The Mines Department.
- The Environmental Protection Agency.
- Lands Commission.
- Land Valuation Board and.
- Forestry Commission.

3.4 Impact Of Mining Investments

To assess the impact of the inflow of mining investments under SAP the huge mining zone in the Tarkwa area of Ghana Western Region was selected as the site for the research and for two good reasons. Historically modern mining has been going on in the area much longer than in any part of Ghana. Even today it has the largest and the most diversified concentration of mining activities in Ghana.

3.4.1 Social Impact

The concentration of mining operations in Tarkwa has had a seriously adverse impact on social organization and cultural values of the people. Concerns have been expressed about inadequate housing, youth unemployment, family disorganization, and school drop out rates, prostitution and drug abuse.

3.4.1.1 Inadequate Housing

Between 1990 and 1998 mining investment in Tarkwa led to the displacement of a total of 14 communities with a population of over 30,000. In the same period, mining investments in Tarkwa resulted in increased migration of the youth, who were not considered for

compensation, to the towns, especially Tarkwa in search of jobs. The sudden flow of people into the townships has created a major problem of housing. Rents have risen. Many are forced to live in overcrowded conditions and as a consequence many migrant youth have turned the Tarkwa railway station and lorry parks into places of abode.

3.4.1.2 Prostitution

One of the major social issues that have emerged from the concentration of mining activities in Tarkwa is prostitution. Two categories of sex workers are prevalent in the town. The mobile sex workers who came mainly from Ghana's large urban and industrial towns target expatriate staff of mining companies and some prosperous small-scale miners. The resident sex workers service mostly local workers of the large mines and small-scale mining communities. As a consequence the trend for reported cases of HIV in the district has been on the increase since 1992.

3.4.1.3 Family Disorganisation

The relocation and compensation measures implemented by various mining companies in the Tarkwa area have had a serious consequence for the family as a close-knit social unit. New housing arrangements for resettled communities have also disrupted long-established family networks in the area. In many instances the housing units provided by the mining companies did not conform to the size of households or make provision for spacious compounds.

The scheme has also helped disorganize family life. In some cases where irresponsible family heads opted for relocation instead of resettlement they simply bolted with the cash compensation and abandoned their families.

3.4.1.4 Unemployment

In direct and indirect ways, mining accounts for the high rate of unemployment in the Tarkwa area. Large-scale surface mining, which has become the predominant form of mining, has taken up large tracts of land from farmers. Mining activities do not provide enough jobs to absorb people laid off from agriculture.

3.4.1.5 Drug Abuse

An addictive drug sub-culture is taking root for two main reasons. The frustrations associated with unemployment have pushed some of the youth towards drug abuse. Drug use is also rampant among illegal small-scale miners and prostitutes who are mainly migrant youth who believe that drugs stimulate miners to work very hard.

3.4.2 Economic Impact: High Cost Of Living

One of the known negative effects of mining is the high cost of living within communities near mining locations. All the indices—food, accommodation, health, water etc. which are basic needs have a price tag beyond the reach of the average person.

Two main factors are responsible for the high cost of living in Tarkwa. First, there is the disparity in incomes in favour of mining company staff whose remuneration is indexed to the dollar.

Secondly, the mining industry has withdrawn a significant percentage of the labour force from agriculture and other income-earning activities by taking farmland away and holding out the false promise of employment.

3.4.3 Environmental Impact

Large-scale mining activities generally continue to reduce the vegetation to levels that are destructive to biological diversity. Agricultural lands are degraded. The principal elements of the environment, land, water and air have been severely impacted by mining operations.

3.4.3.1 Degradation Of Land And Vegetation

Considerable areas of land and vegetation in Tarkwa have been cleared to accommodate surface mining activities. Currently surface mining concessions have taken over 70 per cent of the total land area of Tarkwa.

The deforestation that has resulted from surface mining has long-term effects even when the soil is replaced and trees are planted after mine decommissioning. The new species that might be introduced have the potential to influence the topsoil and subsequently determine soil fertility and fallow duration of certain crops.

Some large and small-scale miners and illegal chain-saw operators are already threatening three major forest reserves at Bonsa, Ekumfi, and Neung in the Tarkwa area.

It is expected that by the time four major mines finish mining out their concessions a total of 16 ridges ranging between 120m and 340m high would have been turned into huge craters.

3.4.3.2 Water Pollution

Many mines have an active programme to lower the water table or divert major watercourses away from the mines. This exercise has disruptive consequences for the quality and availability of surface and ground water. The concentration of mining operations in Tarkwa has been a major source of both surface and ground water pollution.

3.4.3.3 Chemical Pollution

Various chemicals such as cyanide and mercury are used during ore processing. These chemicals constitute the major pollutants of surface and ground water. Chemical pollution could also occur through the misuse or the mishandling and poor storage of explosives. Heavy metals from mining operations contribute to water pollution. The presence of such heavy metals above certain thresholds can be injurious to human health and the environment particularly aquatic life.

3.4.3.4 Dewatering Effect

Mining has active dewatering effects. Apart from consuming a huge amount of water, extensive excavation of large tracts of land and the polling of large mounds of earth along watercourses remove the source of water recharge for ground water and ultimately reverse the direction of flow of ground water, causing active dewatering. A number of boreholes, hand-dug wells and streams in the area have become unproductive or now provide less water.

3.4.3.5 Air Pollution

Mining activities and mining support companies release particulate matter into the ambient air. The concerns of the affected communities on air quality have been airborne particulate matter and emissions of black smoke.

3.4.3.6 Airborne Particulate Matter

Airborne particulates of major concern within the Tarkwa area include respirable dust, sulphur dioxide (SO²), nitrogen dioxide (NO²), carbon monoxide (CO) and black smoke.

The activities that generate this particulate matter include site clearance and road building, open-pit drilling and blasting, loading and haulage, vehicular movement, ore and waste rock handling as well as heap leach crushing by companies doing heap leach processing. Others include fumes from the roasting of sulphide ores by assay laboratories and in refining processes. Results of air quality monitoring for dust showed values far above acceptable, detectable limits for health safety.

3.4.3.7. Noise Vibration

The sources of noise and vibration in the Tarkwa area include mobile equipment, air blasts and vibrations from blasting and other machinery. The effect of high-pitched and other noises is known to include damage to the auditory system, cracks in buildings, stress and discomfort. These noises can also frighten animals, interfere with their mating processes and also cause abortions, and thus adversely affect animal population.

3.4.4 Health Impact

Part of the major adverse environmental impact of mining is the generation of diseases due to pollutants and accidents at mines. The effects of some of these pollutants manifest themselves immediately (e.g. Cyanide) but others (such as mercury) take a long time to show.

In Tarkwa, the extraction and processing of gold has given rise to various environmentally related diseases and accidents. The District Medical Officer, Dr. Avorti has summed up the common mining-related diseases observed in the area over the years to include:

- (a) Water-borne diseases such as malaria, schistosomiasis and onchocerciasis
- (b) Respiratory tract diseases, especially pulmonary tuberculosis and silicosis
- (c) Skin diseases
- (d) Eye diseases, especially acute conjunctivitis
- (e) Accidents resulting from illegal mining or “galamsey” activities, and
- (f) Mental cases.

3.4.5 Impact Of Mining Sector On Women

Mining generally tends to offer women fewer job opportunities. These opportunities are limited to support activities such as administrative, clerical, security, catering and related jobs.

At the beginning of the mining boom women traders in the markets in the Tarkwa area experienced an increase in trading activities but were subsequently adversely affected by the spate of redundancies in nearly all the mines.

In the event of relocation, cash compensation was always paid to the family heads some of who happened to be some irresponsible men who simply collected the cash and abandoned their families leaving the poor women to care for the children.

In cases of relocation women traders are not considered as deserving any compensation for resettlement, which often separates them from their main customers who are the mineworkers.

In small-scale mining women are very few and usually play subsidiary roles such as selling cooked food and assorted goods to male miners.

3.5 Conclusion

Mineral policy reforms in Ghana have contributed to a substantial increase in mining investment but there has not been a corresponding review of environmental policies to take account of the damage caused to the environment and to the sources of livelihood. In the same way mining investment has resulted in a significant increase in gold production and generation of external earnings. The wealth generated, however, does not benefit either the national economy or the mining communities. The result has been a deepened crisis of health and environmental sustainability, social upheavals and economic deprivation.

3.6 Policy Challenges

Policy reforms in Ghana's mining sector have introduced generous incentive packages for investors but have failed to provide solutions to community concerns. Difficulties have been encountered in harmonizing mining and environmental laws and policies in order to improve conditions for local communities.

Therefore the legal and policy framework relating to mining should be overhauled in order to impose stronger environmental and social responsibility and accountability on the mining sector.

There should be effective co-ordination among the many public sector mining institutions.

The current environmental laws should be reviewed to strengthen their deterrent effect and also provide for on-the-spot fines for offences such as cyanide spillage.

