



**Competitive Clientelism, Easy Financing
and Weak Capitalists: The Contemporary
Political Settlement in Ghana**

Lindsay Whitfield

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CONTENTS

Abstract	6
1. Introduction	7
1.1. The Argument	10
2. The PNDC Ruling Coalition (1982-1992)	14
2.1. Organization and characteristics of the ruling coalition	15
2.2. Financing the state and the PNDC ruling coalition	16
2.3. Capabilities and political influence of productive entrepreneurs	18
2.4. The return to multiparty democracy	20
3. The First NDC Ruling Coalition (1993-2000)	20
3.1. Organization and characteristics of the NDC ruling coalition	21
3.1.1. Higher-level factions of the ruling coalition	21
3.1.2. Lower-level factions of the NDC ruling coalition	22
3.1.3. The imperative of winning elections	23
3.1.4. Financing the state and the NDC ruling coalition	23
3.2. Capabilities and political influence of productive entrepreneurs	27
4. The NPP Ruling Coalition (2001-2008)	31
4.1. Organization and characteristics of the NPP ruling coalition	32
4.1.1. Higher-level factions within the ruling coalition	32
4.1.2. Lower-level factions within the ruling coalition	33
4.1.3. The imperative to win elections	34
4.1.4. Financing the state and the NPP ruling coalition	35
4.2. Capabilities and political influence of productive entrepreneurs	36
5. Conclusions	38
References	40

ABSTRACT

Ghana has exhibited rather strong economic growth since the 1980s, but little transformation of the productive structure of its economy. The paper argues that ruling elites' policy choices are shaped by their political survival strategies. In turn, these strategies are shaped by (1) the characteristics of the ruling coalitions, which include a high degree of vulnerability in power, strong lower-level factions of the ruling coalition, and a substantial amount of fragmentation among the higher factions of the ruling coalition; (2) the weak capabilities and political influence of the nascent productive capitalists; and (3) easy access to financing for the state and the ruling coalition from foreign aid, mining and cocoa bean exports. As a result, ruling elites' policy actions did not prioritize the development of new productive sectors (or upgrading of old ones), but were geared towards delivering benefits to the higher and lower levels of the ruling coalition, as well as delivering a small amount of visible goods and services to as much of the population as possible in an effort to 'swing' voters their way at election time. Neither of these political survival strategies resulted in significant productive sector investments.

I. INTRODUCTION

Ghana has exhibited relatively strong growth since the 1980s, with an average annual growth rate of 5 percent and notably higher growth rates in the 2000s. The proportion of the population living below the poverty line fell from 51.7 percent in 1991-92 to 28.5 percent in 2005-06 (the year of the most recent survey). The government completed a rebasing exercise in 2010, changing the way it calculated GDP. The revised growth figures were 8.4 percent in 2008 and 6.6 percent in 2009, giving Ghana an estimated GDP per capita of USD 1,289 and qualifying it as a low-middle income country (Kolavalli et al. 2011).

However, Ghana has not experienced the kind of structural transformation of its economy that would be expected for a country with a low-middle income status (Aryeetey & Kanbur 2008; Kolavalli et al. 2011).¹ Its economy continues to be heavily reliant on primary commodities with insufficient linkages to other sectors, its agricultural sector is characterized by low productivity, and there is a low application of science, technology and innovation throughout production and distribution channels. Given the economic stagnation in the 1960s and 1970s in Ghana that led to economic contraction in the late 1970s and early 1980s, the modest growth since then has helped the country to recover ground that it previously lost, but not to move forward very much. Furthermore, the recovery has been

driven primarily by the country's traditional export commodities, gold and cocoa.

Ghanaian governments have proclaimed the need for economic transformation since the late 1990s and increasingly in the late 2000s, as indicated in their medium-term development plans.² Yet, these words have not been backed up by many actions and have so far shown few results. What explains why Ghanaian politicians, across different governments, talk about economic transformation, but seemingly do little to achieve it? This paper is the first in a series of four papers that answer that question.

Several explanations have been put forward as to why there was little transformation of the economy in Ghana after the recovery of economic growth in the 1980s. One explanation is that the impediments to transformation require actions with high political costs, such as reforms in land tenure institutions and the civil service, and that the political elite of both the National Democratic Congress and the New Patriotic Party were unwilling to take such politically difficult decisions (Booth et al. 2004; Kilklick 2008). Another explanation, related to the first, is that the political elite of both parties lacked a coherent development vision, with the outcome that public spending was politically expedient: based on what is perceived to win elections rather than a longer-term development strategy (Aryeetey & McKay 2007). A third explanation argues that the first two are incomplete without taking into consideration aid dependency and the ideas and incentives that it generates (Whitfield & Jones 2009). Foreign aid and the aid system play a role in shaping the incentives of political leaders and civil servants as well as the parameters within

1 In almost all the countries outside Africa that have achieved middle income status, the export structure has changed considerably during the transformation period (Kolavalli et al. 2011:7). On the importance of economic transformation for increasing incomes and achieving long-term, sustainable poverty reduction, see Whitfield (2011a). For more detail on Ghana's growth without transformation, see the second paper in the Ghana series (Whitfield 2011b).

2 On the medium-term development plans of the first NDC and NPP governments, see Whitfield (2010).

which policies and initiatives must be produced and pursued.

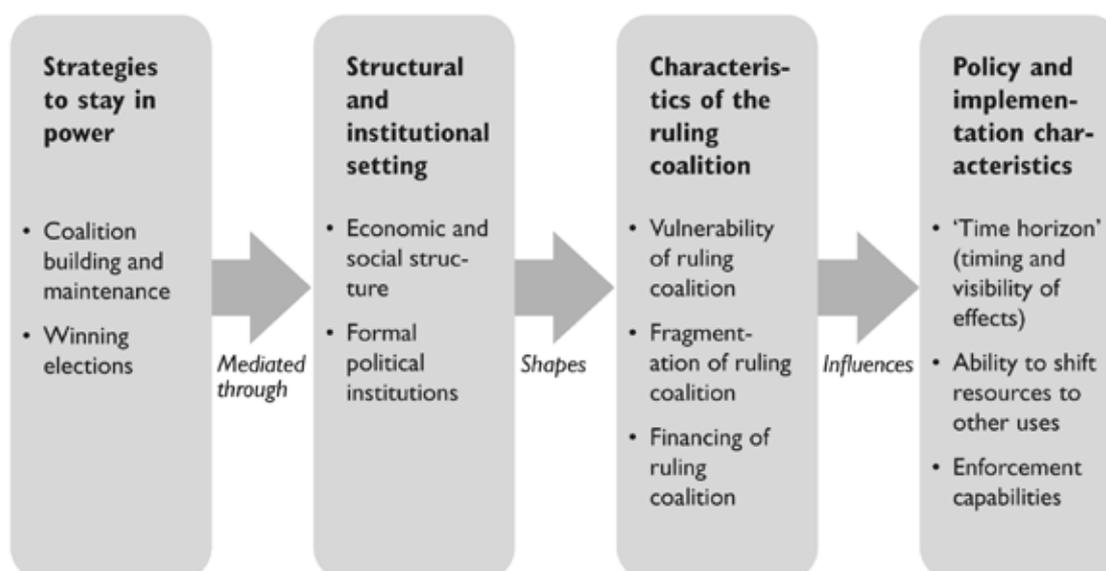
All three of these explanations are correct, but they leave many questions unanswered: why were the political elite unwilling to take difficult decisions; why did the political elite lack a longer-term vision; and how did foreign aid shape the policy actions of the political elite? Perhaps it is because the conceptual frameworks on which the three explanations are based (neo-patrimonialism, leadership vision, and aid dependency – respectively) are limited in their ability to address these questions. Therefore, the papers in this series aim to address these questions by using a different conceptual framework, one which focuses on the factors that shape the political survival strategies of ruling elites and how these survival strategies affect ruling elites' policy choices and implementation. The framework is presented in Whitfield and Therkildsen (2011), and only a summary of the main points are presented here.

In the framework, we argue that ruling elites across developing countries want three things: political stability, secure incumbency, and rapid economic development for their countries. However, the need to stay in power trumps all else and affects both political stability and economic development. Political leaders may genuinely support some shared national goals, such as economic transformation, but find that the exigencies of political survival force them to behave in ways that undermine those goals. Gaining and remaining in power requires political organization, which in turn requires funding. Political elites (or aspiring ones) need to build coalitions to gain power, or use armed force, but once in power even most military dictators need to broaden their political support through the use of coalitions (and not just brute force). Ruling elites seek to build coalitions by extending policy favours that enhance the welfare of particular groups

and individuals and by trading policy influence and access to state benefits for political funds used to maintain their ruling coalition. In short, the specific strategies that ruling elites choose for constructing ruling coalitions, including mobilizing organizational support and building patron-client networks, depend on the institutional setting in which they operate and the organizational and financial resources they have at their disposal.

As argued by Whitfield and Therkildsen (2011), ruling elites choose policies and implementation arrangements as part of their strategies for maintaining ruling coalitions and/or winning elections. Such strategies affect certain features, which sectors they support, and how capable they are of implementing them, but they do so through a set of intervening processes, which are graphically depicted in Figure 1. The structural and formal democratic institutional settings, in which ruling elites operate, influence how ruling coalitions are put together. In particular, they shape three key characteristics of a ruling coalition: its degree of vulnerability, its degree of fragmentation, and the way in which it is financed. Given these characteristics, the need of ruling elites to maintain their ruling coalition and to win elections have three important effects on the features of policy choices and their implementation: the time horizon of ruling elites, their ability to shift the allocation of state resources, and their capacity to implement or enforce their policies.

Two key factors drive ruling elites to pursue initiatives aimed at economic transformation and shape the success or failure in implementing them. The most important factor is that ruling elites (or a group of ruling elites) have close relations with the relevant productive entrepreneurs. Close relations, in turn, only emerge when both ruling elites and capitalists have mutual interests in collaborating. But mutual interests are not enough. Ruling elites also

Figure 1. Intervening Processes Shaping the Policy Choices of Ruling Elites

Source: Whitfield and Therkildsen (2011).

have to ensure the necessary bureaucratic capabilities to implement specific policies. Their ability to do so depends on having enough control over the factional and individual demands within their ruling coalition and over competent and loyal state bureaucrats.

