

# What are the drivers of change in Ghana?

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## The findings in brief

- Ghana has made significant economic and social progress in the last 20 years, but there is much scope for improving performance towards the levels achieved by developing countries in Asia.
- The main immediate obstacle to a more dynamic process of economic change is the policy environment – specifically, absence of the conditions for doing business in a modern, competitive way in a global economic system.
- The policy environment has improved, as political incentives have shifted under the impact of increasingly fair and competitive democratic elections. But so far this has happened in too partial a way to inaugurate the promised golden age for private investment.
- Failure to reform the public service represents a key obstacle. Another is the continued tendency for government-business relations to be conducted on patron-client terms. Under current conditions there are serious doubts about the willingness of politicians to change their approach to these issues. Donor-supported reform measures are likely to receive only token support.
- The main reasons for this lie in the nature of the political system.

There is an enduring neopatrimonialism of a particular Ghanaian sort in which ‘horizontal’ interest-groups are subordinated to ‘vertical’ patronage relationships. This weakens issue-based pressures and the demand for improved performance. Politicians

- favour quick fixes to pay off political debts, and shy away from addressing long-term problems.
- In order for progressive change to be driven forward under these conditions, several things need to happen simultaneously, in both the economic and political spheres.
- In the economy, there needs to be faster growth, of a kind that generates more employment. This implies orienting to export markets, more competition in the financial sector, more direct foreign investment in non-traditional sectors and a shift by Ghanaian enterprise from extensive to intensive growth.
- What kinds of political change would be required to create an environment for this kind of economic development? Potentially there are four: intensified competition between political parties; improved information flows; an increased role for the Ghanaian diaspora; and vigorous growth in civil society.
- None of these forces will be sufficient on their own, however. Substantial progress will be needed on all four fronts simultaneously to give Ghana a chance of ‘breaking the mould’ of its past development and moving into a high-performance phase.

## Introducing drivers of change analysis

This paper aims to make a new type of contribution to national debate about public policy in Ghana. It is inspired by a trend in thinking among international development agencies which is leading those organisations to want to understand better the national realities of their partner countries. The relevance of this approach – here called ‘drivers of change analysis’ – is not restricted to the field of development assistance. In fact, drivers of change analysis has a large potential to contribute to a new type of public policy debate among stakeholders in the country – among politicians and technocrats, think tanks, NGOs and interested citizens in general.

Donors are accustomed to explaining away the failure of development policies and pro-poor reforms by referring to a ‘lack of political will’ in the country. However, the underlying reasons for the apparent unwillingness of country stakeholders to confront the need for fundamental change are rarely examined. Programmes continue to be based on where donors think the country *ought* to be, not on serious analysis of where the country is, where it is coming from or where it is heading. National stakeholders who interact with donors are sometimes complicit in this evasion.

‘Drivers of change analysis’ has been developed as an antidote to that tendency. It aims to describe in a robust, evidence-based way the underlying factors which shape the incentives for economic, social and political change. It uses a type of ‘quick and dirty’ research method, whose sources are published and unpublished research, interviews with key informants and focus group discussions. Typically, the research teams bring together highly experienced local and international experts from different disciplines.

This paper summarises the conclusions of a drivers of change analysis undertaken by a team of Ghana specialists coordinated by CDD and ODI. It provides an overview of how social, political and economic forces interact in the country, and with what effects. On this basis, it aims to clarify the incentives and capacities that may be expected to limit or drive change in Ghana in the future. The conclusions are offered as a contribution to discussion in Ghana of what it will take to bring accelerated development and social progress to the country during the coming years and decades.

### ***Scope and argument of the paper***

The paper has four main sections:

- a summary of some of the historical legacies that affect possibilities for rapid development in Ghana today;
- an overall assessment of the changes that have taken place in the country over the last 20 years;
- a forward look at the different out-turns that may be expected in the coming decade under different assumptions about policies and politics; and
- an attempt to address the question: what would it take to release Ghana’s potential and bring about rapid and sustained development?

One theme of the paper is that history matters. Ghana’s

prospects of improving the economy and the social well-being of its citizens are strongly affected by the social patterns and state institutions the country has inherited from the past.

The legacies of history in Ghana include some deep-seated institutional patterns that are relatively constant influences on the way society and politics work. We argue that these are still relevant today. At the same time, these patterns have manifested themselves in very different ways in different historical periods, and they been modified in the process, producing a more complex and in some respects more hopeful context for contemporary change that at first appears to be the case.