The provisions of the mining laws that enable mining companies to shed a minimum of 50 per cent of their concessions must be vigorously enforced.

3.6.1 Environmental Impact Assessment

Procedures exist for the application of environmental impact assessments (EIA) to all mining projects beyond exploration stage. These procedures are well documented on paper but are confronted with problems of implementation on the ground.

It is proposed therefore that the confidentiality clause attached to EIA should be removed to facilitate public access to these documents.

The procedure should demand effective participation of communities in the adoption of the study methodologies in baseline studies.

The content and style of communicating information on EIA procedures should be reviewed to address the peculiar circumstances of local communities. Communities should be adequately prepared for EIA hearings and mining companies should be made to bear the cost of training.

The EIA procedures should make it obligatory for mining companies to accept and implement recommendations.

Communities affected by mining should be represented in the nine-member Technical Review Committee of EIA reports. Currently communities have no representation.

Adequate financial support and technical equipment should be provided for mining and environmental regulatory institutions to ensure effective monitoring of mine operations around the country in general, and Tarkwa in particular.

3.6.2 Economic And Social Issues

There is the need for a thorough cost benefit analysis of the mining sector to ensure that the appropriate policy changes are effected to guarantee sustained and improved mining sector investment in the country.

The restructuring and divestiture of the mining industry should be preceded by a thorough environmental and socio-economic study to reform policy and decision-making.

3.6.3 Tarkwa Mining Area

There is a general lack of commitment on the part of mining companies to prevent, minimize and mitigate the impact of their activities on the Tarkwa area. This has put the survival of the ecological and climatic zone of Tarkwa under constant threat. It is recommended therefore that:

There should be an intensive and systematic study of the area to ascertain the cumulative impact of mining.

There should be a holistic strategic plan for the District that factors in the eventual closure of the mines. This would minimize the long-term effects of the destruction caused to the area by the current concentration of mining investment.

Companies should be compelled to bear the cost of drawing up the holistic strategic plan.

In the meantime issues of relocation, resettlement and compensation should take into account the peculiar circumstances of women.

3.7 Matters Arising From The Second Forum Impact of Mining Sector Investment in Ghana

3.7.1 Conceptual Framework for Reviewing the Research Report

The discussant for the research report on mining outlined the following as the framework within which the research report should be reviewed:

- ◆ The desire for economic growth

- ◆ The desire for human development, in the three key areas of;
 - Access to livelihoods
 - Adequate shelter and a healthy environment
 - Better governance
- ◆ Sustainable use of resources for the benefit of both present and future generations of Ghanaians.

3.7.2 Research Gaps

The group noted that the research failed to give adequate coverage to how wasteful small-scale mining could be and what its environmental impact was. In addition the low or negative returns of small-scale mining to individuals involved in the sector was not emphasised enough in the report.

3.7.3 Issues and Concerns

The group expressed surprise about the revelation that though mining constituted 70% of investment flows into the country it accounted for between 1.5 and 1.8% of GDP and offered fewer jobs than similar levels of investment provided in other sectors. It was also surprised that mining companies retained between 75 and 95% of earnings outside the country. The conclusion of the group was that mining was a drain on the national economy.

The other issue that was discussed in this group was the fact that Ghana was unable to derive maximum benefit from its full range of mineral resources because of the uneven attention and unequal exploitation of the rich array of minerals. Gold an over exploited mineral in the country, was given unusual attention while the other rich array of minerals remained under exploited.

The mining sector was also noted to be an enclave sector with little linkage to other sectors of the economy. Benefits of the sector only accrue to foreign investors and their home countries where minerals are processed and fabricated into finished goods and profits from the sector are lodged.

The group also took a serious view of the actual and potential impact of mining activities on Ghana's forest through surface mining and asked that the act of granting mining concessions in forest reserves should cease immediately.

The discussions also highlighted the problem of human resource development and the inability of mining industry to impact on the development of skilled personnel for mining and the corresponding loss of revenue for the nation in terms of payments to expatriate staff. Reference was also made to the preference of mining industries to employ foreign students under the pretext that Ghanaian students lacked the required background for training attachment in the industries.

Two main aspects of mining and health were discussed these were the effect of mine work on mineworkers and on the impact of mining activities on the health of residents of mining communities. For mine workers it was noted that mining tended to produce long term health problems that affected such workers long after they retire. Residents on the other hand were faced with the problems of contaminated drinking water, air and noise pollution. The construction and operation of mine hospitals in mining was seen as an inadequate solution to the health problems of mine workers and the residents of mine communities.

The educational opportunities offered children of mine communities were also noted as being inadequate. The space provided for resettlement and reallocation of communities was also inadequate. Compensations paid for the loss of land and crops were also inadequate. The plight of women in such communities also came up for comment. It was noted that women had virtually no employment opportunities in mining communities.

The activities of small-scale mining was discussed at length and the group noted with concern the conflict between government and big mining concerns on the one hand and the encroaching activities of illegal-mining operations. It was noted that big mining concerns could marshal in their favour the apparatus of the state in resolving such conflicts. The danger posed to the environment in terms of the technology used by small-scale miners both legal and illegal was also raised.

Another issue that came up for discussion was the phenomenon of “Ghost Town”, the tendency for communities to collapse entirely once mining concerns round off their activities in a community. The experience of Bibiani was recounted in terms of the massive migration that occurred after the first series of mining activities were rounded off leading to a virtual depletion of the town. Bibiani it was noted is yet to attain the levels of population that it had prior to the folding up of the first mining activities.

The mode of production of the small-scale operators was noted as being inefficient in terms of time and energy use. Small-scale mining was however noted to be more beneficial in terms of the labour force they employed, the retention of revenue in Ghana, and the possible linkages with other sectors.

3.7.4 Recommendations

On the whole recommendations called for actions and support for activities in mining that do not destroy the environment. It was felt that all mining activities in addition to their ancillary services should be integrated into the Ghanaian economy through the formulation of an overall national policy framework. Such a policy framework it was noted would make investors aware of their social responsibility to develop the Ghanaian economy from the early beginnings of their operations. Mining policies should also be reviewed to encourage the retention of substantial portions of mining revenues for the investment into other of the Ghanaian economy.

The group also noted that government should make efforts to diversify investments into minerals other than gold so as to multiply the range of benefits the national economy could derive from the mining sector.

The exploration and exploitation of minerals in forest reserves as well as the granting of licenses for such activities should be stopped immediately.

Revenue accruing from divested state owned mining companies should be invested in the future development of all mining communities.

The national employment policy of expatriates should be reviewed in order to encourage mining companies to quicken the pace of recruiting duly qualified and competent Ghanaian staff.

Mining companies should be encouraged to support Ghana's mining training institutions in the following areas:

- ◆ State of the art equipment
- ◆ Practical attachment
- ◆ On the job training and
- ◆ Further training abroad

The post reclamation bond should be enforced and provisions should make it legally binding for all mining companies to set aside adequate financial resources for the satisfactory reclamation of degraded environment.

All monitoring institutions especially the Environmental Protection Agency should be strengthened and provided with adequate resources to carry out their monitoring responsibilities.

Special training should be provided for people to take charge of the environmental and mining committees of the District Assemblies (Das). The involvement of Das in relocation and resettlement to ensure better housing and equitable compensation for families especially children and women should be enhanced

Special packages should be created for women to access credit from co-operatives or trust funds.

Mining companies should be encourage to use state of the art technology since such technology is more environmentally friendly than the outmoded ones currently in use by mining companies in Ghana.

Members of the syndicate group called on government to discourage surface mining. They noted that underground mining, which was more environmentally friendly, should rather be encouraged.

Financial support for the establishment of scholarship schemes for the children in mining communities should be established.

Government should establish options for the payment of compensation to people of mining communities.

The group requested that the government should promote small-scale mining. In addition the government should provide assistance to small-scale miners, by investing some money in improving their mining techniques. The government should invest in exploration on behalf of small-scale mining and areas with marginal deposits should be turned over by big concerns to small-scale operators. Illegal operators should be encouraged to legalise their operations.

It was also recommended that a comprehensive programme for the establishment of alternative industries alongside mining activities should be set up long before mines get depleted and companies move out. Mining companies should also be involved in the planning and support the laying of the necessary social and physical infrastructure and provide financial support for the drawing up of strategic plans for the total development of the mining areas.

CHAPTER 4

STRUCTURAL ADJUSTMENT AND TERTIARY EDUCATION IN GHANA (1883-1999)

4.1 Introduction

4.1.1 Background

Despite the objectives of ERP/SAP launched in 1983 and 1986 there are justifiable fears that access to education in Ghana is becoming elusive to many people of low income groups and that the quality of education is progressively declining at all levels of the educational system. A good number of studies both internally and externally commissioned have contributed directly to policy decisions in the basic and secondary sector of education most of these have been initiated and funded by foreign donors. Very little in terms of investigation has been carried out on the tertiary education. The study sought to fill the gap by examining the impact of SAP on access to and the quality of tertiary education in Ghana.