This paper focuses on the characteristics of the ruling coalitions in contemporary Ghana as well as the organization and characteristics of domestic productive entrepreneurs (i.e. the domestic capitalist class). Together, these are the most important features of a country's political settlement for understanding what drives states to support the development of productive sectors. The term political settlement refers to the distribution of power in a society and how it is embedded in institutional arrangements that sustain it (Khan 2010). For Ghana, the contemporary period arguably starts in 1982. It is demarcated by the *coup d'état* on 31 December 1981 that led to a change in Ghana's political settlement and the rise of the Provisional National Defence Council (PNDC) government.

Even though there was another change in the political settlement with the return to multi-party elections in late 1992, subsequent events are heavily shaped by the PNDC period and by the economic reforms that started in 1984.

In effect, this paper discusses the first three blocks of Figure 1, showing how the structural and institutional settings shape the characteristics of the ruling coalitions and how the political imperatives of coalition building and maintenance and of winning elections are mediated through the structural and institutional settings and the characteristics of ruling coalitions to affect policy choices and implementation. It provides the background analysis for the subsequent papers that go into more detail on the fourth block in Figure 1 concerning policy and implementation. The second working paper will describe and explain the overall picture of economic policy choices, implementation, and economic performance in contemporary Ghana (Whitfield 2011b), while the third and fourth papers will include sector-

specific analyses of the horticulture export and palm oil industries (Whitfield 2011c, d).

Ghana is an exemplary case to discuss the relationship between democracy and development. It is one of the most democratic countries in Sub-Saharan Africa. It has a viable opposition as well as relatively free and fair competitive elections. It has passed the 'two turn-over test', where the party in government has changed twice since the return to multiparty democracy in 1993. Its democratic credentials are hard to refute, but its economic achievements are not many. Thus, it provides a good case to support several of Mushtaq Khan's arguments about economic development and democracy (Khan 2005). First, democratization does not undermine clientelist politics. As he observed, this is because the organization of clientelist political coalitions is driven not by the absence of democracy but by the structural features of the economies in developing countries. Second, democratization has little to do with accelerating economic transformation. The pace of economic transformation depends on how the competition between factions affects the emergence of a capitalist sector, the acquisition of technologies by that sector and its ability to begin to compete in global markets (Khan 2005). These patterns of factional politics do not correlate in any simple way with the democracy-authoritarianism divide.

1.1. The Argument

On the eve of the 1981 coup, Ghana was in the midst of a severe economic crisis that had resulted in economic contraction as well as a crisis of legitimacy for the ruling elite and, to a large extent, for the state. The economic crisis reached proportions where basic economic activities were not reproducible. The seeming inability of the ruling elite to do anything about it and at the same time find ways to benefit from the situation of scarcity, resulted in a crisis of

political legitimacy. J.J. Rawlings, a flight lieutenant, mobilized junior ranks in the military to overthrow the elected Limann government, and called for a 'people's revolution'. The economic crisis had continued for so long because the decline affected less powerful groups more than the powerful groups, but finally the lower levels of the military revolted, which resulted in a temporary revolution of the lower classes. Rawlings rode this wave of popular mobilization and encouraged it, in order to destabilize the existing political factions and prevent them from reorganizing. The twin economic and political crises compelled a change in the structure of the ruling coalition, and led to the emergence of a new ruling elite, led by Rawlings, under the Provisional National Defence Council (PNDC).

This situation was exacerbated by external pressure for multiparty elections from official aid agencies, whose foreign aid had become an increasingly important source of financing for the state and for propping up the economy (and thus ensuring the minimum level of economic viability). Rawlings eventually agreed to a return to multiparty elections and liberal democratic rule, marking the return to the party-based organization of political factions. The new PNDC political elite created a political party, the National Democratic Congress (NDC), and successfully won the first two elections in 1992 and 1996, with Rawlings as President. However, the NDC lost the national elections in 2000, which saw the dominant excluded faction, organized around the New Patriotic Party (NPP), take power. The NPP also won the 2004 elections, giving it two terms in government under the presidency of J.A. Kufuor.

The return to multiparty democracy with the inauguration of the Fourth Republic in January 1993 marked a return to 'competitive clientelism', which characterized the earlier republics in Ghana. Competitive clientelism, as

an ideal type, is characterized by many high-level factions forming and reforming coalitions (Khan 2010). A particular coalition emerges through a competitive process both of coalition formation and electoral selection. The higher levels of ruling coalitions are continuously engaged in negotiations with lower factions to keep them in the bigger coalition, given that the opposition is always trying to lure away significant factions. This structural feature increases the bargaining power of lower-level factions and further limits the ability of the ruling elite to enforce discipline within the coalition, even compared to weak authoritarianism. The power of lower-level factions has a tendency to increase through repeated rounds of coalition formation over a number of electoral cycles.

Competitive clientelism in Ghana generally follows this model, except that the permutations in coalition formation are limited. The process of decolonization in Ghana produced two antagonistic political traditions around which political coalitions have formed. This situation led to a *de facto* two party system as political elites gravitated around one of the political traditions: Danquah-Busia or Nkrumahist. Ghana's bipolar coalition formation is the result of path dependence in elite formation and the mythologies surrounding these two political traditions (see Whitfield 2009). While not originally based on either of the political traditions, the PNDC actively usurped the mantle of one of the established traditions, the Nkrumahist tradition, displacing older factions aligned to that tradition and weakening them to the extent of insignificance. The Danquah-Busia political tradition, organized in the Fourth Republic as the NPP, remained strong despite being in control of the state only once in Ghana's history prior to 2001 (under the Busia government, 1969-72) – a rather rare phenomenon in Africa. This was possible because the excluded faction had a unifying ideology and shared history about itself, it was

linked to elite families in Ghanaian history since colonization, and it included enough businessmen to keep it financed even without access to state resources.

Thus, coalitions do not form and reform as much as in other competitive clientelism systems, such as Bangladesh (Khan 2010). High-level factions which choose to remain outside or which break away from the two existing party coalitions cannot attract many voters at election time.³ This is partly because access to state resources is important to holding a coalition together.

The two dominant political parties in Ghana are characterized by fragmentation and weak internal discipline among their higher-level factions. Both political parties have strong factional splits and a concomitant decentralization of power among ruling elites, which affect each political party's ability to formulate and pursue common goals when in power. The splits are organized around key leaders in each party, but although they embody personality conflicts, they also reflect historical factional cleavages.

In Ghana's competitive clientelism, the power of the lower-level factions does not come from social groups whose leaders can extract holdup payoffs for joining the winning coalition, as in some Asian countries (Khan 2010). Rather, the lower-level factions that are strong are the party delegates who choose parliamentary and presidential candidates, and the constituency-level party members who are critical to delivering votes during elections. Aspiring parliamentary and presidential candidates spend a lot of resources, including some party resources but also significant individual resources, in campaigning during primaries and

³ On the weakness of the smaller parties in Ghanaian elections, see Whitfield (2009).

in 'vote buying' of delegates. This money must be recouped, at the individual and party levels, if and when the party comes to power or the candidate is elected. 'Foot soldiers' who mobilize votes at election time must be rewarded for their efforts. The four year term in office means that there is not much time to recoup political investments and reward loyal party members, and coalitions are vulnerable to losing the next election. These structural features limit both parties' ability to enforce discipline within their coalitions, which in turn has implications for both parties' ability to enforce implementation of policies without rents being captured along the way which may undermine implementation.

In Ghana under the Fourth Republic, the NDC and NPP became increasingly competitive after several electoral cycles. This situation led to a strengthening of the lower-level factions, but also to the increasing importance of 'floating voters', who are not party loyalists and may change their vote with each election. Vulnerability of the ruling elite to remain in power resulted from strong excluded factions, four year electoral cycles, and the need to woo floating voters, and in turn led to short-time horizons of ruling elites. It also led to an inability to prioritize, as a winning strategy is to distribute resources as wide as possible. There are clear disincentives for ruling elites to pursue policies that have initially negative effects on any significant proportion of the population. The growth-political stability trade-off here is not about sections of the population protesting against an institutional change or threatening to protest. Rather the policy is preemptively rejected by ruling elites out of fear of losing votes, or certain initiatives or types of industrial policy are pursued that are seen to generate more votes. These impacts on economic policymaking and implementation are highlighted in this paper, but described in detail in forthcoming working papers.

Economic policymaking and implementation depend not only on the structure of the ruling coalition, but also on the capabilities of the productive business class and how it is networked into political coalitions. Even within competitive clientelist political settlements, economic outcomes vary across developing countries. The main difference between Ghana and Asian countries, such as Thailand or Bangladesh, is the size and capabilities of domestic capitalists. In Ghana, the resources of domestic capitalists cannot sufficiently finance ruling coalitions.

The formal domestic capitalist sector in Ghana is small and has low technological capabilities, as a result of its particular historical trajectory. The development of the commercial and industrial capitalist class was undercut by two factors. One is the prolonged economic recession from 1962 to 1983 caused by declining world price of cocoa, high international debt and bad economic policies. The commercial and small industrial class that emerged at independence faced years of low economic growth, erratic government policies, high inflation and scarce foreign exchange (which starved state as well as private firms of imports). Road and rail infrastructure disintegrated. The indigenous business sector barely survived. The second factor is the orientation of ruling coalitions, for real or politically instrumental reasons, towards statist or socialist ideologies.

While many African countries are characterized by a small domestic capitalist class with low capabilities, there is significant variation within Africa resulting from different historical paths taken. For example, Jon Kraus (2002) contrasts Ghana to Nigeria, which emerged from independence with a relatively similar commercial and industrial capitalist class. However, the capitalist class in Nigeria expanded, became organized, and had more leverage over policy through its influence on political elites. The expansion of Nigeria's capitalist class largely resulted from higher eco-

conomic growth, macroeconomic stability, access to imports financed by oil exports, and public investment in infrastructure.