### ***Historical continuities***

In Ghana, as elsewhere in Africa, the modern state is accurately characterised as ‘neopatrimonial’. The concept of the *patrimonialism* is derived from the classic comparative studies of pre-industrial states in Europe and Asia by the German sociologist Max Weber (1864-1920). The prefix ‘neo’ is added in describing the current African version to indicate that the state has a *hybrid* character.

That is, on the one hand the state is a formal administrative structure governed by rules and underpinned by law. On the other hand, much of the actual operation of public affairs is dictated by a different set of principles. State resources – bureaucratic positions, and the power to allocate rents, provide services, and determine policies and their beneficiaries – are captured by personal or private networks in the hands of dominant patrons. Thus, instead of being governed by explicit objectives and legal rules, it is effectively an apparatus serving the interests of the particular groups and individuals that have captured it.

In a neopatrimonial system, the mechanisms of patronage are in conflict with, and not infrequently challenged by, formal commitments and ‘legal-rational’ principles. Nonetheless, the net effect is that the state typically has little policy autonomy. That is, the ability of public officials to formulate and carry out policies in accordance with the public interest is heavily constrained by the requirement to service patronage networks.

In our view, this has been and remains true of the state in Ghana. However, neopatrimonialism in Ghana also has some distinctive features that are important. Starting in the colonial period, economic change produced a rich process of ‘horizontal’ interest-group formation (starting with cocoa growers, lawyers, etc.). Based on the common interests of those occupying a similar socio-economic position or profession, or professing particular ideological or religious commitments, horizontal identities have been formed more frequently and powerfully in Ghana than in most African countries.

Typically, however, ‘horizontal’ interest groupings have had their capacity to represent the general interests of their constituencies undermined by ‘vertical’ (patronage-based) relationships and identities. The distinctive form of Ghanaian neopatrimonialism is one in which organised groups are a significant component of a system for dispensing state patronage in exchange for political loyalty.

Critically, from a development point of view, this includes the business sector. All regimes since Nkrumah, civil and military, have attracted an opportunistic business class seeking advantage by access to state favours of a more or less discriminatory sort. One effect of this type of state-business relationship is that neither party to the relationship applies rigorous performance standards to the other, except perhaps in a crisis.

Other effects include actual or potential implications for political and social stability. On the national level, stability was difficult to maintain during Ghana’s first quarter-century of Independence. Combined with the way state revenues were generated (state policies were neo-mercantilist, rather than oriented towards promotion of free-market capitalism), the multiplicity of mobilised interests was one of the sources of the political instability that characterised the whole era from the Nkrumah government in the 1960s, through Acheampong-Akuffo period of military rule in the 1970s, to the early regimes of Jerry Rawlings.

More relevant today is the way the national political system shapes local disputes, over such matters as chieftaincy and land. A circular interaction has become established between local and national politics, such that national politics are often the arena in which local contestations are fought out between national-level patrons. This has been and continues to be a mechanism

by which local disputes are magnified and become more dangerous. The most recent important example is the handling of the regicide in Dagbon.

### *Historical discontinuities*

All these issues are part of the deep structure of Ghana’s national reality. They are possibly a declining part of the reality, although this cannot be taken for granted. However, the following complications need to be kept firmly in mind:

- Ghana’s history has been punctuated by *several sharp breaks* that cannot be fully explained in structural terms, but nonetheless have had structural consequences. The unleashing of corruption in the Acheampong-Akuffo period and, a contrasting example, the move to economic liberalisation by the Rawlings’ regime of the 1980s were not preordained or inevitable events. But they have changed Ghana’s society and politics in enduring ways.
- Ghanaian neopatrimonialism has been employed quite differently by politicians working in Ghana’s diverse political traditions (Danquah-Busia-Kufuor, Nkrumah, Rawlings). Each has developed a distinct approach to politics and government, including *different styles of patronage politics* within the broad framework of neopatrimonialism.
- Patronage politics also seems to take different forms under *different sorts of political competition*. Under single-party regimes and dictatorships, there are few constraints on vertical cooptation, and patronage can easily follow divisive ethnic or communal lines. Formal party competition can easily intensify pressures to dispense patronage (supporters have to be rewarded and election expenses have to be recouped). On the other hand, the type of ‘pork barrel’ patronage associated with immature democracies may be more inclusive and less inimical to issue-based policy making than the earlier sorts.