The study involved a systematic review of existing literature on SAP and tertiary education in Ghana as well as a survey of views, concerns and recommendations of stakeholders on the impact of SAP on tertiary education.

4.1.2 Objectives

The main objectives of the study were to:

- 1) Extensively review existing literature on SAP impact on tertiary education in Ghana between 1983 and 1999.
- 2) Examine access and quality assurance policy on tertiary education in Ghana.
- 3) Assess the perceptions and attitudes of stakeholders to SAP related educational policies.
- 4) Assess the views of stakeholders about the general impact of SAP on tertiary education.

Respondents were drawn from all institutions and organisations responsible for tertiary education in Ghana; public universities, and polytechnics located mainly in the same towns and cities as the public universities; the Ministry of Education, the National Commission on Tertiary Education, the local offices of the World Bank and the International Monetary Fund as well as NGOs working in the field of education in Ghana. Students, parents, guardians of tertiary institutions as well as community leaders were also covered in this study.

4.2 The Educational System before the Reforms

Events preceding the early 1980s had worked in combination to reduce the once enviable Ghanaian educational system into a state of near collapse. In the 1980s Ghana's educational system was also viewed as dysfunctional in relation to the goals and aspirations of the country's efforts at development. The main draw back to education during that time was a decline in government revenue that led to a drastic cut back in financing education. In 1985 for example government's education budget declined to one third its 1976 size. The proportion of GDP going to education fell from 6.4% in 1976 to 1.0% in 1983 and rose slightly to 1.7% in 1985. In the same period education's share of national budget fell from 38% in 1976 to 27% in 1984. Government unit provisioning per pupil fell from US\$41 in 1975 to US\$16 in 1983. In 1986 88% of financial resources to the educational sector were for the payment of salaries and allowances. Only 12% was for non-wage items.

The drastic cut in financial allocation to the educational sector affected the provisioning in terms of support for teachers, instructional materials, school buildings, classrooms and equipment. Poor conditions of service for teachers led to a high rate of migration and from the mid 1970s to the early 1980s as many as 50% of teachers in the primary and secondary schools were untrained. Teaching and learning deteriorated to such an extent that the mass of school leavers in the early 1980s was noted to lack literacy skills.

A gender gap in education exists among all school age children and the gap increases after age 11. And average age-specific enrolment rates for girls of primary school going age are approximately 10% lower than those for boys of the same age group. The situation worsens as the levels of education rises and becomes worst at the tertiary level. Gender gaps also have regional variation with the northern enrolment rates for girls lower than southern ones. Another problem area identified in the Ghanaian educational system is special education for the disabled. The special education division of GES disclosed that since the establishment of Special Education schools some 50 years ago only 2500 children have had the opportunity of formal education up to the end of basic education.

The tertiary education sector like all other sectors of the Ghanaian economy was in a deplorable condition in the 1970s and 1980s. The financial provisioning, physical infrastructure and the relationship of the sector to government were at an all time low. In addition there existed on the campuses low staff morale, low staff retention and recruitment coupled with regular interruptions in academic work caused by political and economic disagreement between the government and the university and within sections of the university.

With insufficient and irregular funding rational academic and financial planning became virtually impossible. The result was a massive exodus of tertiary education staff mainly to Nigeria and other West African countries. Tertiary institutions did experience a decline in teaching and research work and therefore a serious compromise in academic standards.

By the early 1980s conditions in the educational sector were ready for any form of reform. The introduction of reforms into the educational sector however, is not peculiar to Ghana alone. In fact most Sub-Saharan African Governments have been compelled to introduce educational reforms as part of their overall efforts to restructure their economies. The World Bank and the International Monetary Fund mandated the general economic reforms and most governments struggling to keep their economies afloat and avert social catastrophes reluctantly had to comply.

4.3 General Education Reforms

The reform of the educational system in 1982 and 1985 has been noted as forming part of the revolutionary ideology of the era. The opposition of the international financial institutions to the disproportionately higher amounts spent by African governments on tertiary education though, was a significant basis directing the reforms. On the whole the Bank and the Fund precipitated the reform by making the rehabilitation of the decaying educational system and the improvement of public sector management a condition for lending support. The broad outline was therefore laid out and the Government only supplied the details. The actual details of the reform were worked out by a series of conferences and committee work. It did begin with the work of the Conference of Directors of education who were called in 1983 to appraise a document produced in 1974 titled the "Content and Structure for Education" on proposed

reforms. The conference made a number of recommendations prominent among which were the call on government to reduce capital-intensive component of the 1974 suggestions and a call on the Planning Division of the Ministry of Education (MOE) to devise a 5-year plan for implementing the reforms suggested. The conference also called for a revision of the school curriculum to reflect current needs of the country.

Later the Education Commission (EC) of the GES, which had only advisory powers, was set up to replace the GES Council, which used to be the final authority on professional matters in the Service. The EC was tasked to review the state of education in Ghana and make recommendations to government. The commission did its work with assistance from three foreign consultants from Nigeria, Kenya and Brazil. The Commission finally submitted its report in 1986 and its recommendations included the fact that the new scheme should begin in 1990 with the entry of the first cohort of pupils in the 9-year basic programme. When the first announcement of the policy reforms were made in October 15th 1986 however, the scheme was to start on a large scale and at the primary level.

4.4 Policy Changes in the Ghanaian Education System under SAP

The final content of reform approved by Government in 1987 had substantial components emanating from 1974 report. They included in the main the following:

- Local language would constitute the medium of instruction for the first 3 years of school. English would be taught as a subject and become a medium of instruction from the 4th year in primary schools.
- Teaching and learning would be reoriented to encourage inquiry, creativity and manipulative skills and not merely academic knowledge.
- A national literacy campaign would be mounted in an effort to reduce or minimise the incidence of dropouts. And provision would be made for adult dropouts who cannot re-enter the formal system in non-formal education programmes.
- School year at the basic and secondary level was to be increased from 33 to 40 weeks for all schools.
- Progress through the basic level would be based on continuous guidance oriented assessment. Terminal basic level assessment would form the basis for selection into Senior Secondary School (SSS), which would be conducted by the West African Examinations Council (WAEC). Final grade would be made up of 40% continuous assessment and 60% external assessment by WAEC.
- National government would rely and encourage community education committees, churches and voluntary organisations and private citizens to support the provisioning of infrastructure and other educational inputs.
- Educational provisioning would be seen as the joint responsibility of government, community and other stakeholders.
- Attempts to contain and partially recover cost and embark on a withdrawal of feeding and lodging from secondary and tertiary institutions.
- Enhance sector management and budgeting procedures through a merger of planning, budgeting, monitoring, and evaluation functions.
- Decision-making and supervision would be decentralised from the region to the district and circuit levels and the level of school visitation and supervision would be increased.

4.5 Specific Conditions Precipitating Tertiary Education Reforms

The main conditions precipitating reforms in the tertiary sector are the conditions in tertiary institutions themselves and the initiation of reforms at the basic and secondary levels of education. Reforms are said to have begun in 1986 under the First Education Sector Adjustment Credit (EDSAC). The Second Education Sector Adjustment Credit of 1990 supported the process. The reforms were formalised in 1991 when the Government of Ghana issued a white paper on the Tertiary Education Reforms

The contents of the reforms were dictated by the following IMF conditionalities for providing assistance to tertiary education, which insisted on:

1. The reduction of tertiary education workers' population to 30% of students' population.
2. Cost sharing, where the direct beneficiaries of education (students and their parents) contribute 10% of the cost of financing tertiary education.
3. Control of intake and enrolment by government and institutions.
4. Reduction of actual expenditure on education in general and the limitation of the tertiary education share of government education budget to 18%.
5. Implementation of cost recovery mechanisms through income generating activities, beneficiaries' contributions as well as community contribution.
6. Establishment of an annual review of the public expenditure programme for tertiary education through the Public Investment Programme.
7. Implementation of an acceptable student loan scheme.
8. Procurement of materials through international competition and a selection of organisations to assist with procurement.
9. Establishment of a joint mid-term review regime and an education co-ordination unit.

4.6 Organising Tertiary Education Reforms

As part of efforts to restructure tertiary education the PNDC government set up the University Rationalisation Committee (URC) and tasked it with the responsibility to set up the policy framework for reforming tertiary education in Ghana. The URC submitted its final report in 1988. An earlier interim report had been submitted in 1987.

The URC put forward 166 recommendations on issues that the reform should pay attention to. These included the need for:

1. An integrated and co-ordinated education sector.
2. A uniform and efficient cost-effective management of tertiary education.
3. The provisioning of relevant and integrated education through the design of academic courses.
4. A restructuring of tertiary institutions to upgrade the quality of teaching and increase output.
5. Improved gender balance in enrolment.
6. Increased production of appropriate proportion of middle and higher level personnel and improved gender balance.
7. Greater relevance of programmes in tertiary institutions in articulation with the workplace.
8. Better management in all tertiary education institutions.