If productive entrepreneurs have low technological capabilities and are unable to deploy significant holding power, as in Ghana, then economic policymaking and business-state relations depend heavily on the nature of the ruling coalition. With limited political voice and holding power, entrepreneurs may be ignored or expropriated, if the ruling coalition has short-term extractive goals, or if it is more concerned to promote a different set of class or sectoral interests. Furthermore, most of the contemporary political elite in Ghana do not have significant investments in productive sectors, which might compel them to promote those sectors through government policy. In contrast, their investments tend to be in import and distribution businesses, or they typically work as consultants or lawyers.

Rawlings and the PNDC were more concerned with promoting a different set of interests, and the existing small productive capitalist class was largely aligned with (or part of) excluded political factions. With the shift to competitive clientelism, the NDC became more short-term extractive in its outlook. The NDC supported emerging businessmen who would be loyal to the party, in order to create a stronger political base and increase sources of financing for the coalition. P/NDC ruling elites entered business to increase the financial autonomy of the party as well as to engage in primitive accumulation through the access that political office provided. Both groups of emerging entrepreneurs had low technological capabilities.

The NPP under competitive clientelism also had short-term extractive goals. Despite productive capitalists among top-ranking NPP members, and despite the expansion and increasing capabilities of productive entrepreneurs, domestic capitalists still seemed to lack

significant holding power and thus influence over policy. Much of the business sector in Ghana is dependent on state contracts or owes its origin to privileged access to state resources, and is thus to a large extent aligned with the NDC or NPP. Aligned businesses expect to benefit when their party is in power, and the party expects them to contribute financing for the ruling coalition.

Therefore, business-state relations in contemporary Ghana have been unstable. They changed depending on which party controlled the state and which businesses were linked to that party's ruling coalition. Increasing vulnerability of ruling coalitions to losing power at the next election resulted in two tendencies. First, the ruling political elite focused on extracting as many rents through political office as possible. Sometimes this involved creating their own businesses to take advantage of opportunities created by state intervention, but more often primitive accumulation strategies seemed to channel wealth into unproductive uses. Second, businesses attached to the ruling coalition had short time horizons. Entrepreneurs focused on sectors with immediate certain returns to investment, which were usually not productive sectors because these require a longer time horizon to invest in equipment and learning new technological capabilities. This is especially true where the baseline of technological capabilities and technology in use are low. The lack of longer-term collaborative relations between sections of the domestic capitalist class and the ruling elite has meant that the ruling elite of both political parties failed to help, or did not feel compelled, to maintain macroeconomic stability, to address general economic problems or to help solve industry-specific constraints which undermine the growth of productive entrepreneurs.

The availability of foreign aid and government revenue from natural resources, such as cocoa and gold, weakens the incentives of the

ruling elite to develop other productive sectors with pro-active policies, when easier opportunities for meeting the minimum economic conditions for the viability of the ruling coalition exist. As with increased flows of foreign direct investment in some Asian and Latin American middle income countries, the increased foreign aid inflows in Ghana and many African countries provided an easy option for growth and did not compel the ruling elite to pursue the difficult task of developing domestic technological capabilities. However, whereas large inflows of foreign direct investment are typically productive and create wealth (even if in enclave sectors that have few linkages to the rest of the economy), foreign aid has been of questionable productivity in Ghana, perpetuating the fragile economic base of the country and in turn its continued dependence on foreign aid. The questionable productivity of foreign aid is discussed in the next chapters.

2. THE PNDC RULING COALITION (1982-1992)

The first two years of the PNDC rule were characterized by 'revolution', counter-coup attempts, and power struggles within the PNDC higher-level factions, but by 1985 the ruling coalition had stabilized. The higher-level factions became more cohesive, power was centralized around Rawlings and the lower-level factions were weak. The excluded political factions were fragmented and de-legitimized and thus initially quite weak, but they reasserted their strength in 1990. They were excluded through Rawlings' control over the armed forces. For a short period during the years from 1985 to 1990, we might expect the PNDC political elite to have had a longish time horizon on policymaking and high ability to implement policies. However, several factors caused

the potential developmentalism of the PNDC ruling coalition to go unfulfilled.

First, the time period was quite short, and the regime first had to halt economic decline and to carry out major economic restructuring. Second, the technocrats in the ruling coalition had to negotiate everything with the Bretton Woods institutions, given the country's dependence on aid inflows, and they had to confront a strong *laissez-faire* economic ideology of the Bank and Fund at that time. Third, the PNDC government had an antagonistic relationship with the small group of domestic capitalists. During the 'revolutionary' years after his first coup in 1979 and his short reign under the AFRC and again in the early 1980s, Rawlings attacked domestic capitalists as the source of the country's economic problems. Even after the launch of structural adjustment reforms in 1983, many of the PNDC elite distrusted businessmen, especially leading businessmen linked to the excluded political factions.

The weak political influence of existing productive entrepreneurs, combined with their limited technological capabilities, undermined the possibility of an alliance in Ghana between the technocrats and national capitalists in negotiations with the World Bank and IMF, as was the case in many African countries. Countries which had stronger collaboration between domestic capitalists and the ruling elite were able to assert more control over the pace and direction of economic reforms that the Bank and Fund attached to their lending in the 1980s, and to help domestic businesses respond to the reforms (Taylor 2007). In contrast, the PNDC government was more concerned with restoring the fiscal basis of the state, which led to a focus on reviving Ghana's traditional exports of cocoa, gold and timber, than with supporting private production and building productive capabilities through foreign investment and technical assistance.

With the excluded factions growing in strength in the late 1980s, the PNDC ruling elite were increasingly vulnerable. In 1991, Rawlings could no longer suppress political opposition, and it was increasingly clear that the majority opinion in the country was in favour of a return to multiparty democracy. Rawlings set up a Consultative Assembly in 1991 to decide on a new constitution. As of late 1991, the PNDC ruling coalition shifted focus from economic recovery to remaining in power through elections by converting itself into a political machine. This shift affected the time horizon of policymakers, but also led to conflicts within the higher level of the ruling coalition.

2.1. Organization and characteristics of the ruling coalition

The first two years of the PNDC government were characterized by coup attempts from members of the PNDC as well as policy battles between radical Marxists and pragmatists. The original Council had seven members, including Rawlings as chairman. The Council members included people who were involved in the previous Rawlings coup and transitional government in 1979, leaders in Marxist intellectual organizations, and militant trade unionists (Ray 1986). By 1984, all of the original PNDC members were gone, except for Rawlings, and a new set of people took their place. The new generation was less ideological and more pragmatic, and represented a wide spectrum of society: trade unions, traditional authorities, Nkrumahist politicians, established elite, a parastatal manager. It included military personnel, but an equal number of civilians. The key point was that none of the Council members, except for Rawlings, had a power base of their own. By 1985, power was centralized within the PNDC and concentrated around Rawlings (Hutchful 2002).

There was also a large degree of cohesion among the higher-level factions of the ruling coalition after 1984, albeit this cohesion was achieved through a measure of force. Members of the ruling elite who fell out with Rawlings were forced out of the ruling elite. The higher level included four groups: (1) technocrats who were in charge of economic policy, and who came from the universities or had served in previous governments; (2) conservative wing, composed of traditional authorities and established elites, who were largely in charge of the political strategy after 1984; (3) leaders of the 'revolutionary organs', who after 1984 had little political or policy influence; and (4) seurocrats, who were responsible for security of the ruling coalition (Nugent 1995). I refer to technocrats within the ruling coalition as technopols, to emphasize that they had technical expertise but were also wielded political influence within the ruling coalition.⁴

After 1984, the lower-level factions had little influence within the ruling coalition. After the revolutionary organs were marginalized, the PNDC did not have a strong base of political support. However, Rawlings sought new political constituencies and shifted his support base, which limited his dependence on specific lower-level factions.

⁴ The term technopol was first coined in the context of Latin American countries (see Feinberg 1992, cited in Williamson 1993). John Williamson (1993) widened the use of the term, by placing it at the centre of his argument about political economy of reform in developing countries. However, Williamson's use of the term referred narrowly to economists who accepted political appointments and thus political responsibilities, and who had the potential to become successful applied economists and successful politicians. I use the term more widely to refer to politicians who also had technical training, even if not in economics, but who also combined within their person the political imperatives of remaining in power with the economic imperatives of managing state resources to achieve economic development.

For example, radical Marxist organizations and popular revolutionary committees in workplaces and in the rural areas provided organizational support for the PNDC in its early years. They defended the 'revolution' from attacks by the established political elite and professionals. These organizations were encouraged by Rawlings, who gave them power, but Rawlings did not control them (Ray 1986; Nugent 1995). Between 1982 and 1984, they attempted to turn the social and economic hierarchy on its head: taking over companies in the name of the workers, creating new state institutions to dispense justice for social and economic crimes, and generally harassing the elite. Rawlings needed to reign in this faction of the ruling coalition (at the higher and lower levels) because they threatened his power, but also undermined the objectives and implementation of the Economic Recovery Programme. The 'revolutionary organs' were depoliticized, and the Marxist organizations were marginalized within the PNDC.

From 1985, Rawlings and the PNDC political elite were concerned to establish a stable basis of social support (Ninsin 1991). Rawlings' rhetoric shifted from idealizing urban workers to romanticizing 'rural workers' (peasants), who were benefiting more from the economic reforms; however, these rural beneficiaries could not be mobilized. The PNDC's organizational power came mainly from the armed forces, from which Rawlings had emerged, and the revolutionary organs, which were kept in existence and acted more as clients who encouraged support for the regime in return for material benefits. The political elite decided to create new local government bodies as a strategy for securing non-urban support. Two-thirds of the members of the new District Assemblies were elected, while one-third was politically appointed by the government, and the District Secretary (head of the Assembly) was also politically appointed.