### *Progress in the last 20 years*

How much has Ghana changed since the start of economic liberalisation in the mid-1980s and political liberalisation in the early 1990s? Over this period Ghana has surely pulled back from the brink of disaster and made significant progress, renewing in some

respects the high hopes expressed at Independence about the country's place in the vanguard of African development. But it is less clear whether *enough* has changed. That is, it is uncertain whether Ghana is on track to become a really successful developing country, or merely one that has achieved a worthwhile economic recovery and a measure of political stability.

Assessments of Ghana's economic-growth performance depend a great deal on the time perspective adopted. A particularly sobering way of viewing the growth record is to look at the whole post-Independence period. Recent research suggests that by 2000 real per capita GDP had only just recovered to the level achieved in 1960. That is, the average Ghanaian was no better off in 2000 than four decades earlier. Initial growth after Independence gave way in 1975-84 to drastic declines in living standards, so that subsequent growth has been able to do no more than make good the earlier deterioration.

Since the mid-1980s, however, Ghana's economy has shown quite steady and substantial growth. If we take the whole period 1983-2001, the average annual growth rate works out at a little under 5%. This is appreciably better than the average for Africa as a whole, which recorded expansion at a little under 3%. But of course, the African average is well below the growth rates for the most dynamic developing regions – East and Southeast Asia – growing at between 5½% and 7½%.

Behind Ghana's moderate growth statistics is a lack of structural economic change, especially in agriculture. Much of the economy would still have to be described as pre-modern and in much of it technological progress is slow at best. Many of the new businesses created since economic liberalisation have remained small. Growth has come from a multiplication of the number of small enterprises rather than from the upgrading of enterprises from small to medium to large.

Growth in export volumes has been quite encouraging, reflecting large increases in the volume of some exports, notably gold in the 1980s, processed timber and (to a lesser degree) cocoa. However, a high proportion of the enterprises created since the early 1980s have been oriented to the domestic market, with little breakthrough onto export markets. At the same

time, there have been only rather small inflows of foreign direct investment since the boom in gold-mining investment of the 1980s.

A worrying overall feature of the pace and pattern of growth is its inability to generate productive formal-sector jobs at a pace commensurate with the growth of the labour force. Poverty and social indicators have shown substantial, although regionally uneven, improvement over the period. However, it may be open to question whether these improvements will continue and be deepened if there are only moderate increases in per capita incomes and little formal employment growth.

Turning to politics, the democratic gains of the last decade or so are very significant, both in formal institutional terms and in terms of the substantive improvements in democratic practice. In spite of the somewhat cynical calculation and stage-management with which it began under the Rawlings regime, democracy has been slowly consolidated during the past decade or so. The process of constitutional and legal renewal has proved far more liberal than one would have predicted. There are also some significant formal and substantive deficits, including flaws in constitutional design leading to an excessive presidentialism, weak checks and balances, and a lack of effective devolution of authority to democratic local government.

### ***Explaining the pattern of progress***

The issue to be addressed is why this moderately successful record of improvement in economic, social and political outcomes has not led on in the way that might have been hoped to the scale of achievements that has been managed in other developing countries. We argue that much of the explanation seems to lie in limits to change at the levels of *policy* and *policy processes*.

A key thing to be explained is the limited scope of economic change. As implied above, much of the growth of recent times has come from the private sector, particularly in the export and services sectors. On the other hand, there remain large questions about the longer-term dynamism of the Ghanaian private sector. The roots of these concerns lie in the enabling environment for private investment (that is, both

foreign direct investment and upgrading of Ghanaian firms). Only to a limited degree does the present situation seem to offer an 'enabling environment' to private business people.

There seems no doubt that, at a certain level, the present NPP government would like to improve the operating environment for the private sector. But thus far there has been a marked gap, which cries out for explanation, between its electoral pledge in 2000 to begin inaugurating a golden age for business and its actual achievements.

In part, these limitations of private sector development reflect a lack of clarity in Ghanaian public opinion about the desirable balance between the private and public sectors of the economy. Although in many respects, the political discourse today is quite different from that of the Nkrumah period, Nkrumah's faith in a development process led by the state still finds reflection in political support for a large public sector.

Three key problem-areas at the policy level are macroeconomic management, reforming the public service and the continuing tendency for private business to be politicised and patronage-oriented. Progress has been uneven across and within each of these areas.