9. The concept of distance education to be given greater emphasis because of its potential as a complimentary means of increasing access to tertiary education and improving cost-effectiveness to both students and government.

4.7 Highlights of the Tertiary Education Reform

Tertiary education reforms were introduced in a bid to resolve problems of the universities themselves as well as those emanating from the general malaise that had befallen the country as whole, all in an attempt to meet the Banks and the Fund's conditionalities. Specific highlights of the reforms included:

- 1) Academic autonomy for the tertiary institutions to be maintained but policy formulation and monitoring to be put under the general supervision and direction of the MOE. The MOE was to be assisted in this task by an Advisory Commission later the National Council for Tertiary Education (NCTE) in 1983.
- 2) University Colleges to be established from existing diploma awarding institutions to improve the cost effectiveness and help upgrade the quality of teaching.
- 3) A university to be established in the North to increase access to tertiary education.
- 4) New action-oriented degree programmes in priority areas like agriculture to be introduced to help address the developmental needs of the country.
- 5) A system of cost sharing between government and students to be established for financing tertiary education.
- 6) Adjustment of university curricula for compatibility with new secondary school systems.
- 7) The establishment and running of distance education units as an alternative mode of delivering and increasing access to university education.
- 8) An integrated tertiary education system comprising all pre-service training institutions.
- 9) Restructuring and upgrading some tertiary institutions.
- 10) A review of course curricula and the revival of research activities.
- 11) Rehabilitation and expansion of facilities to increase access and upgrading of staff.
- 12) Improved management for greater efficiency and unit cost control as well as the diversification of funding sources.
- 13) Freezing of teaching staff appointment and the retrenchment of non-teaching staff.
- 14) Two step elimination of residential and boarding subsidies as well as increasing user fees.
- 15) A loan or scholarship system for indigent students.
- 16) Reduction of financial embezzlement.

Five main priority areas in the reform have been identified as follows:

➤ **Cost-Sharing.**

This involves government's intention to shift some of the cost of funding tertiary education especially in the area of food and lodging to students and parents.

Universities were supposed to move away from residential universities to non-residential universities.

➤ **New Tertiary Institutions.**

Rapid expansion of secondary school enrolment increased demand for tertiary institutions. The idea was for future efforts at expansion to aim at broadening the technological base of the economy by developing technical colleges, polytechnics and training colleges more rapidly than the development of universities.

➤ **Integration of tertiary Education Institutions.**

- The idea was to implement the demand that all-tertiary institutions be integrated under MOE. The integration was supposed to embrace the Universities, polytechnics, the Regional Colleges of Applied Arts and Sciences (RECAST) and several post-secondary educational institutions, which had earlier been under the Ministry of Lands and Natural resources. The ultimate goal was to establish a vertical linkage between pre-tertiary and tertiary institutions.
- Gender Equity.
 - Increasing female enrolment at all levels of the educational system in order to reduce the gender gap in enrolment.
- Education for all the disabled.
 - Special education for the disabled at the tertiary level is one of the major concerns of MOE and it involves the implementation of strategies geared towards universal accessibility to education irrespective of one's physical condition.

The idea of cost sharing was that in the long run the total burden of paying fees for food and lodging, estimated at about US\$200 per student per annum would be shifted from government to parents and student beneficiaries. The expectation of the Bank and the Fund was that the sector would be self-financing as the reform progresses.

4.8 Impact of SAP on Tertiary Education

The impact of educational reforms on tertiary institutions has been noted to come not only from the content of the reforms itself but the timing, sequencing and the process of implementing the reforms as well. Too little time for example was devoted to accessing domestic political support and even in assessing how appropriate the measures were to the nation's economic circumstances. The implementation of tertiary education reforms did not proceed with equal stress for all the tenets of the reform package. Whilst some aspects have been implemented to the full others are at varying stages of implementation or are yet to be implemented.

The implementation of tertiary education reforms have in addition been constrained by the inadequate funding, poor implementation and inadequate supervision as well as the lack of human and material resources.

The reform of higher education has been seen as the most contentious and has been regarded by students as a concerted effort to devalue rather than enhance tertiary education. Numerous protests by students against efforts to implement one aspect or other of the reforms have led to the shutting down of tertiary institutions on numerous occasions. The country is yet to count the cost of closure on the quality of tertiary education.

The criticisms revolve around cost-recovery policies on the grounds that shifting the burden of boarding and lodging to parents and student beneficiaries would drive poorer students out of tertiary institutions. Critics of IMF/World Bank conditionalities on tertiary education think that a condition such as the limitation of tertiary education's share of government budget and actual expenditure on education and cost sharing have had a negative impact on the development of tertiary education

On the other hand is the attitude of the Ghanaian public to reforms. The study did reveal that on the whole respondents were positively disposed to tertiary education reforms and did find most acceptable the introduction of distance education and the establishment of university colleges.

They however accepted cautiously the modification in the autonomy of tertiary institutions and the supervisory role assigned the National Council on Tertiary Education. The establishment of the University for Development Studies (UDS) as well as the adjustment of programmes in the tertiary institutions to take account of SSS curriculum were also aspects of the reform that respondents accepted with caution.

Respondents however found least acceptable the policy on cost sharing. Most respondents felt that parents were incapable of paying students fees at the tertiary level. The student loan scheme was seen as merely postponing the financial burden till students gained employment. The introduction of cost recovery was seen as an extension of the process of privatisation and appears to foreshadow a basic change in the way social costs are allocated in Ghana.

The impact of donor intervention has been more negative and educational funding has suffered a decline in real terms as a consequence of the constrained fiscal environment. There exists therefore an absence of sustainable quality improvement and the difficulty in financing UDS. UDS receives no donor funding and relies on the same basic allocation of government funding.

Student enrolment has increased tremendously, the impact in terms of increased enrolment became manifest after the tertiary reforms in 1991. The increased enrolment however still falls far short of absorbing thousands of students who qualify for tertiary education for the following reasons:

- 1) Lack of expansion to equipment and facilities in tertiary institutions.
- 2) High unit cost of education at the tertiary level.
- 3) Inability to provide sustained financial resources.
- 4) Inadequate student loan to support students' life on campus.

The squeeze on financing the tertiary education sector has been felt in the area of recruitment and development of personnel. The research and research capacity building have also been adversely affected. A number of market-driven courses have been introduced to meet the demands of industry. Other self-financing courses have been introduced in response to the squeeze in tertiary education financing. These market driven courses have not been spared the problems of the tight squeeze on educational funding. The general lack of adequate infrastructure and lack of human resources affect the teaching of all tertiary education courses market or non-market driven.

The problem of over crowding in the hostels creates pressure on campus facilities, which are badly maintained as a result of inadequate funding. The result is extremely poor sanitary conditions and frequent power cuts and unavailability of running water on the campuses.

The non-residential policy is seen as discriminatory and favouring urban students and students with strong urban ties. This policy is seen as raising the cost of education for rural residents who have to pay high rent and contend with the vagaries of poor transportation in urban centres. Students face difficulties in finding accommodation. Most tertiary institutions are located in towns and cities where accommodation is a major problem. Poor transport system in most of these localities makes staying away from campus a problem. The student loan scheme has been established and students do benefit from it despite the problems of running the scheme.

Some areas of tertiary education, for example policies on staff attraction, retention and promotion still remain unchanged. The mechanism for quality control of teaching staff has been in operation since the establishment of the institutions and was not affected by the reforms. The mechanism is composed of staff publications, student assessment, annual Heads of Departments' assessment and in-service training for staff.

Another area where little impact has been made is in terms of assistance released from development partners and the NGO sources. These sources of assistance are insignificant in terms of the needs of the tertiary institutions. The assistance offered range from book acquisition, scholarship to staff and students, building/physical development and research. The projected linkage between tertiary and pre-tertiary educational systems has not been well developed.

4.9 Policy Challenges

The study offered the following as recommendations that have implications for policy formulation

- 1) The Government of Ghana and the Ministry of Education should initiate their own studies to review seriously the experience of the last decade and use the understanding gained to shape the development of a framework for carrying forward tertiary education in Ghana. The Akyeampong Committee Report of 1998 provides an excellent basis for this exercise.
- 2) Priority areas for future investments should be those of polytechnic education and the development of tertiary education, information and communication technology capabilities.
- 3) Grassroots organisations should be involved in a serious dialogue about the development priorities in Ghana and how the tertiary reforms fit into the priorities set.
- 4) There is an urgent need for alternative sources of funding for the implementation of reforms in order to avoid further erosion of the quality of education in tertiary institutions.
- 5) The issue of students financing would also have to be addressed with a view to providing a wider range of options for students with differing backgrounds.
- 6) The idea of distance education would have to be pursued as a means of exploring new ways of teaching, learning and accessing knowledge.
- 7) Boosting female enrolment should include sensitising the general public about the essence of female education in the socio-economic development of the nation and make it mandatory for tertiary institutions to ensure gender balance.
- 8) Government should as an urgent policy improve and expand infrastructure and funding to tertiary institutions and also improve budgetary allocation to special education.
- 9) Provide books, library materials, equipment and facilities and improvement of the conditions of service for staff.