The PNDC ruling coalition faced strong excluded factions, which made it very vulnerable; however, the excluded factions were initially weakened by a legitimacy crisis. Rawlings not only overthrew an elected government in 1981, but also the entire Ghanaian political establishment, in the sense that those who came to power were not from the existing political coalitions organized around the Nkrumah and Danquah-Busia political traditions (Ninsin 1996). These outsiders took control of the state through the PNDC and came to constitute a new national political elite, many of whom had no previous experience in political office or a family tradition of political office.⁵ The established political elite were seen as the major cause of the country's multiple crises, and thus they had little legitimacy with which to challenge the PNDC and were limited to their urban-based organizations and networks. Rawlings initially played the radical social forces against the conservative forces, using populist politics and liberal economics, while not being beholden to either, which gave the ruling coalition its autonomy (Hutchful 2002: 43-50). However, the excluded factions grew stronger around 1989, partly because they joined forces.

2.2. Financing the state and the PNDC ruling coalition

The World Bank and IMF became a powerful political constituency supporting economic reforms, because these organizations provided substantial resources for running the state and holding together the ruling coalition in return for government commitments and actions

5 E. Aggrey-Darkoh, 2009, 'Mapping Political Elite in Ghana, 1982-2008', paper commissioned for the Ghana country team of the Elites, Production and Poverty research program.

on economic reforms. Eboe Hutchful refers to this exchange relationship as ‘policy rents’, where the government earned revenue for meeting conditions set by the Bank and Fund (Hutchful 2002: 165). In the 1980s, revenue from cocoa export receipts and other taxes, as well as foreign direct investment, were small compared to structural adjustment credits and project loans. Between 1988 and 1992, the PNDC government accepted 19 World Bank sector project credits worth at least USD 700 million, and this is excluding balance of payment support through structural adjustment credits.⁶ The government came to depend on these policy rents, marking the beginning of aid dependence in Ghana. In the 1980s and early 1990s, official development assistance was higher than foreign direct investment and not far below the total value of exports.

The relative autonomy of the ruling elite from organized societal interests combined with insulation from demands among the lower-level factions of the ruling coalition were not the only reasons that the PNDC government was able to implement economic adjustments that previous governments had been unable or unwilling to do. The PNDC government also had unprecedented financial support from the Bretton Woods institutions for undertaking such adjustments. Large aid inflows from the IMF and World Bank helped to buffer the impact of the economic reforms, such as import liberalization, and reduced the temptation of the government to revert to administrative controls when faced with balance of payments problems, such as after the sharp fall in cocoa prices in 1988 (Harrigan & Younger 2000). In-

creased aid flows also softened the blow to the population from massive cuts in government expenditure and public sector employment, rises in prices and currency devaluation.

Foreign aid also allowed the PNDC to expand access to infrastructure and social amenities despite the austerity of the Economic Recovery Programme. The government was able to rebuild and extend the country’s infrastructure through foreign aid. Particularly important was the construction of new roads and electrification in the rural areas and especially in the northern regions of the country that had never had electricity (Jeffries 1998; Nugent 1995: 206; Bob-Milliar 2011).

Both the Bretton Woods institutions and the PNDC ruling elites focused on reviving the cocoa and gold sectors, which were the country’s traditional export commodities. In the post-independence period, cocoa had been the main foreign exchange earner, an important source of government revenue through export taxes, and a key source of income and employment for the southern half of the country. By the end of the 1980s, cocoa contributed 50-60 percent of export revenue, about 20 percent of government revenue, and about 7 percent of GNP (Jacobeit 1991). The cocoa sector constitutes the only case where the PNDC elite (and subsequent ruling elites) have controlled the pace and direction of reforms (see Whitfield 2011b).

The PNDC ruling coalition did not require much financing initially. Asceticism prevailed in the PNDC and sacrifice within the population in the 1980s. Revolutionary organs mobilized based on personal zeal. Later, the PNDC changed its social base of political support to patron-client relations with certain organizations, but large resources were not needed because the lower-level factions were weak.

In the early 1990s, the PNDC political elite also sought to produce its ‘own’ businessmen through two strategies. Primitive accumula-

⁶ Ghana Country Lending Summaries, World Bank website. Accessed 23 March 2011. Between 1983 and 1988, World Bank lending committed was USD 654 million, including balance of payment support, and IMF committed lending was SDR 1,204 million. See Martin (1991).

tion among the PNDC political elite began in the late 1980s, as the moral fervour of the revolution died and wealth accumulation was sanctioned in PNDC public discourse. Strategies of primitive accumulation for the new elite included skimming off state resources and setting up business to benefit from new economic opportunities linked to the reforms (Nugent 1995: 203-04). The second strategy was rewarding entrepreneurs who supported the PNDC. Aspirant businessmen linked themselves to the PNDC to benefit from new economic opportunities, such as contracts for public works in road construction and electrification, and they became a social base of support for the PNDC.

In this way, the PNDC political elite were continuing political and economic strategies in existence since decolonization, where primitive accumulation was linked to access to state resources. Kwame Nkrumah and his post-independence government marginalized established businesses aligned with the political opposition. His party served as the vehicle for advancing a new class of business people from within its own ranks, and aligned other businessmen to its political coalition by providing construction contracts to 'aspirant businessmen' who aligned themselves with the ruling party (Rathbone 1973). This strategy of promoting party-based business interests continued under subsequent governments (Rathbone 1971; Kraus 1973).

2.3. Capabilities and political influence of productive entrepreneurs

For ideological and political reasons, but mostly for political reasons, the PNDC government pursued a strategy of persecuting the tiny domestic capitalist class. Ideologically, a core element of the PNDC's early social base was among the radical Marxist groups and militant trade

unionists who saw the capitalists as exploitative. Even after the marginalization of radical elements in the PNDC, some observers argue that the PNDC political elite were not in favour of private capitalism, but rather state-led capitalism (Hutchful 2002; Arthur 2002). Unsure of its own support, the PNDC elite feared that a viable private sector may create a new centre of power, underwrite the emergence of an alternative political force, or finance another coup (Tangri 1992). Top PNDC officials publicly criticized prominent businessmen and the idea of capital accumulation, and the PNDC government preferred alliances with foreign capitalists through joint ventures. Other observers argue that the PNDC, and later the NDC, political elite were not only threatened politically by existing capitalists, but also economically, as the petty-bourgeois base of the PNDC ruling coalition sought socio-economic mobility through its control of the state (Ninsin 1996: 29).

What is beyond doubt is that the PNDC elite had a political objective to neutralize domestic capitalists that they perceived to be linked to the excluded political factions. As discussed in Chapter Three, there is a historical overlap between the Danquah-Busia political tradition and 'big' businessmen. Taking away the wealth of businessmen linked to the Danquah-Busia excluded faction was a way to weaken it. The PNDC regime created new justice institutions through which it put capitalists on trial, and subsequently jailed them and confiscated their assets. Many were forced or ran into exile. In the run up to the 1992 founding elections of the Fourth Republic, Rawlings heightened his persecution of capitalists associated with the New Patriotic Party, which was the latest reincarnation of the Danquah-Busia tradition.

Relations between the PNDC government and established business associations were characterized by a lack of collaboration. The main business associations, the Ghana National Chamber of Commerce and the Ghana

Manufacturers' Association (later renamed Association of Ghana Industries) were politically marginalized, and business association leaders had very limited access to the PNDC economic policymakers (Hart & Gyimah-Boadi 2000). Leaders of the established business associations were domestic capitalists who were perceived to be part of the Danquah-Busia political faction (Opoku 2010; Kraus 2002). The most obvious example was the President of the Ghana Manufacturers' Association in the 1980s who was a high-ranking member of the Danquah-Busia political elite and had been a deputy minister of trade and industry under the Busia government. This was a major reason why the PNDC elite, including the economic reform team leaders, did not involve the business associations in the formulation and implementation of the economic reforms.

However, internal problems within the two main business associations contributed to their political marginalization (Hart & Gyimah-Boadi 2000). Before the economic reforms, these associations were oriented to operating in a regulated economic environment, and their main function had become negotiating with the government for individual permits and import licenses for its members. With the general economic restructuring, this function was no longer required. Import liberalization not only led to many manufacturing firms going into debt or collapsing, and thus reducing the resource base of the associations, but equally important it led to the irrelevance of the associations because they no longer provided direct benefits for members. These associations found it difficult to shift to a new role in the changed economic environment. The associations lacked the organizational capacity to marshal information, formulate proposals on the speed and direction of reform, and argue economics with government officials whose key relationship was with the IMF and World Bank. (Hart & Gyimah-Boadi 2000; Kraus 1991). Lastly, the industri-

alists and the commercial importers disagreed over some policy issues, notably the optimal degree of trade liberalization.

The one business association that had good access to government to resolve sector problems was the Ghana Chamber of Mines, which reflected the resurgence of gold as a key export (Kraus 2002). The Chamber of Mines, powered by Ashanti Goldfields, played an influential role in designing the 1986 Minerals and Mining Act, which gave mining companies major benefits.

There are two other crucial issues. First, the technological capabilities of domestic productive entrepreneurs were generally low (Lall et al. 1994). The formal manufacturing sector consisted of a few large modern firms with the ability to produce to international standards, a larger population of small and medium-sized firms using some modern technology but with low levels of efficiency, and numerous informal and micro-enterprises with very simple or traditional technologies serving limited local markets. The modern sector was concentrated in food processing and industries making industrial intermediates, and was characterized by relatively few indigenous private owners. It was largely owned by foreign interests, the government or local non-Africans. A survey of Ghanaian manufacturing firms in four industries carried out in 1992 found that only 41 percent of the firms surveyed were relatively competent, which does not mean that the firms were technologically capable by world standards.⁷

Second, domestic capitalists did not dominate industries that were thriving or important

⁷ The technological performance of the sample firms was classified into three categories: investment, production and linkage. The researchers identified 'competent' firms based on their superior investment and production-engineering capabilities. The four industries in the 1992 survey were textiles and garments; wood working; metal working; and food processing (Lall et al. 1994).

pillars of the economy at that time. As a result, domestic capitalists had little structural economic power that might have been translated into holding power, as it was for the Franco-Mauritian ‘sugar barons’ in Mauritius at independence.⁸ The PNDC political elite could ignore them without serious economic risks, because they were not critical economic actors. The massive foreign aid inflows from 1983 onwards, combined with increasing revenue and foreign exchange from the cocoa and gold export sectors, drove the country’s modest growth rate, averaging about 5 percent annually. As a result, domestic capitalists were not the driving force behind the economic recovery (except in the cocoa sector with many smallholder farmers), which created a vicious circle where domestic capitalists, especially manufacturing firms, were not assisted to recapitalize and restructure and thus performed poorly and continued to be ignored.