On macro management, progress has been significant. While democratisation initially showed a tendency to support the reversal of economic policy reforms initiated under Rawlings' dictatorship, more recently a 'democracy dividend' has shown up in an increasing ability of governments to resist pressures against measures of economic rationalisation. It seems that as it becomes more institutionalised, democracy is providing room for more consistent pro-growth economic reforms.

This agenda is by no means complete. Although inflation is under control and pre-election public spending bonanzas have been restrained, private investors continue to complain of shortages of credit, reflecting the domination of bank resources by the needs of the public sector.

Businesses also cite uncertain power supplies and high transportation costs, reflecting poor infrastructure, as constraints on investment. They complain of high and frequently-varying taxation, continuing excessive regulation and bureaucratic delays, problems of contract

enforcement, corruption at many levels and problems in accessing land with firm titles of ownership. Many of these issues have to do with chronic failures on the part of the public service.

Everyone seems to agree that the public service, particularly the civil service, has reached a very low ebb. Incentive structures within the civil service actively discourage initiative and pro-activity. For individuals, the way to move up the system is to avoid mistakes, maintain a low profile and let seniority work its magic. This results in a self-selection process in which those with initiative and drive either do not attempt to enter the public service or are driven out in frustration. There do remain some good, dedicated people within the system. The best of them tend, however, to be frustrated by the absence of personnel management and by non-recognition of hard work and merit.

The general record of donor-supported reform programmes in addressing this issue is poor. There are different views about the proximate causes but there is broad agreement on the importance of 'systemic factors' including a lack of high-level political commitment to reform. There is a well-established pattern in which governments go along with donor-supported reform programmes, doing enough to support claims that the reforms are 'nationally owned' while carefully controlling implementation and avoiding the politically tough decisions that genuine reform would necessitate.

This pattern is not accidental. The political arithmetic is stacked heavily against doing seriously what needs to be done in the civil service.

- In combination with a patronage-oriented political culture, the four-year electoral cycle results in short time horizons and places a premium on visible, quick-fix actions (new roads, clinics, etc.), as against longer-term, slower-acting structural reforms. This is all the more the case if the reforms bring visible short-term social and political costs.
- In the case of civil-service reform, such costs are likely to be large. Politicians seem to take for granted that an affordable civil-service reform would have to include large-scale retrenchments. These would be unpopular and fiercely resisted. Despite the appalling pay and conditions, those left within the civil service have found ways of profiting from existing arrangements and know that they

would have great difficulties in making their way within the private sector.

Ministers know they would have a big fight on their hands, while gaining little political credit, in tackling the issue.

Complaints continue, also, about the third area, the politicisation of private business. This phrase refers to the fact that some Ghanaian businesses have become associated with either the NDC or NPP and that, when in office, each party favours its allies and discriminates against those of its opponents. In other words, the pattern of government-business relations remains very much in the patron-client mould. Both organised business associations, such as the Association of Ghana Industries, and individual entrepreneurs generally prefer to cultivate politicians with a view to protection or other special treatment, not to exercise pressure for better general conditions for investment.

We are told that even the more cutting-edge representatives of the new generation of business people show no interest in reactivating any of the formal pressure groups, preferring to forge informal connections with ministers. If true, this is a telling indictment of the new political economy of Ghana, and a confirmation that aspects of the deep structure are alive and well under the NPP.

To sum up this rapid overview of the changes in Ghana over the last 20 years or so, this has been a period of substantial progress, but more so when measured against the extremely bad performance of the preceding period, or against the unimpressive African average. The high hopes that Ghanaians shared at Independence with comparable countries in Asia, such as Malaysia or Thailand, are still a long way from being realised.

The reasons are not hard to see in the continuing weaknesses that are visible at the policy level even two decades after the start of economic reform. Moreover, many of these weaknesses have systemic sources – that is, they reflect the continuing significance of some of the deep structures and historical legacies identified earlier. There are some indications that the old systemic factors are being eroded by new systemic factors, mainly arising from competitive political dynamics permitted by the institutionalisation of democracy. However, these trends will be slow to produce

substantial changes, and in some important respects the effects are still uncertain.