4.10 Matters Arising from the Second Forum Structural Adjustment and Tertiary Education in Ghana

4.10.1 Significance of SAPRI

The group noted that the review process offered civil society groups, experts and policy makers an opportunity to assess together the impact of SAP on Ghana. For group members this opportunity was underscored by the fact that the problems that SAP was supposed to address still remained two decades after its implementation.

The Chairperson and discussant of this syndicate group set the tone for the discussion by asking that the group addressed the following issues:

- ◆ What happened to education under SAP?
- ◆ What were the antecedents of SAP?
- ◆ What results did SAP antecedents produce?
- ◆ How do we shape future policy to avoid past pitfalls?
- ◆ How do we reverse decline in government funding for education??
- ◆ Why has the proportion of GDP allocated to education been allowed to decline?
- ◆ How can the country find other means for financing tertiary education?
- ◆ How do we make alternative sources of funding available to those who really need it?
- ◆ How do we set up a sustainable loan scheme and make it available to needy students who really need it?
- ◆ How do we realise the potential of distance education in increasing access to tertiary education?
- ◆ How do we resolve the dilemma involving a balance between having a first rate tertiary educational system that can also be available to all?
- ◆ TEP 2 should form the context within which discussions should be centred because the timing of the second forum was significant since it coincided with the end of the first phase of the Tertiary Education Project (TEP 1) and the preparatory phase of the TEP 2

The Minister of education hoped that the review would help strengthen the successes of the reform and highlight the shortcomings for the required attention.

4.10.2 Research Gaps

The participants identified the following gaps in the research findings and considered the generalisations of its findings to cover the rest of the country inappropriate. The gaps identified are as follows:

- ◆ The size of respondents covered was noted to be too small.
- ◆ There was no effort in the research exercise to look at tertiary education sector as part of an integrated system of education.
- ◆ The research, it was noted by participants, was merely a catalogue of facts and events in the tertiary education sector. It lacked depth in analysis.
- ◆ The research was unable to establish a direct causal link between present problems of tertiary education and the implementation of SAP directed reforms
- ◆ Inadequate attention was paid to the conditions and facilities provided for special education for the physically challenged.
- ◆ The research focus on disparities in terms of gender access was inadequate.

- ◆ Very little attention was paid to rural, urban and regional imbalances in terms of tertiary education enrolment.
 - ◆ No reference was made to figures in the description of student-lecturer ratios and
- ◆ The experience of private universities as providing an answer to cost sharing was not explored.

4.10.3 Issues

The discussions in this section were not restricted to issues of SAP and its impact on tertiary education. They covered all problems of education and the effect of the general application of SAP induced policies on education in Ghana. The participants felt that SAP failed to address discrimination against the poor in terms of accessibility to education at all levels.

Another shortcoming participants noted, in the implementation of policies was the failure to take account of the infrastructure needs. The demands in terms of accommodation and lecture halls and equipment for tertiary institutions as a result of increased enrolment at the senior secondary level were not addressed as part of the reform package.

Tertiary education on the whole was noted to have failed to impact positively the nations development. The negative attitude of Ghanaians to other levels of education outside the university was blamed as one of the factors accounting for the inability of education to impact national development. Ghanaians, for example, look down upon polytechnic education. Such education it was realised did help to provide for the practical orientation to education that encouraged innovation, a key element in development.

The insistence of SAP reform policies on the removal of subsidies was, according to participants, problematic because education is vital to development and market forces should not determine who in Ghana gets access to good quality education. Cost sharing did not favour the rural poor. Income levels it was noted were the most important determinant of enrolment in educational institutions. It is the ability of parents to provide their children a certain type of education at the lower levels that gives the children access to tertiary education.

The policy making process for effecting change in the educational system was criticised as being alienating, and having the tendency to exclude the very people it was meant to benefit.

Funding tertiary education was debated at length and the student loan scheme also attracted some amount of debate.

4.10.4 Recommendations

Members of the syndicate group agreed that all economic policies in terms of their possible implications for the education sector should be examined. In this connection participants recommended that the HIPC initiative that Ghana had opted for should be examined. Economic policies should take account of good salaries as an essential component for improving staff motivation and attracting new and younger lecturers to expand and rejuvenate the present pool of lecturers. It was important that the national economy be strengthened so that the share of national wealth to education would be made adequate.

The group recommended the development of a new approach to educational policy formulation. This new approach should see the sector as part of a whole and not a disjointed. It should also take care of discrimination against the poor a factor, which SAP failed to deal with.

Efforts to improve the quality of tertiary education should include reorienting tertiary education to meet the human resource needs of the nation and not to conform to World Bank prescriptions.

Participants were of the opinion that the students' loan scheme should also be restructured to be more sustainable. In addition the loan scheme should be more selective and target students in need of support. The participants proposed that the restructuring should not be driven by profit motive alone otherwise the very people it was supposed to benefit will be priced out.

It was also agreed that there was the need to redirect the allocation of resources towards improving quality of existing educational institutions and move away from constructing more senior secondary schools. Prioritising the opening of new polytechnics should include the expansion of existing ones.

Policy makers should rethink the model of Distance Education being operated at the moment and consider setting up single institutions with responsibility for running Distance Education programmes for the whole country. Such an approach would help to ease the pressure on the already overburdened facilities of the universities.

Setting up Distance Education programmes should go with strengthening conventional education because experience elsewhere has shown that distance education programmes have worked best in places where conventional education was very strong. Adult learners in the workplace should be the target of Distance Education programmes and not school leavers. The later are known to be more prone to higher rates of attrition

Private participation in tertiary education should be better supervised in order to ensure that courses offered in such institutions are tailored to meet the developmental needs of the nation. On the other hand private participation in the provision of accommodation on the campuses in tertiary institutions should be encouraged.

It was also suggested that the supervisory role of the National Council for Tertiary Education (NCTE) over tertiary institutions should be strengthened.

4.10.5 Future Research

As regards future research, the following points were made:

- ❖ Views should be collected from the users of products from tertiary institutions on the quality and the suitability of the products to their needs.
- ❖ The contribution of pre-school education to other levels of learning should be investigated.
- ❖ There is the need for a closer assessment of enrolment patterns in terms of regional background of students in tertiary institutions in order to determine what imbalances existed so that policies could be put in place to avoid the creation a class society.

CHAPTER 5

HEALTH SECTOR REFORMS: EXEMPTIONS POLICY AND ACCESS TO HEALTH CARE SERVICES BY SELECTED VULNERABLE GROUPS – THE COMMUNITY PERSPECTIVE

5.1 Background to the Study

5.1.1 The Health Sector

The health sector or health services refers to all activities and programmes aimed at promoting the well-being of the individual, household and community, preventing disease from infecting the individual, household and community and curing through appropriate facilities the individual, household and community afflicted by disease.

Thus the health sector in Ghana encompasses:

- Public Health Services.
- Reproductive Health Services.
- MCH Services (Ante-natal, Delivery and post natal Services).
- Family Planning Services.
- Safe motherhood Services.
- Hospital Services.
- Health Services (medical and dental services).
- The Ghana health Service (Health service administration that allows autonomy among tertiary hospitals).
- Environmental Health Services including water, sanitation, housing and energy.

Health care delivery systems in Ghana can be classified into four categories – public, private for-profit, private non-profit and traditional system. The government provides health services through the Ministry of Health (MOH). The latter has a hierarchical organisational structure from its central headquarters in Accra to the regions, districts and sub-districts.

Services are delivered through a network of facilities: health centres and district hospitals provide Primary Health Care (PHC) services, regional hospitals provide secondary health care while two teaching hospitals at the apex provide tertiary services.

Health care is structured in a three-tier system. “Level A” comprises health systems at community level, including Traditional Birth Attendants (TBA) and Community Health Workers (CHW). “Level B” comprises health posts and health centres at sub-district level. “Level C” comprises hospitals that function as district referral units. Regional and teaching hospitals may be considered as level D, as they provide tertiary services.

The private health sector includes religious missions, most of which provide about 40% of rural health care, and account for about 30% of hospital beds and 35% of out-patient care. The profit-making, private health system includes doctors, midwives, pharmacists and laboratory technicians.

The traditional systems consisting of spiritualists, psychic healers or herbalists also provide a wide range of services including clinics, maternity and (other) preventive services.

For a little over a decade after independence in 1957, Ghanaians enjoyed free medical care. Until 1983, Ghana's health system was financed mainly by the national budget. As a result of the economic situation and government spending priorities, there was a serious deterioration in public health services, with adverse consequences for the health of the population. The shortage of drugs in government health facilities compelled some patients to buy prescribed drugs from private pharmacies. In addition to the lack of essential equipment and materials, transport facilities were inadequate for the supervision of peripheral health services, maintenance of vehicles and essential equipment was poor and health staff lacked motivation.