2.4. The return to multiparty democracy

Despite six years of high real economic growth, the ruling PNDC elites were unable to capitalize on the modest economic growth to increase their legitimacy. Furthermore, the lower level support base of the PNDC ruling coalition remained uncertain (Kraus 1991). The strengthening of the excluded political factions, the ruling coalition’s insecurity about its lower-level support, and Rawlings’ seemingly weakened control over the military in the late 1980s were combined with pressure exerted by official donors for a return to democracy. Rawlings and the ruling political elite saw elections as a way to increase their legitimacy and shore up their lower-level factional support. The

PNDC ruling coalition turned itself into the National Democratic Congress party, a broad-based political machine that could win an election, through the strengthening of the lower-level factions. In 1992, a new constitution was promulgated and passed in a referendum, and presidential and parliamentary elections were held at the end of the year.

3. THE FIRST NDC RULING COALITION (1993-2000)

The NDC won the 1992 elections by capitalizing on Rawlings’ popularity in the rural areas and northern parts of the country, as a result of his charisma and identification with the ‘common man’ but also of the delivery of infrastructure and social amenities. In order to win future elections, the new NDC party had to construct a broader base of support. The party did this through a strategy of corporatism. The new NDC party used ‘revolutionary’ organizations from the PNDC period, which had been turned into non-governmental organizations, to mobilize political support and turn out votes at election time. The party also created new organizations that received state resources in return for delivering the political support of their members, and tried to co-opt existing organizations through the same kind of patron-client exchange (Nugent 1995; Sandbrook & Olebaum 1997).

The New Patriotic Party, organized around the Danquah-Busia tradition, was unable to capture power through the ballot box in the 1992 and 1996 elections, because its political coalition was largely urban and elite-based with strongholds in one or two regions where it carried most of the population (Jeffries & Thomas 1993; Nugent 1999). Its regional organizations were weak, so it was ‘thin on the ground’ and not able to mobilize enough votes

⁸ On Mauritius, see Brautigam (2009).

in the rural areas.⁹ Its weak organizational structure was exacerbated by its image as an elitist conservative alliance of the cities, but also as a party of the Ashanti (an ethnic group which is predominant in the Ashanti region where the party has its stronghold).

3.1. Organization and characteristics of the NDC ruling coalition

Political liberalization increased the space for dissent and allowed excluded political factions to capitalize on popular dissent by politicizing the actions or policies of the government which were unpopular. Particularly during the first term of the NDC government (1993-1996), when the excluded factions remained outside Parliament because they had boycotted the parliamentary elections, opposition parties were instrumental in mobilizing public demonstrations against government policies. The enhanced capacity for dissent and the politicization of policies occurred in tandem with, and contributed to, transformations within the ruling NDC coalition in response to the challenges of competitive politics.¹⁰ Competitive elections required new mobilizational structures, changes in financing the ruling coalition, and new tasks for the political elite. As a result, the balance of power within the higher-level factions shifted from the technopols of the PNDC era to the party brokers in charge of running and financing the party machinery

(Hutchful 2002: 219-22).¹¹ The lower-level factions within the NDC ruling coalition were expanded and gained in influence under the new imperative of winning elections.

The changing influence among the higher-level factions and the strengthening of the lower-level factions had implications for resource allocation and policymaking, as the government spent more money on activities aimed at winning elections, and political objectives became more important than economic objectives. Elections also reduced the time horizon of the political elite and focused policy implementation on delivering 'development' broadly and delivering economic opportunities for party members at all levels who financed campaigns and mobilized votes. In Ghana, as in many African countries, 'development' is popularly understood as the public provision of goods and services such as roads, water, electricity, schools and health clinics. The NDC political elite were constrained in their unwillingness to implement policies which could potentially affect sections of the population negatively for fear that these sections would 'swing' their votes to the opposition at election time. Furthermore, on several occasions the NDC government reversed policies which caused popular protests in urban areas.

3.1.1. Higher-level factions of the ruling coalition

Initially there were large continuities between the PNDC and NDC political elites, with key PNDC officials retained in Cabinet and the President's Office. As the party focused on retaining incumbency, power drifted increas-

⁹ *Africa Confidential* 1998 Vol 39 No 3, p. 2.

¹⁰ The first NDC government was an alliance between the NDC and the smaller National Convention Party, which included some key PNDC leaders but was mostly made up of politicians from the Nkrumahist tradition. Although the Vice President came from the smaller party, it had little leverage in the government.

¹¹ I adopted the term 'party broker' from Hutchful's analysis; he uses the two terms 'political brokers' and 'party brokers' interchangeably.

ingly from the technopols of the PNDC period to the party brokers of the new NDC. Most of the key technopols eventually left the ruling coalition after losing political struggles with the party brokers (Hutchful 2002: 222).¹² Rawlings was detached from the party and depended on the party brokers. Two of the top party brokers were Obed Asamoah, the chairman of the party finance committee who also served in ministerial positions, and Nana Konadu Rawlings, the wife of President Rawlings who had a formidable support base and independent source of financing through her leadership of the 31st December Women's Movement. The Movement was originally a revolutionary organization during the PNDC era that she turned into a non-governmental organization in the 1990s.

Conflicts emerged between the party brokers on the one hand, and the technopols who led on policy issues and the securocrats who were in charge of security issues on the other. During the PNDC period, the technopols and securocrats had worked closely together. Now, they were losing political power, and as they did, many resigned. Policymaking increasingly lacked focus and commitment to economic reforms wavered. The Minister of Finance in the NDC government, who had led the economic reform process under the PNDC, resigned in 1995, in protest against his inability to restrain excessive budgetary demands of the public sector. After he left, the Ministry of Finance was purged of much of the technical team behind the Economic Recovery Programme. The Chief of Staff, who was also a technopol, was demoted in 1996, promoting him to resign, and shortly after the chief securocrat retired. Other key technopols left, so that by 1997 the

macroeconomic team was gone. As a result, experience in negotiating with the World Bank and IMF was lost.¹³ Negotiations weakened, coordination was lost, and the new economic policymakers lacked a strong vision for what policies were to achieve.

Vice President John Atta Mills was put in charge of economic policy in 1998, but he lacked the political clout to make Cabinet ministers, or the President, stick to spending targets or account for the running of their affairs.¹⁴ John Atta Mills had a background in tax law, taught at the University of Ghana, and had been Director of the Internal Revenue Service before becoming the vice presidential candidate in the 1996 elections. He had no history of PNDC activism and no political support base of his own (at that time).

There was increasing factionalization within the higher ranks of the ruling coalition in the lead up to selecting the party's presidential candidate for the December 2000 elections, as Rawlings could not stand again due to constitutional term limits.¹⁵ Each faction within the NDC supported a presidential candidate.¹⁶

3.1.2. Lower-level factions of the NDC ruling coalition

Organizations created during the PNDC era played a central role in mobilizing support for the NDC. The 31st December Women's Movement became a key pillar of the NDC political machine. It was a mass women's network stretching across the country that carried out projects to assist mainly rural women through

¹² Also confirmed in an interview with Kwesi Botchwey 12 April 2008, Oxford, UK.

¹³ Interview with Kwesi Botchwey, 12 April 2008, Oxford, UK.

¹⁴ *Africa Confidential* 2000 Vol 41 No 23, p. 2.

¹⁵ *Africa Confidential* 1998 Vol 39 No 3, p. 1-2.

¹⁶ *Africa Confidential* 1999 Vol 42 No 23, p. 2.

the grants and assistance it received from donors and international NGOs. Because the Movement has headed by Nana Rawlings, wife of President Rawlings, its activities were seen as largesse from the NDC. The Committees for the Defence of the Revolution continued to play a mobilizing role, but they had also become members of the District Assemblies, which gave them some influence over the allocation of resources at the local level.

Among the new organizations, the Council of Indigenous Business Associations and the Ghana Private Road Transport Union were the most important. The Council was created by the PNDC as one of its last acts in early 1993. It was composed of 20 associations of petty commodity producers. The NDC government gave it a starting grant when it was established. Government allocation of credit, subsidized equipment and work sites to small entrepreneurs gave the Council officials political leverage over its members. Council officials were also granted the right to collect taxes from members on behalf of the Internal Revenue Service in exchange for a commission. The Transport Union was also granted the right to collect daily tolls in lorry parks around the country and received government 'loans', which were unlikely to have been repaid.

The party executives decided not to hold primaries in the run-up to the 2000 elections, with most sitting MPs confirmed, but some new candidates were given to constituencies (a process reflecting in the factional struggle at the center). Constituency-level party members did not like this, and some NDC members sought to defy the party leadership and run in their constituencies as an independent candidate. This put some NDC parliamentary seats that were considered 'safe' at risk, where locally popular candidates who did not win the NDC nomination stood as independents and split the vote.