### *Possible scenarios*

To help in identifying potential drivers of change in the medium-term future, we briefly consider three basic scenarios:

- **Continuation of the moderate progress** of the last two decades. This might be considered the most likely outcome, because it can be accommodated within existing institutions and capabilities. The leadership is required to be competent but not particularly dynamic. Patronage considerations continue to weigh heavily in policy decisions, and efficiency less so. This would not require the transformation of Ghana into a ‘developmental state’, but there would be no breakthrough into Asian-style economic and social progress either.
- **A regression to negative growth and political decay**, as in the Acheampong-Akuffo period. This scenario reflects the remote but not negligible possibility of a repetition in Ghana of the recent experience of Côte d’Ivoire. Democracy would be unlikely to survive in this scenario. The causality might indeed come the other way round, with a breakdown of democracy leading to economic decline, as in the Acheampong period. An authoritarian but weak state would emerge, essentially parasitic on the economy and incapable of delivering developmental benefits to the people.
- **‘Breaking the mould’** and achieving the 4.5 per cent per capita growth that would be possible if virtuous circles of political and economic change were established. This outcome is premised on the emergence of a strong political leadership, with a clear long-term vision of what it wishes to achieve for the country and how to get there. It implies that the influence of patronage-based decisions is reduced and that more policies are based on knowledge and efficiency considerations. A developmental state is achieved.

We have sketched these three possible scenarios as a way of pinning down the discussion of drivers of change in the next section. The most interesting question arising is how Ghana might eventually ‘break the mould’ and what conditions would be necessary for this to happen.

### *Economic drivers of change*

In economic terms, the prospects for ‘breaking the mould’ hinge upon a sustained increase in private investment and a greater openness, resulting in penetration of new export markets. Likely drivers include increased international trade and competition, allowing producers to escape from the very narrow confines of the domestic market; greater competition and efficiency among financial institutions; new foreign direct investment; and more small-to-large growth, with stronger employment-generation, by Ghanaian firms.

Faster development of Ghana’s economy is almost certain to depend upon, and be led by, an accelerated expansion of exports. Given the country’s current resource endowments and production structure, new agricultural exports would need to play a major role, along with services and light manufactures. A *well-functioning financial sector* has long been recognised as contributing in major ways to the broader development of an economy. *Foreign direct investment* is seen to possess particular attributes (although it has disadvantages of its own too). We also see *Ghanaian entrepreneurship* as a major potential source of accelerated growth. A multitude of new Ghanaian enterprises has already sprung into existence since the 1980s. However, as we have seen Ghana’s recent growth has been extensive, not intensive. This needs to change.

Key themes in our discussion of obstacles and ways of removing them are overcoming the ambivalence of public opinion with respect to competition and trade, and decisive action to improve the reward/risk calculus for private investors. Both would entail a considerable amplification of the moves towards better economic policy-making identified earlier. That is to be expected only if new political drivers of change enter the picture.

### *Potential drivers at the political level*

We identify just four possible political drivers of change:

- intensified competition between political parties;
- the free flow of information, accompanied by an increasingly critical mass media and informed public opinion;
- an increased role in national political, as well as

economic, life of the diaspora of Ghanaian emigrants;

- vigorous growth of a civil society that combines strong social roots and a healthy mix of forms of interest representation.

It is worth emphasising that while we are placing quite a strong stress on aspects of democratisation, or the deepening of democracy, as potential drivers of developmental change, this is not based on any *general* presumptions about the linkage between democracy and development. We accept that the evidence for a systematic linkage leading from democratisation to improved economic performance is weak or non-existent, and that many of the most successful non-African developmental states have been non-democratic. Our argument is based on the belief that, in Ghana, state policy autonomy and effectiveness are unlikely to increase without the spur of democratic political competition, and that in certain limited respects competition for votes has already resulted in improvements to the policy process.

Political change in Ghana, as in many other recently democratised countries, hinges on the evolution of the system of political parties and of the individual parties that contribute to it. In view of recent experience, we think that changes centring on the party *system* are the key to inner-party reform processes, and that the latter are unlikely to take place autonomously.

**The competition for votes between the major political parties** may become more intense and equally balanced, or less so. To the extent that the former happens, it is likely that political debate will little-by-little, focus more on issues and less on pre-election sweeteners and promises of post-election patronage. ‘Pork-barrel’ politicking will no doubt continue but may increasingly take the form of providing widely-shared collective goods, not particularistic pay-offs and special privileges to politicians’ home areas.