Health expenditure as a share of GDP declined from 0.95% in 1980 to 0.35% in 1983, and from 6.46% of the national budget in 1980 to 4.38% in 1983. Of the various components of health expenditure, salaries and wages were the most important item, averaging 39.8% between 1988 and 1992, followed by drugs, which averaged 32.8%. In early 1992, the government was forced to give sharp salary increases to health workers, following industrial strike action. This resulted in severe disruption in the balance hitherto maintained between salaries and drug allocations. Salaries rose to 61.6% of health expenditure in 1994 while the share of drugs plummeted by more than half to 16.4% in 1994 from 33.5% in 1992.

The annual share of the Ministry of Health (MOH) in government spending averaged about 9% and 1.2% of GDP from 1985 to 1988 (Ghana/UNICEF, 1990). However, in real terms the allocation to MOH has remained the same since 1987. The pattern of government spending on the health sector remained the same up to 1995 (Republic of Ghana, Medium Term Health Strategy, 1995, 1999).

In general, the health delivery system and the distribution of existing social infrastructure are grossly inadequate and discriminatory. For example, in 1990, government health facilities, which accounted for 70% of the entire health service delivery system in the country, catered for an estimated 30-40% of Ghana's population (UNICEF, 1991).

5.1.2 Problem Statement

Health sector policies in place since 1985 have encouraged private participation in health delivery and granted exemptions to certain categories of persons including the aged, pregnant women and children under-5. Financing this scheme is currently the sole responsibility of the government. The extent to which this can be sustained is yet to be determined. Meanwhile, alternative sources of funding are being explored. One such possibility is a health insurance scheme that can embrace the majority of Ghanaians. Obtaining the views of communities and other stakeholders regarding their role in such a scheme has been identified as essential in helping design a policy for its implementation.

A study conducted by MOH on the exemption policy identified a number of factors, mainly administrative and managerial, that have bedevilled its implementation. Preliminary results show that many of the clients are not aware of the exemption policy, let alone motivated to utilise available services when ill. However, the methodology of the study was oriented to the perceptions of policy makers, health managers and health providers. The beneficiary population covered in the study comprised only those people who visited the selected health facilities at the time of the study. The MOH study also gave little information on the effect on the general population of bottlenecks in implementing the policy.

There is the need therefore to address the issues of exemptions from the perspective of the general community and, in particular, the vulnerable groups such as pregnant women, children under 5, the aged and the poor.

5.1.3 Objectives of the Study

The study set out to assess community awareness of health reform policies as well as the views of the communities on developing a workable, community-based insurance scheme that enables vulnerable groups to have access to health care.

The specific objectives of the study were to:

1. Review trends in availability of and access to public health facility for vulnerable groups.
2. Assess community awareness of public health facilities available to them.
3. Assess community awareness and perception of selected health policies relating to access to services.
4. Determine/identify factors inhibiting awareness of exemption policy and thus affecting utilisation of public health facilities at community level.
5. Identify community mechanisms for assisting vulnerable groups to access health care services.
6. Ascertain community views and perceptions of a community-based health insurance scheme.

The Health Sector Research Report consists of two parts, a desk study and a field study. The desk study involved a review of the available literature and studies on access to health services at various levels in Ghana. The findings of the field study was presented using both quantitative and qualitative data collection instruments in two districts -- Accra Metropolitan Area, an urban and coastal location, and Asuogyaman, a rural, forest location.

As far as the SAPRI research methodology was concerned, only the participatory method was used. Completely absent was the political economy approach that would have given us a picture of trends in availability, access and use of public health facilities, including infrastructure and service staff ratios.

5.2 Health Related Structural Adjustment Policies

5.2.1 Health Policy

In 1969, the government of the Second Republic abolished all privileges enjoyed by public servants, including free medical care. This was largely because the government could not sustain the cost of these privileges. Consequently, medical fees were re-introduced with the enactment of the Hospital Fee Decree, 1969, which was later amended as the Hospital Fees Act, 1971. The Hospital Fees Act did not last long because the military government installed after the 1972 coup d'état restored free medical care.

The government of Ghana in order to stabilise the overall economic situation, adopted a new set of policies set in the framework of a World Bank and International Monetary Fund-approved structural adjustment programme (SAP). The policy changes began with the Economic Recovery Programme (ERP) of 1983–86, which initiated the removal of subsidies and, in the health sector in particular, an intensification of fee collection for health services and

enforcement of the Hospital Fees Act.

In the health sector, SAP policies included the charging of “user fees” and full cost recovery for drugs, staff redeployment and rehabilitation of facilities. At the same time, however, the government sharply raised fees for hospital beds and consultations in 1985. This formed part of the drive to charge user fees for major social services including health. The goal was to ensure increased access to and utilisation of health services. The aim of implementing in 1985 a full cost-recovery system for drugs in public health institutions (as “cash- and-carry”) was to establish a user-financed, revolving drug fund to improve and sustain the availability of essential drugs and provide all public health facilities with adequate and safe drugs at affordable prices.

The MOH then adopted a list of essential drugs for use within the public sector. Problems of procurement of drugs and the inequitable allocation of drugs to health facilities prompted the introduction and implementation in 1992 of the “cash and carry” scheme, formally known as the Revolving Drug Fund.

Paying for health services in Ghana is not a recent phenomenon. At Ghana’s independence in 1957, user charges in government health facilities were abolished. The practice was reintroduced in 1969 with the enactment of the Hospital Fee Decree, which was later amended to the Hospital Fees Act of 1971. From a token fee for consultation, the user charge regime developed to the 1985 system of fixed fees for consultation, examination, laboratory and related diagnostic procedures, as well as charges for drugs at full cost.

The most notable Health sector reforms under SAP were:

- a. Introduction of user fee charges.
- b. Expansion and strengthening of district health services.
- c. Reallocation of resources from the region to the district level.

However there were other equally important reforms. These include:

- d. Reduction of costs through the phasing out of institutional cost of feeding in hospitals.
- b. Reduction of non-technical staff.
 - e. Implementation of essential drug policy.
 - f. Improving drug management.
 - g. Enrolment of district Health Management Teams.

Most recently however, the establishment of a legal structure for the implementation of the Ghana Health Services has been undertaken. The principal objectives of the Health Sector Reforms are to establish equity, efficiency and accessibility in the health service and enhance quality care. The reforms also aim at improving capacity for policy development strengthening of inter-sectoral collaboration and establishing performance monitoring and regulation.

5.2.2 The Exemption Policy

Among the components of the Economic Recovery Programme were the removal of subsidies and the intensification of fee collection for health services under the Hospital Fee Act. Realising the potentially adverse impact of this programme at the household and community level and on the very success of the ERP itself, the government initiated the Programme of Actions to Mitigate the Social Costs of Adjustment (PAMSCAD).

The health component of PAMSCAD involved the provision of essential drugs within the PHC framework. In 1988, modifications were made to the Hospital Fee Act that included the supply of drugs at full cost to patients. Provisions were also made for health facilities to retain increasing proportions of their revenue.

There were separate charges for outpatients, for medical and surgical treatment, hospital accommodation and catering. The price schedule moved from lower charges at lower levels (clinics and health centres) to higher charges at the teaching hospitals. There were also differential charges for adults and children.

The government introduced an Exemption Policy covering certain categories of people. These include:

- Refugees.
- The poor.
- Children under 5 years old.
- Pregnant women.
- Disabled people.
- Elderly people aged 70 and above.
- Paupers, on the basis of inability to pay.
- Patients with specified communicable diseases such as leprosy and tuberculosis, and
- Health workers and trainees in health training institutions.

Concurrently, the government defined entitlements to full or partial exemption from paying under L.I. 1313 that set up the Hospital Fees Regulation of 1985. Psychiatric patients were now added to the categories of people qualifying for full exemptions. Some services were also made free of charge, including immunisation, antenatal and post-natal services and treatment at child welfare clinics.

Hospital accommodation and catering services were excluded. L.I. 1313 also provided for exemptions from all charges except those for drugs prescribed for a wide range of mostly communicable diseases.

The objectives of these regulations were to ensure that people with communicable diseases could get medical care and to encourage the use of preventive services.

Funding the implementation of the exemption policy constitutes about 5% of the total budget. The implementation of this policy has had many problems, the main one being that of determining who is poor enough to be exempted.

5.3 Findings and Policy Implications

Despite considerable progress in the health sector under SAP, many problems remain. Health status indicators show that little change and marked inequalities in the mortality rates between different regions of Ghana and between rural and urban areas still persist. Only 65% of the population have access to modern health system but this figure disguises gross geographical inequality. Overall utilisation of out patients and other facilities was estimated at 0.35% attendance per person per year in 1987.