3.1.3. The imperative of winning elections

Major cases of policy reversal in the 1990s, such as the withdrawal of the Value Added Tax in 1995 and failure to implement increases in petrol and utility prices, occurred in response to broad popular pressure on the government from the urban population and the politicization of policies by the excluded political factions. A major political demonstration occurred in 1995 in response to the introduction of the Value Added Tax, which saw different excluded political factions join forces and ride a wave of broad popular protest (Osei 2000). The government repealed the tax, and did not reintroduce it until 1998 after making changes to the design and a broad public relations campaign. In the election years of 1992 and 1996, the government delayed increasing petrol prices until after the elections, and again in 1999, when urban groups such as doctors, nurses and university students threatened to strike, the government rescinded its decision to increase petrol prices (Leite et al. 2000: 30-36, 54).¹⁷

3.1.4. Financing the state and the NDC ruling coalition

Organizing the lower-level factions required the channelling of resources from the central party to constituency-level party organizations as well as to the auxiliary organizations. The

¹⁷ See also *Africa Confidential* Vol 40 No 24, p. 3. A government parastatal, the Ghana National Petroleum Corporation, has a monopoly on the importation of crude oil and through an arrangement with another government parastatal, the Tema Oil Refinery, became the sole wholesale supplier of petrol products to oil marketing companies in Ghana. Therefore, domestic prices of petrol products are set by the government, and failure to adjust prices in response to increases in international market prices or depreciation of the local currency result in government subsidizing the cost – costs which are deducted from petroleum taxes and registered as a fall in government revenue from petrol taxes.

requirements of winning elections and the resources needed to lubricate the electoral machine shaped the policy decisions and implementation of policies as the party brokers grew in influence. These political imperatives of maintaining the ruling coalition and winning elections directly contributed to budget overruns and fiscal laxity. As indicated shortly, the need to 'fill the party coffers' also influenced policy decisions and implementation.

The NDC ruling elite required resources for electoral campaigns as well as resources to distribute to the organizations aligned to the party. Kickbacks on state contracts and awarding state contracts to party loyalists were an important source of financing the ruling coalition (Sandbrook 2000: 106, 114). Illegal financial transactions were especially prominent in road building contracts, where false claims, overstated claims, and overpayment were said to have totalled USD 30 million during the second term of the NDC government.¹⁸ For electoral campaigns, resources were distributed from the central party headquarters to constituency executives as well as to parliamentary candidates. However, NDC party brokers opened the party to moneyed individuals in order to finance its political campaigns, and they favoured parliamentary candidates aspiring to run on the NDC ticket who were wealthy and could contribute their own financing (Nugent 1999). Eboe Hutchful (2002: 225) refers to these party financiers as 'carpetbaggers'. Some of the carpetbaggers were politicians in previous civilian governments who were opportunists or political entrepreneurs, 'investing in

politics' in order to benefit materially from political positions.

But other carpetbaggers were older PNDC political elite who engaged in primitive accumulation through access to the state as the ruling coalition was transformed into a party and the mentality around primitive accumulation changed. A mainstay of NDC party funding were party members who exploited the provision of loans, grants, lucrative contracts, implicit exemptions from taxes, and other incentives to enter business (Opoku 2010). From 1992, political interests of the party and the personal and business interests of key political elite were increasingly factored into policy decisions.¹⁹ The following examples illustrate this process.

Kwabena, Kwesi and Ato Ahwoi (three brothers) were part of the top faction of the P/NDC coalition.²⁰ Prior to entering politics through the PNDC, they were all civil servants with no business background. They started private businesses in the early 1990s through exploiting their close ties to the government. The most successful business was Cashpro. In 1992 when the internal marketing of cocoa was liberalized, Cashpro was one of the six firms initially granted a license to buy cocoa beans (licensed buying agent). These agents still had to sell to the state-owned Cocoa Board, but they received concessionary loans from the Cocoa

¹⁹ See Hutchful (2002) and Interview with Kwesi Botchwey.

²⁰ Kwabena Ahwoi was Minister of Local Government and Rural Development for much of the PNDC/NDC period and was a key figure in the party. Kwesi Ahwoi was head of Ghana Export Promotion Council from 1985 into the early 1990s. Ato Ahwoi was Minister of Trade and Industry around 1985-1986, and also headed the National Investigation Committee and the Internal Revenue Service under the PNDC. See Opoku (2010: 147-48), and Aggrey-Darkoh, 'Mapping Political Elite in Ghana', paper commissioned for the Ghana country team of the Elites, Production and Poverty research program.

¹⁸ This figure comes from the audit carried out by the NPP government, upon taking office, on payment claims presented by contractors to the Ministry of Finance between December 1996 and April 2001. *Africa Confidential* 2003 Vol 44 No 10, p. 2.

Board for their operations. There is very little written about Cashpro. One of the few sources to mention it speculates that Cashpro may have operated as a leg of the NDC's rural political machine created at the end of the 1980s and relied on in the 1990s to win elections (Oelbaum 2002). *Africa Confidential* notes that Cashpro was the major financier of the NDC party and in the early 2000s Cashpro owed millions of dollars in unpaid loan advances.²¹

Divestiture of medium and small state-owned enterprises was used by the government to reward NDC loyalists and exploited by the top political elite. It was a major avenue by which the party sought to create an independent economic base for itself (Hutchful 2002: 223). Darko Opoku's research into the Divestiture Implementation Council reveals that leading members of the 31st December Women's Movement and NDC political elite served on the board of the Divestiture Implementation Council and ensured that state-owned enterprises that were sold to Ghanaians went to regime allies (Opoku 2010: 153-55). Opoku also finds that members of the Council acquired public assets, made nominal deposits, and then had their debt defrayed by end-of-service benefits when they left the Council (presumably with the change of government in 2001). Notably, Nana Rawlings used the 31st December Women's Movement as a personal vehicle for wealth accumulation, creating a subsidiary corporation of the Movement called Caridem Corporation, through which she acquired several public enterprises. Financial reports of the Divestiture Implementation Committee indicate that Caridem Corporation acquired four public enterprises between

1994 and 1995.²² However, none of these businesses functioned after being sold to Caridem. Some of them were bought for the real estate and the infrastructure on the site. For the others, it seems that Caridem lacked the entrepreneurial and technological capabilities to turn them around, despite access to government-guaranteed loans.²³

Notably, one of the enterprises was the Nsawam Cannery, which produced processed foods including pineapple products. The sale of Nsawam did not follow the official procedures of the Divestiture Implementation Committee, and Caridem did not keep to its payment schedule. When the NPP came to power, they took Caridem, Nana Rawlings and members of the Committee to court on the grounds of a Ghanaian law regarding 'causing financial loss to the state'. The case was in court for several years, but, notably, President Kufuor dropped the charges against Nana Rawlings the day before leaving office (and the inauguration of the new Mills-led NDC government).²⁴ In another interesting turn, Nana Rawlings commissioned the opening of the Cannery on 31 October 2010, after the NDC came back to power and before the NDC congress meeting in July 2011 where Nana Rawlings was running for the NDC's presidential candidature

21 *Africa Confidential* 2002 vol. 43 no.22, p. 5; *Africa Confidential* 2004 vol.45 no.14, p. 7.

22 See the Divestiture Implementation Committee, financial reports, available at www.dic.com.gh.

23 Modern Ghana News, 'Caridem bought Nsawam Cannery for 2.9bn cedis', www.modernghana.com; interview with the former Executive Secretary of the Divestiture Implementation Committee, 8 July 2011, Accra.

24 Business News, 'DIC takes over Nsawam Cannery', 23 April 2004, www.ghanaweb.info; Ghana Business News, 'Kufuor drops charges against Mrs. Rawlings', 13 January 2009, www.ghanabusinessnews.com; interview with the former Executive Secretary of the Divestiture Implementation Committee, 8 July 2011, Accra.

for the 2012 elections against the incumbent President Mills.²⁵

Caridem Corporation also benefited from a line of concessional credit (USD 18 million) from China secured by the NDC government in 1995 (Brautigam 2009: 202; Tsikata et al. 2008). The credit was to promote joint ventures between Ghanaian and Chinese companies, and it was disbursed to three companies in gold mining, cocoa processing and fishing rope manufacture. USD 8.75 million went to Calf International Cocoa, a cocoa-processing company which was a joint venture between Caridem Corporation and China International Cooperation Company for Agriculture, Livestock and Fisheries. By 2002, the cocoa-processing factory (costing USD 6.9 million) was completed and equipment installed, but the then Ministry of Finance (of the NPP government) refused to authorize the Eximbank to release the last tranche of money, on the grounds that it did not think Caridem could repay the loan. The project was also widely viewed as a vehicle to help finance election expenses for the NDC. All three of the joint venture companies defaulted on their loans, so the NPP government took over the loan payments. As of 2008, the factory was idle.

After the NDC left power in 2001, several NDC political elite were put on trial by the NPP government for 'causing financial loss to the state'. The former Minister of Finance (1995-2000), the former Minister of Agriculture, and a former Ministry of Finance official were jailed.²⁶ The key point in terms of economic transformation is that this primitive ac-

cumulation by the political elite and their allies typically was not channelled into productive activities, nor was it extracted in return for policies which promoted the interests of particular domestic productive entrepreneurs. The businesses involved were either not in productive sectors, or the people running them lacked the necessary technological capabilities to make use of the money. Either way, there was little result.

The major internal sources of financing for the state remained cocoa and gold exports. The mining sector reforms in the mid-1980s changed the ownership structure of the industry, which had been characterized by state control and state ownership of at least 55 percent of all medium and large-scale mines. While state control was reduced through direct foreign investment, the state retained minor shares in these mining companies (Twerefou et al. 2007).²⁷ For example, there are currently about 19 medium-to-large-scale mines, which are mainly foreign-owned but with the government having a 10 percent stake in all the mines. In the largest gold mining company Ashanti Goldfields (which is now AngloGold Ashanti), the government has 17 percent ownership. While the government earned significant revenue from the mining industry, its foreign exchange earnings are not that large because foreign companies were allowed on average to retain about 75 percent of their earnings in offshore accounts until 2000.²⁸

25 'Nana Konadu: Nsawam Cannery will bring national development', 31 October 2010, Nana Rawlings website, accessed at <http://nkrawlings.wordpress.com>; 'Mrs. Rawlings commissions USD 1 million Nsawam Cannery Plant', 31 October 2010, www.ghanabusinessnews.com.

26 *Africa Confidential* 2003 Vol 44 No 10, p. 1.