A great potential strength of the institutionalisation of equally-balanced party competition is that it would increase the incentive of the parties to mobilise support groups. These might include some of the subaltern social categories that were politically important in earlier periods of Ghanaian history, as well as regions of the country that have suffered neglect.

This would not necessarily be a neat and tidy process, and could easily be disruptive and violent, with unemployed youth or frustrated slum dwellers being encouraged to take to the streets. Instability could result if access to state power became, once again, the all-or-nothing game that it was in the 1960s and 1970s. But, assuming a relatively balanced party competition with alternation in power as a real possibility, the result would be a more inclusive and democratic polity. A similar argument applies to less privileged regions of the country. The prospects of greater regional inclusiveness are real, because none of Ghana's established parties can expect to win national power without making inroads into several regions other than its original heartland.

Turning to our second driver, the strength of the effects from intensified party competition will depend greatly on being accompanied by **a continued increase in the availability and quality of information about public affairs**. Party competition only tends to strengthen issue-based politics where ideas are accurately transmitted and effectively commented upon. The quality of information is as important as the quantity. This hinges upon the development of mass media that are not only free, but critical and technically capable. It also depends on the growth of a public that is sufficiently literate and suitably organised to make effective use of information.

The gradual urbanisation of the population and the spread of education, combined with the explosive growth of communications technology of all kinds, make these changes not only possible but to some degree inevitable. Information, backed by urbanisation and education, therefore presents itself as a highly plausible driver of change.

It is easy to justify the inclusion of **the Ghanaian diaspora** in the list of potential drivers. Emigrants' remittances are already a significant factor in the national income accounts. The emigrant population is large and is present in a range of professional and occupational layers in several countries of Europe and North America. Modern communications make it possible to draw this prosperous and resourceful group into Ghana's national affairs. Those emigrants who can be persuaded to return may bring with them skills and attitudes that are in short supply in the country.

**Civil-society organisations** (CSOs) are identified as a fourth possible driver of change. This is on the understanding that this phrase does not only refer to the formal-sector and often aid-funded organisations we call NGOs. What makes civil society a plausible driver of change in contemporary Ghana is that it is both diverse, characterised by a mixture of types of interest representation, and increasingly coherent. Thus, we have not only formally-constituted national membership organisations but also organisations of the 'home town' and community self-help type, often consisting of a mass of adherents grouped around a powerful patron. There are organisations promoting sectional interests, service-user groups and others defending universal principles such as human or constitutional rights, including both advocacy organisations and think tanks.

Without pretending that any of these structures have sound internal mechanisms of accountability, many of them are legitimately representative to some degree. Some are increasingly involved, in collaboration or at least dialogue with Municipal and Local Assemblies, in self-help and infrastructure provision. At present, as we explain below, their role is not principally that of representing their members' interests to the authorities. But this is a contested issue around which there is some interaction between the more traditional and particularistic and the more formal and universalistic associations.

### *Releasing the potential*

There are more or less serious obstacles to the realisation of the potential of each of the four identified drivers. In several instances, what would be necessary to release the potential would be significant progress by one of the other drivers. The most efficacious recipe for the type of transformation that is required in order to 'break the mould' of Ghana's development is one that harnesses all or most of the drivers simultaneously. The economic drivers will not work without political change, and political change will only take place if it is driven simultaneously by several powerful forces.

To illustrate, **intensified party competition** is notoriously difficult to maintain so long as the state and public resources are treated in the patrimonial manner – that is, as the victor's spoils. The tendency

for parties that lose office to fragment because of the difficulty of sustaining themselves without access to state resources is almost universal in sub-Saharan Africa. In Ghana, there has been some progress in limiting the benefits of incumbency. However, certain provisions of the 1992 Constitution are unhelpful in vesting a very wide range of important prerogatives in the presidency. Constitutional changes to moderate these powers could make a significant difference, but it is hard to see exactly how these could occur, except by reopening the whole question of the Constitution, which would be undesirable. A serious effort by all or some of the parties to put their funding on a solid basis, by setting up a proper membership base, would be another route. Diaspora funding and ideas could help in all these respects.

Delivering tangible benefits to the mass of voters in the long term depends on faster economic growth, but faster economic growth will call for a severe shake-up not only of the public service, but of other parts of the formal sector of the economy (e.g. financial services). Such a shake-up would be almost inevitably perceived as a tangible disbenefit to the social groups currently receiving formal-sector salaries or profits, who are few in number but disproportionately influential. It is possible that this will remain an unmovable logjam in Ghana for years to come. However, in the more dynamic setting of inter-party competition, including alternation in power, a solution might emerge in ways that cannot be predicted at this point.