The medium term health strategy document “Health Sector 5-Year Programme of Work”, identifies the heavy burden of infectious diseases, malnutrition, poor reproductive health and persistence of non-communicable diseases, weaknesses in the overall management of health services and inequitable distribution of health personnel, as critical issues facing the health sector. The document also defines the overall priority of health policy as improving the health status of all Ghanaians. In line with that, the specific objectives are:

- Increasing access to safe health and improved housing.
- Improving access, quality and efficiency of providing health care services.
- Improving quality of care in all facilities.
- Distributing overall resources equitably and efficiently.

It is noted that on average the health sector has received 8-10% of total government budget annually, but quality and utilisation of primary health services have remained low.

In health policy documents, different types of access are identified namely:

- a. Geographical access.
- b. Financial access.
- c. Access to basic services.
- d. One may however also add social and gender access.

A survey of the literature on User Fee Charges showed that the common questions discerned from all the studies on access to social services in the health sector can be classified into 3 broad areas. The answers that addressed these broad categories of health sector questions are summarised as follows:

No direct relationship between the user fee and attendance could be established since no attempt was made to examine the relationship of other factors such as time and type of sickness, occupation and availability of alternate sources of seeking health care on attendance. It was established though that the high cost of medical care was a deterrent to migrants. Other studies have found that high hospital fees prevent patients from using health care facilities and force them to resort to self-medication. Others revealed that patients find that services are not only financially, but more importantly socially inaccessible. Satisfaction also had to do with staff attitude to patients. Negative attitudes do create social distance between the facility and the potential patient.

Proximity and the cost of services were key determinants in utilisation of a health facility. Analysis of household expenditure on health services during a sickness showed that some spent more on health care than the entire household expenditure. Studies have shown that the contribution of households to the financing of health is quite substantial: almost three times that of public input in per capita terms, namely \$12.44 as against \$4-\$5.

Comparatively more urban households than rural have heard of the “cash and carry” system from many different sources including neighbours, friends, and the media. Knowledge of the concept did not mean that respondents were aware of the exact contents of the policies.

The ability of individuals, families, households or communities to access health care services are determined by factors such as age and gender of the individual, type of sickness the person is suffering from, the type of health services being provided and the ability to pay for the services.

Most people, especially in rural areas, have to travel long distances for health care in urban hospitals and clinics. However, due to the cash and carry system of drug management, they are unable to pay for the full cost of drugs and treatment in government health facilities. In addition people also have to count travel cost to the health facility and the opportunity cost of seeking health care, such as loss of time for agricultural activities or housekeeping.

The field study revealed in the main that the exemption policy has not been as effective as it was meant to be. There seemed to be some ignorance about the exemption policy among women with children under 5 years in the rural communities. They therefore eventually paid for everything anytime they visited the health facility. Only a few people therefore enjoy free medical care.

Most respondents covered in the study feel that the central government should finance the health care of those who cannot afford health services. Currently, the central government channels allocations for the exemptions to the District to manage, just as it does directly to the regions and hospitals.

The District Assembly is expected to play a vital role as a partner in the development of health delivery at the district level, where the District Health Management Team administers the PHC. The result of the household survey shows that the Assembly's role in providing health care for the "poor", albeit indirectly, has not been recognised.

In both study areas, less than 2% felt that the District Assembly should support those who cannot afford health charges. It is not clear whether the District Assembly allocates part of the District Assembly Common Fund to the health sector in general and to vulnerable groups in need of health services in particular.

Institutions such as churches, family and community as well as husbands voluntary welfare or social/financial associations within the specific communities provided support for members who were unable to pay for their health care needs.

Very few respondents supported the idea that households take care of the health needs of the members of the household who are unable to pay for their own health care. The reason for this rather low proportion may be the fact that most households already have relatively large, daily household expenditure and expenditure on health alone is also quite high for many of the households.

The findings of the study points to the possibility of developing a scheme that would serve as an insurance strategy to help not only poor people, but also every household, family or community member.

The desire to change or modify the voluntary associations to serve as a health insurance scheme was expressed by all the groups. The main concern was the premium levels, the premium collection system, coverage and management of the scheme. The respondents of the study suggested that contributions and the collection of premiums should be entrusted to reliable members of the scheme.

An overwhelming majority of households recommended the extension of the exemption policy to cover more people as well as more diseases than the current scheme. The main reason for this

was that many people could not afford the charges. They were people such as the unemployed or those too weak to work and earn money to pay for health services. People with communicable diseases should be included in the exemption, to encourage them to seek treatment, thereby preventing the spread of diseases such as leprosy, tuberculosis and cholera.

Most of the households in the study area feel the central government should be responsible. Funding or support from household members or community-based financial schemes to assist those who cannot afford health fees was suggested by a handful of respondents. Few considered the District Assembly as a possible source of funding.

The coping strategies adopted in times of sudden illness by community members and their institutional analysis had opened their eyes to some of the welfare clubs and financial associations that can form the nucleus of a kind of community-based, health insurance scheme.

There is much to be done in terms of educating communities on health policies and programmes and on their role in primary health care issues. Health workers, and indeed, the District Health Management Team that oversee implementation of the policy at district level, have a crucial role to play in this direction.

Two factors underpin the need to review and extend the exemptions policy to include more people that are potentially vulnerable.

First, as noted earlier, Ghana's population continues to grow at the annual rate of 3.0%. This rapid growth and the young structure of the population pose special challenges to the health sector. The proportion of the population aged 60 years and of women in the reproductive age group (15-49), as well as children under 5 years has been on the increase. Given the susceptibility of these two groups to high levels of morbidity and mortality, they require a high level of per capita health expenses, implying in turn higher average per capita expenditure on health if decent levels of care are to be maintained. The period is also characterised by rapid urbanisation and the creation of urban slums.

Secondly, the PHC programme aimed at providing basic health care to the poor in urban slums and rural areas is largely ineffective due to insufficient funding, shortage of manpower and equipment and lack of logistic support (Ghana/UNICEF, 1990).

Institutions such as churches, family and community as well as husbands can be mobilised to form the basis of any health insurance scheme that would serve the vulnerable as well as the community as a whole in gaining access to health services.

5.4 Issues for Further Research

The following issues do call for further research if the extent of the actual impact of SAP on health care in Ghana is to be fully studied:

- What is the implication of access to health care for women and children especially?
- What factors have contributed to the weak management and design of user fees/cost recovery policy?
- What is the role of the private sector reforms and what will be the effect on “contracting services” to other providers of access to health?

- What is the level of poverty in Ghana and to what extent does poverty affect the accessibility and quality of health services in Ghana?
- The extent of geographical inequity in terms of access to health care in Ghana.
- How far has decentralisation affected access, utilisation, and quality of health care?

Matters arising from the second Forum

Health Sector Reforms: Exemptions Policy and Access to Health Care Services by Selected Vulnerable Groups – The Community Perspective

5.5 Background

Reflections at the forum covered research gaps and general problems that participants had observed to plague the sector. On the whole it did appear that the forum offered a unique opportunity for participants to reflect on the general conditions plaguing the Ghanaian economy and how such conditions impacted on other sectors such as health.

5.5.1 Research Gaps

On the whole participants felt that an exclusive focus on the exemption policy did not offer an appropriate opportunity for assessing the social impact of SAP. Another major limitation in the framework was its focus on access to public health facilities and, infrastructure services as a basis for assessing the impact of SAP on the health status of Ghanaians. The participants felt that the participatory review of SAP should have been an important starting point for an analysis of the overall social and economic context within which the health system functioned. Such an approach would have offered the opportunity for rooting the understanding of the relationship between health, poverty and rights demand and supply in the health system. In addition it would have helped in the assessment of how the needs of the poorest are met and how these arrangements functioned within the framework of the macro economic environment.

Poverty as social phenomena was inadequately covered in the research. Hence the relationship of poverty to vulnerability and social exclusion and how it leads to poor health status and how poor health in turn contributes the process of social exclusion should have been investigated in a study such as this. It was the opinion of participants that the elements in a participatory analysis should have included an analysis of poverty, trends in national health indicators, disparities in those indicators and their impact in addition to the dynamics of social exclusion and how these factors affected access to health care.

The report did not offer a comprehensive definition of poverty, which happened to be the dominant theme of the research. Such a definition should have covered issues like who constituted the poor, a comment on the definition of poverty in national statistics, the rural/urban, regional as well as the gender variation in poverty in Ghana. The analysis of the correlation between health, poverty and macro-economic policies was also inadequate.

The need to grasp the social context within which health was experienced and that in which the health systems functioned was seen as critical in facilitating the understanding the impact of health policies. Such a position would have helped to reveal the extent to which marginalized and vulnerable groups were able to realise their rights to protection from risks, access to services and resource.

The participants also felt that the discussions in the report was not informed by the MOH's review of the performance of the 5-Year Programme of work and the Medium Term Health Strategy.

The research also failed to address gender relations of power and control, the local health knowledge and belief systems as well as social access to services and appropriateness of services. The discussant requested that the group bear these gaps in mind as they reviewed the key issues on health.