27 State control was reduced by using management contracts with foreign companies with the option to buy, selling part of its shares, or complete divestiture. Between 1995 and 2002, the mining sector accounted for more than 50 percent of foreign direct investment. Almost all of the foreign direct investment in the mining sector was in gold mining.

28 It was not possible to access the exact amount of government revenue earned from the mining industry.

Although gold and cocoa exports have been roughly equal in terms of percentage of total export earnings, they are characterized by very different roles for the state and government control over revenue. Whereas foreign exchange from gold exports is largely controlled by foreign companies, and much of it is expatriated abroad, cocoa revenues flow through government channels because the state controls a large share of internal marketing and has a monopoly on export marketing. Government revenue comes from the difference between world price and marketing costs plus producer price. The remainder goes to the government as an export tax. In 1980s, this was 20 percent of government revenue, declining to 12-15 percent in the 1990s. After the implementation of VAT in 1998, the cocoa tax dropped to 5 percent of government revenue by the mid-2000s (Breisinger et al. 2008).

Policy rents from foreign aid continued to be an important source of financing government expenditures, alongside growing cocoa export taxes and mining revenues. In the 1990s, official development assistance was larger than foreign direct investment (almost all of which was in the mining sector) and not much lower than total exports, as Figures 2 and 3 illustrate. For example, between 1993 and 2000, the NDC government signed 33 World Bank agreements, including project loans covering a range of policy areas, sector adjustment credits and balance of payments support. Foreign aid was also an important off-budget source of development expenditure. Donor loans and grants were responsible for a majority of capital investment, while the government used its funds to support recurrent expenditure, especially the public sector wage bill. Thus, donor-funded projects were crucial to 'delivering development' and garnering votes.

3.2. Capabilities and political influence of productive entrepreneurs

The transition to constitutional rule made it harder for Rawlings and the NDC political elite to get away with harassing businessmen seen to be aligned with the political opposition. Democratic institutions and new private media gradually led to changes in business-state relations in terms of restricting the arbitrary actions of the government. Nevertheless, Rawlings continued to run the government in personal ways when he could. Connections to Rawlings mattered, and falling out with him was dangerous. The centralization of authority could have been used in developmental ways; however, Rawlings did not have a background in productive business, nor did most of the top political elite. The only member of the P/NDC elite with a business background (he had worked in a parastatal prior to Rawlings' revolution), who was also a key technopol, tried to forge links with business and promote business interests, but he was politically marginalized and left government in 1997 (Hutchful 2002). The NDC government continued to show a preference for apolitical multinational corporations over Ghanaian capital. For example, from 1996 Rawlings and the NDC political elite embraced Malaysian companies as investors in state-owned enterprises and partners with pro-NDC businessmen (Kraus 2002).

Productive entrepreneurs who were close to Rawlings and rejected his political advances to be part of the NDC and finance the party were also persecuted. In one case, Rawlings even put his political agenda before the health of one of the pillars of Ghana's economy, gold mining, as evidenced in the relationship between Rawlings and Sam Jonah, the top manager of Ashanti Goldfields, the biggest gold mining company and the largest private employer in Ghana (Taylor 2006). Rawlings appointed Jonah, a Ghanaian national, to the position in 1982, when the government had a controlling

Figure 2

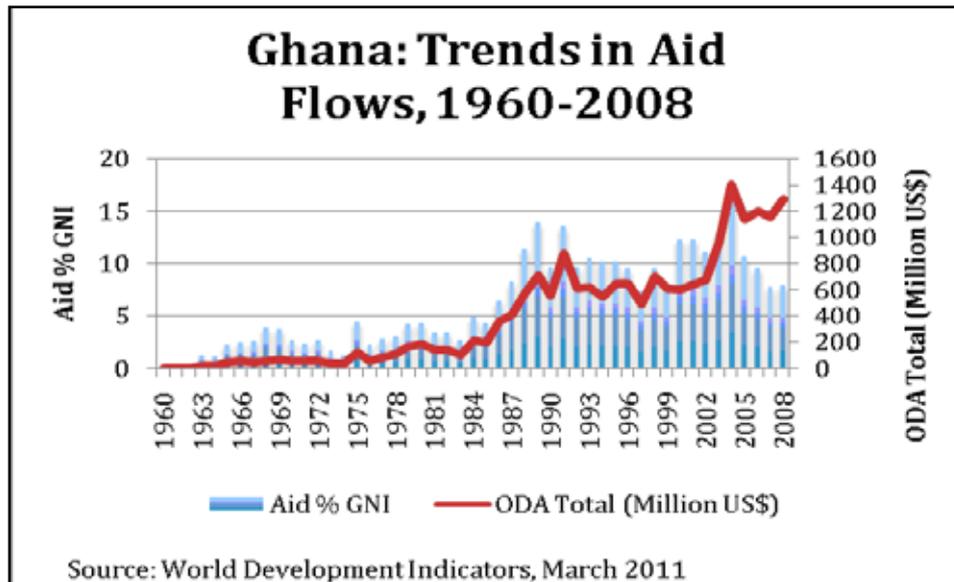
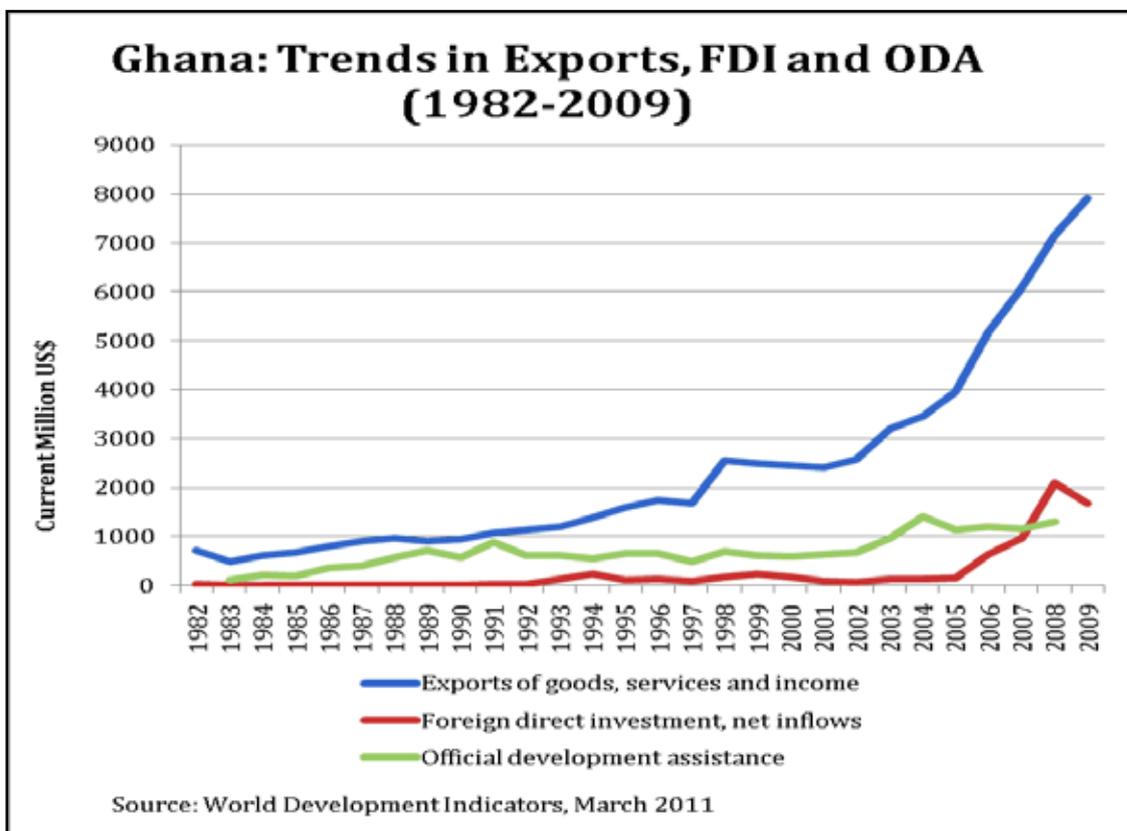


Figure 3



55 percent ownership of the company. The revival of Ashanti Goldfields in the 1980s and early 1990s is attributed to the support that Rawlings gave to assist the company with accessing credit through the International Finance Corporation (the commercial wing of the World Bank), industrial relations, flotation of company shares on the Ghana and London stock exchanges, and multinational expansion. However, the relationship soured when Rawlings wanted Jonah to be his vice presidential candidate in the 1996 elections and Jonah declined, and when Jonah declined to provide financial backing for the NDC because he wanted to 'stay out of politics'. When the company hit a financial crisis in 1999, Rawlings tried to use the opportunity to remove Jonah, which prolonged the crisis and reduced the fortunes of the company.²⁹ As Jonah's national and international status grew, Rawlings and some of the PNDC political elites saw him as a political threat (Handley 1998: 193).

Business associations influenced some economic policies, such as customs operations, the privatization process, and investment codes, but had little influence on government fiscal and monetary policies (Kraus 2002). The World Bank and United States Agency for International Development pushed the NDC government into dialogue with business associations as a condition for aid. The NDC government set up several business-state consultative forums, but they were more for 'show' to the donors. The US agency financially supported many of the new business associations. Even in the case where a new umbrella business association, the Private Enterprise Foundation, was established with the consent of the NDC government and aimed at contributing to policymaking, the government ceased to en-

gage with the association, and thus disempowered it, when it was seen as too critical of government policy and as trying to set the policy agenda (Opoku 2010: 129-30).

The NDC ruling elite focused on keeping the political opposition out of business, rather than building connections with productive entrepreneurs. As Elizabeth Hart and Emmanuel Gyimah-Boadi (2000: 22) observed at the end of the 1990s:

The logic of competitive politics in the nineties has had the short-term effect of exacerbating the poor relations between the Rawlings government and key elements of the domestic private sector. In the politically expedient quest to disadvantage or at least not advantage its opponents, the government appears to have little or no incentive to be consultative with a domestic private sector that is also widely perceived to be the home of many opposition stalwarts. CIBA and other associations that could be organized into a neo-corporatist network provide a more politically acceptable mode of engagement between the Rawlings government and the domestic private sector.