**Diaspora returnees** have had less effect than might be expected because as agents they are constrained by the incentive structure of the organisations in which they pursue their business or profession. Like other innovators, returnees tend to be treated as upstarts who ‘need to be pulled down a peg’ – the so-called PHD (pull him/her down) syndrome. It seems that there can be a fairly heavy personal cost to following the norms that apply in developed economies within the institutional setting of Ghana. At the same time, the business skills, funds and connections that some returnees enjoy can just as easily be applied to making a fast buck by mobilising influence or bending the rules in ways that are socially approved or condoned in Ghana.

**The new CSO movement** suffers from several weaknesses as a driver, if not complemented by significant changes at the level of politics proper. The associations that operate most effectively as pressure groups are in upper- and middle-class neighbourhoods. In the poorer districts, many associations of the poor are in effect linked in with the political machines of elected Assembly Members or party organisations. ‘Participation’ in public service activities provides various benefits, in kind or in cash, to very poor people, activities which in turn provide business opportunities for service companies run or owned by local politicians (e.g. managing public toilets or minor public works).

In effect, these are politically-protected businesses and the benefits they indirectly provide to the poor are ways of cementing a political support base. Neighbours’ associations do not therefore have an autonomous ability to demand better services and are quite unlikely to ‘punish’ their local representatives by voting them out of office. The actual performance of the services is less important to local residents than the privately distributed pay-offs which they generate.

A more significant movement of local associations would call for their joining up in some sort of federal arrangement. Experience from India suggests this is most likely to happen as part of a process in which political parties build an organised support base. However, there might be a cost to this in terms of the local identities and solidarities that are the principal strength of the associations. A better solution would be a federal structure for local associations that allowed the aggregation of their representational functions, while maintaining their independence from party patronage. This would allow a genuine bargaining process to govern the exchange of favours between the CSOs and the parties. In Ghana, as in some parts of Latin America, national churches or youth organisations associated with churches might have a role to play in this process.

### ***Maintaining social peace***

A final caveat is necessary. None of the political drivers identified above may be expected to operate if Ghana does not continue to be peaceful. In this sense, releasing the potential involves in a very important way maintaining the progress that has been made in managing the forces that have generated conflict in the

past. One of these is obviously military intervention. While the international climate is no longer as tolerant of military regimes as it was in the past, continued close attention from civilian politicians to the democratisation of the military and security forces is certainly justified as a precaution against the regression scenario.

The other area of equivalent concern is chieftaincy disputes and local ethnic conflict, which we have seen to be linked in significant ways to national political competition. Especially if, as we suggest, party competition needs to intensify in order to drive forward positive political changes, it is vital that strong precautions are taken against its adding fuel to the fire of local conflicts.

### ***In conclusion***

Drivers of faster and more equitable economic growth *can* be identified in Ghana, but they will not work without more consistent and effective policies, which are unlikely without sustained political change. The key to economic change therefore is political transformation.

Drivers of political change can also be identified. These changes can all be seen as a matter of deepening the democratisation process that has been going on since 1992. This conclusion seems valid for Ghana in spite of the lack of support from comparative research for the hypothesis of a general link between democracy and development. There is evidence from recent Ghanaian experience of political incentives shifting in the way we visualise.

However, this will not be an easy or automatic process. No individual political driver seems likely to be sufficiently effective on its own. Substantial and simultaneous changes will be necessary on all fronts – the party system, quality of information flows, greater diaspora engagement and empowerment in civil society – in order for the national political economy to shift sufficiently for Ghana to move into the high-performance development scenario. □ □

## **About the publication:**

**These Policy Briefs have resulted from collaborative research and analysis conducted by a multi-disciplinary team from the Ghana Center for Democratic Development (CDD-Ghana) and the London-based Overseas Development Institute (ODI) in 2003 and 2004. Historically-informed and less technocratic, they take a fresh look at where Ghana is coming from, where it actually is, and where it may be headed.**

**The Briefs come in two versions: a general analysis and four case studies on particular topics. Together they provide an overview of how social, political and economic forces have interacted in the country, and with what effects.**

**A CDD-Ghana Publication  
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