5.5.2 Issues

General issues raised by the syndicate group covered the location and ratio of health care personnel to patient. Dispersed location of health facilities from settlements e.g. in the Northern Regions imposed on residents substantial travel costs as well as lost incomes from foregone production. Long distance travel also involved risks and inconvenience resulting in health complications and sometimes death.

Low and unacceptable health care personnel to patient ratio according to the group calls for a more comprehensive solution to poor remuneration and conditions of service a problem which plagues all sectors of the Ghanaian economy. Coupled with this was the fact that the harsh and undignified treatment that health care personnel mete out to patients impact adversely on access to health services and health care because patients usually did not return to government facilities either for follow-up care or report new cases.

5.5.3 SAP Policies Effects

The introduction of user charges against a backdrop of continuous decline in real wages or earnings of many Ghanaians coupled with increasing poverty was responsible for poor access to health services in Ghana. The cash and carry policy was identified as one factor that hindered access to health care. It becomes an additional financial burden for families whose incomes are already over burdened.

Participants noted that there were inherent flaws in the exemption policy arising out of:

- ◆ Lack of clarity in policy formulation which subjects the policy to differing interpretations and the evolution of varied models of implementation leading to several problems of implementation
- ◆ Implementation issues because of the lack of procedures to determine eligibility of patients to benefit for services
- ◆ Pressure on resources allocated to cover exemptions due to absence of procedure to determine eligibility and practice adopted by patients to circumvent limit of free medical care they are entitled to e.g. the four free anti-natal care that pregnant women are entitled to.
- ◆ Lack of knowledge\information on policy that creates a situation where potential beneficiaries did not know of the existence of the policy and therefore could not take advantage of the scheme. On the other hand was the inability of potential beneficiaries to challenge persistent instances of malfeasance on the part of health personnel.
- ◆ The over emphasis of the exemptions policy specifically and health policy in general on curative care to the neglect of preventive care. Over emphasis on curative care to the neglect of preventive health care created an imbalance in health care.

- ◆ Inadequate allocation of funds, ceiling on exemption funds, untimely and irregular reimbursement of funds to hospitals and individuals undermined efficiency and effectiveness of policy.
- ◆ The exemptions policy did not operate at regional hospitals.

5.5.4 Recommendations

Recommendations of the group were as varied as their concerns and covered all problems that appeared to plague the health sector. The group called for a review of the exemption policy in the light of significant changes in the economic circumstances of Ghanaians as well as the dwindling financial capacity of government to sustain the policy. Government lacked the capacity to fund the exemption policy for a rapidly growing population with a high ratio of adolescent females.

Participants were however of the view that financial support for health care was a fundamental responsibility of government therefore the gains of debt relief from HIPC initiative should be directed into funding good quality health care of Ghanaians. It was also considered the responsibility of government to finance traumatic emergency cases in order to remove inequities in access to health care. It was agreed that government had a greater role to play in the provision of infrastructure and the DAs were urged to educate people to embrace community based mutual health initiatives already in operation in some communities.

There were calls for alternative strategies for providing safety nets in order to alleviate cost implications of health care. Some agreed that the solution to funding health care in Ghana laid in a National Health Insurance Scheme (NHIS). The recommendation offered in this direction was that a national policy framework for a NHIS be formulated in which decentralised and community-based initiatives (CBIs) could be worked out and operated. The experience of co-operatives and Susu groups could provide insights and help to introduce safety nets to cover security of health care for members. It was however agreed that a gradualist approach to the achievements of a universal health care delivery system be adopted.

The group called for innovative ways to encourage contributions to insurance schemes. Such schemes will have to take into account peculiar situations of people for example those unable to contribute cash. Differing economic conditions in various parts of the country dictated that CBIs needed to adopt different approaches to premium payments of contributions to schemes. Innovative strategies were required to mobilise funds for the NHIS.

It was suggested that District Assemblies should allocate a substantial proportion of their Common Fund to provide health infrastructure for communities.

It was also suggested that first-point of call facilities like health posts, polyclinics should be expanded in order to improve geographical access to health care as well as an expand Mobile Health Services to dispersed and remote communities.

Community Health Improvement Programmes (CHIP) now operating on pilot basis were seen by participants as offering ready care to patients with non-life threatening diseases.

Civil Society Groups (CSOs) were urged to collaborate with governments to make them fulfil their obligations to their communities. Capacity building was considered as a way of helping to

ease the problem of distance and risks associated with labour and safe-delivery. It was generally agreed that the co-operative system promised greater prospects in enhancing access to health care.

There is a need for policy to develop a balance between preventive and curative care and encourage communities to practice preventive health care. In addition participants urged that there should be a framework for collaboration or partnership between orthodox health practitioners and traditional health practitioners. There is a need to review policy in order to achieve a balance between the two types of care that is free anti-natal care and hospital deliveries and also the need to employ trained social workers at each health facility to help with the identification of paupers for exemption.

The group recommended the establishment of a Health Fund to be financed through 5% levy to be imposed on exports and imports and a special levy on urban residents to finance rural health care. Industries should also contribute to the CBIs as part of their social responsibility to the communities in which they operate. Other Civil Society Organisations (churches) should also contribute to the fund and together with the decentralised institutions be strengthened to mobilise resources to support health delivery system.

5.5.5 Future Research

The following were recommended for further study:

- ◆ The values that influence people's attitudes to take-up services
- ◆ Community based assessment to determine those unable to pay for health services.
- ◆ Community based surveys to determine various ways members can contribute to health insurance schemes.

CHAPTER SIX

CONCLUSION

6.1 The Significance of SAPRI

The conclusion of the SAPRI Ghana report is composed from the concluding remarks of the chairperson of the TNSC Prof. Akilakpa Sawyer at the closing session of the second national forum. The chairperson noted the centrality of the research process to SAPRI. For him the research product, contributions from the floor and syndicate sessions were all comments on SAP that could be taken to the government and beyond. The review initiative marked some progress in that it gave everyone involved the chance to explore and speak words, which were hitherto considered taboo.

6.2 Achievements

The key achievement was the fact that it had been possible to establish that even with SAP certain events did not occur in Ghana. The research process had identified areas in which the programme had failed going by its own terms. On the other hand is the fact that events and movements had occurred in the economy and policy of the country that had created a situation in which there was a complete exposure of the falsity of some assumptions that had been part of the background of SAP.

The success of the SAPRI exercise has also in no small way showcased the potential benefits of civil society coalition building across national borders and this fact should not be lost as the SAPRI process folds up. One of SAPRI's most positive contributions has been in the area of information sharing between civil society groups on the one hand and the World Bank and the government on the other.

6.3 Research Gaps

But whilst the SAPRI exercise was unique and did have within it the means for directing research to unravel the real impact of SAP on Ghana and Ghanaians it did present its own problems. Discussions at the second forum did raise concerns about gaps in the research reports in terms of national coverage as well as the issues within the national economy that were covered. The fact that only one out of the four research reports covered the northern region of Ghana was seen as serious omission considering the levels of poverty that existed in those parts of the nation. An important absence according to the chairperson was the failure of all the research to take account of events in the external environment—the actual movements in the global economy. The external environment constitutes a critical part in determining the margins that Ghanaians had to shape policy. The major conceptual flaw the chairperson went on to say was that of attribution. The extent to which events that occurred or did not can be attributed to SAP.

The research process and the need to for consultation and participation did result in what was described by the Chairperson of the TNSC as a de-politicisation of the research which in turn tended to reduce the exercise to one of debate, clarification and persuasion. The question of vested interest was almost overlooked in most of the debates that went on whether in the syndicate group or the research that directed subsequent debate.

Thus in the entire process there has been very little by way of a critique of the entire SAP and a lack of an attempt to consider alternatives. The review whether in the form of the research reports and the forums that followed operated on the basis of SAP as given. The dominant approach therefore was to identify problem areas and propose remedies. What shortcomings surfaced in attempts to implement SAP policies in specific sectors were the dominant issues discussed in the research reports. The inability of government to meet the needs of her people attracted some levels of questioning.

For the chairperson the gaps created in the product as a result of the absences and omissions in terms of coverage could be rectified by drawing on research being done all over the country. Such an exercise is crucial to give the research the right balance it required. Failure to rectify the gaps in the research should not however put a halt to the process began in SAPRI.

6.4 Way Forward

These shortcomings notwithstanding conclusions drawn did commend the SAPRI process and hoped that civil society will continue to empower itself to engage in economic dialogue after the process. The opportunity presented by good research according to chairperson was the ability to remove cobwebs and to enable people see more clearly what the reality was. Research was therefore an instrument to be used. The challenge posed was whether the participants in SAPRI could use the instruments to defend their interests especially against others, whether internal or external.

Participants were urged by the chairperson to take seriously the message that they could each make a difference wherever they found themselves. In this light CIVISOC had a role even beyond the forum and SAPRI by ensuring that people's voices could be heard. Participants will have to make themselves activators of making people's voices heard otherwise nothing in terms of policies would change.