Business participation and input into policymaking were not institutionalized, but rather depended on personal relationships between business representatives and particular government officials, which ended when the individual leaves or is moved from that official position.

The established business associations continued to face internal problems (had little to offer their members and lacked access to information on the economy and the technical expertise to argue policy positions), and they operated in a tough economic environment (competition from rapid trade liberalization, high cost of credit and difficult to access). Gov-

²⁹ See also *Africa Confidential* Vol 40 No 24, p. 3.

ernment officials viewed the policy positions taken by business with contempt, especially calls for certain forms of assistance to indigenous business, and the business association leaders could not advance a coherent argument for such assistance beyond simple references to the East Asian success (Opoku 2010: 131-34). Ironically, at the same time, the World Bank pushed the government to pursue policies that were detrimental to the interests to businesses and that were often in opposition to what the business associations advocated, especially in manufacturing for the domestic market. And the World Bank and the US agency did not seem to consult businesses substantially on the content and design of their aid projects.

The government also continued to be able to marginalize domestic capitalists and their associations, because domestic capitalists continued to play a limited economic role in economic growth in the 1990s. In two of the three key sectors of the economy, mining and cocoa, domestic large-scale capitalists were negligible. Domestic capitalists had substantial investments in the third key sector, timber, but this was not enough to compel the government to be more sensitive to their interests. This was probably because timber business owners were dependent on the state to acquire timber concessions and the goodwill of government officials (Opoku 2010: 134). Timber businessmen not only pay off the party in power, but also insure themselves by funding the opposition too, to make sure they keep their concessions. Although the manufacturing sector grew in the first half of the 1990s, in terms of value added, output and employment, it declined in the second half, returning to 1991 levels. A study on manufacturing firms in Ghana in the 1990s concluded that there was little evidence of productivity increases in the sampled firms, and that the decline in the second half of the 1990s was due to increased competition from imports and volatility in the real exchange rate,

since most firms were producing for the domestic market, and not exporting (Rankin et al. 2002).

A caveat to the argument about structural economic power is found in the relations between Rawlings and the Managing Director of Ashanti Goldfields, where Rawlings' political imperatives overruled worries about the economic impact of his actions. Thus, Jonah's political leverage hinged on his relations with J.J. Rawlings and Nana Rawlings, and not just the economic importance of Ashanti Goldfields. When he fell out with them, his political leverage was reduced.

The NDC courted the support of small local businessmen who could contribute to party financing at the regional and district levels. Darko Opoku finds in his research on prominent businessmen in the Brong Ahafo region that the relationship between the NDC and business was one of reciprocal needs and provision of favours. For the ruling party, business offered donations that funded its activities, especially election campaigns. For businessmen, there were offers and inducements without which business success was difficult. Those who refused to 'play the game' could be harassed and their businesses declined. Well-placed local NDC functionaries used their positions to enter business themselves or assisted their friends and family to do so. District Chief Executives, the heads of local government bodies, were key players in the NDC political coalition, since they owed their position to presidential appointment. These executives controlled district funds, especially contracts to local businessmen. The political loyalty of local businessmen to the NDC party (i.e. donations) resulted in contracts, acquisition of state-owned enterprises, and not being harassed. However, many businessmen were tactical: publicly supporting the NDC and covertly cultivating ties with the NPP or seeking other strategies, so that if the NDC lost

elections their business would not suffer under the NPP (i.e. because they were seen as too closely aligned with the NDC). The exceptions to this tactic were a minority of entrepreneurs whose antagonistic relationship with the NDC was irreparable, and a small group whose closeness to the NDC precluded a relationship with the NPP.

4. THE NPP RULING COALITION (2001-2008)

In contrast to Rawlings' antagonistic stance towards business, President Kufuor declared that his party's control of government would usher in a 'Golden Age of Business'. The NPP party manifesto for the 2000 elections promised a positive partnership with the private sector and an active role for the state in removing impediments and fostering development of the domestic manufacturing sector. However, the NPP political elite did not behave significantly differently in government or pursue significantly different policies than the NDC, nor did they vigorously pursue initiatives to support existing productive entrepreneurs. Many Ghanaians and external observers, who had hoped for change, were sorely disappointed.

Emmanuel Gyimah-Boadi (2009) observes that NPP politicians forced technocrats to take a back seat to the 'stark realities of electoral politics' as politicians attempted to take into account the social costs of their economic policies. For example, the NPP government failed (similarly to the NDC government) to reduce the public sector wage bill and to remove subsidies from public utilities and petroleum products (key sources of government fiscal deficits), for fear among politicians that they would be punished by the electorate if they pursued policies that were economically necessary, but unpopular because they led to immediate increases in prices. Gyimah-Boadi

also points out that under the NPP government, elite contestation for control of the rents generated by central government control over resources and commodities (such as timber, land and real estate holdings) remained a central feature of Ghanaian political economy. Investment decisions continued to be driven significantly by particularistic, personalistic, or partisan interests.

The strong continuities between the NDC and NPP policies and ruling elite behaviour can be explained by the fact that the organization and characteristics of the NPP ruling coalition were very similar to that of the outgoing NDC, creating incentives for the NPP to pursue a similar strategy for winning elections and to support the same kinds of policies. The NPP came to power by capitalizing on a deteriorating economy, but also by expanding its party machine.³⁰ It won the 2000 elections by a slim margin, winning the presidency in a second round of voting with the support of the smaller parties. In government, the NPP relied on a few votes from the smaller parties to form a parliamentary majority. The NPP won the 2004 elections with a greater percentage of the vote. It had expanded its ruling coalition by creating patron-client networks based on three different types of exchange relations: (1) the provision of individual benefits (personal assistance, jobs, contracts, cash); (2) the provision of club goods to individual communities (such as bore holes, school buildings, scholarships, sanitation projects); and (3) widely dis-

30 The NPP Vice Presidential candidate in the 2000 elections, Alieu Mahama, was a major financier of the NPP in opposition; he was a successful building contractor in the capital of the Northern Region. He is credited with creating party alliances in the three northern regions that delivered crucial votes for Kufuor in the 2000 elections. *Africa Confidential* 2002 Vol 43 No 8, p. 6.

tributed public goods such as expenditure on roads, water, health and schools.

4.1. Organization and characteristics of the NPP ruling coalition

The organization and characteristics of the NPP ruling coalition were very similar to the NDC in terms of the strength of the political coalitions out of power, fragmentation within the higher levels of the ruling coalition, and the strength of the lower-level groups within the ruling coalition. The NDC, the main opposition party, clearly constituted a strong political coalition. In the December 2000 elections, the NPP won the presidential election by the slightest margin, but once in power the party built up its lower-level factions, using its access to state resources and positions in the sub-national state apparatus. It buttressed its traditional urban- and elite-based support and its concentration of rural support in a few southern regions, by luring supporters with access to resources. It appears that strong lower-level factions are necessary to deliver votes and win elections.

4.1.1. Higher-level factions within the ruling coalition

The higher level of the NPP ruling coalition was characterized by conflict and factionalization. There was a broad split within the Danquah-Busia political tradition between the Danquah and Busia factions, which dated back to the early independence period. The division became public during the 1979 elections, when one of the factions broke away and supported its own presidential candidate. This split is considered by many political elites within the NPP to have caused the Danquah-Busia tradition to lose that election, and it became a source of factionalism within the NPP po-

litical coalition.³¹ This division emerged again around the 1998 leadership contest to select the NPP's presidential candidate for the 2000 elections. The top two candidates were J.A. Kufuor and Nana Akufo-Addo. When Kufuor won the nomination, and subsequently won the national presidential election, it fuelled resentment among parts of the NPP that it should have been Akufo-Addo (see Agyeman-Duah 2006).

Kufuor's control over the party and over the government was challenged by this factional split quite early in his presidency. To get a firmer grip on the party, he monopolized control over party finances, which only further undermined his support within the party and increased support for the Akufo-Addo faction.³² The Akufo-Addo faction also capitalized on dissent from party activists who felt that they were not being rewarded for their effort to get the party in power. As a result, the Kufuor faction lost control of the top party positions to the Akufo-Addo faction during party executive elections at the 2005 party congress (Kennedy 2009: 6).

Within the government, President Kufuor used his constitutional powers of appointment and control over Parliamentarians to reward loyal supporters and punish his detractors. The President is able to co-opt parliamentarians through his powers to appoint Ministers (of which the constitution requires that 50 percent come from Members of Parliament) and to appoint persons to seats on boards of parastatals and boards related to government departments and agencies. Ministerial portfolios provide a 50 percent increase in salary and perks, as well

31 See the memoirs of Arthur Kennedy (2009: 8) on why the NPP lost the 2008 elections.

32 Personal communication with Kwesi Jonah, political scientist at the University of Ghana, Legon; *Africa Confidential* 2005 Vol 46, No 25, p. 3.

as put parliamentarians in a better position to service constituents' demands. In 2003, President Kufuor had appointed a total of 83 Ministers, Deputy Ministers, Ministers of State and Regional Ministers, as well as 27 highly paid special assistants.³³ Staffan Lindberg notes that in 2005, in Kufuor's second term, 43 percent of NPP parliamentarians held a ministerial portfolio (Lindberg 2009). There were also frequent reshuffles of ministerial portfolios during Kufuor's two terms in office.

The split between the Kufuor faction and the Akufo-Addo faction persisted through the NPP rule and afterwards, although the names of the factions changed.³⁴ Kufuor's preferred candidate for the 2008 NPP presidential nomination was Alan Kyerematen, a close friend and ally. The contest for the presidential nomination came down to Kyerematen and Akufo-Addo, and was so close that an outright winner could not be declared. Kyerematen withdrew and Akufo-Addo won the 2008 NPP presidential nomination, a long awaited prize. Kyerematen resigned from the party shortly afterwards due to harassment of his supporters standing as candidates in the party's parliamentary primaries, but then rejoined after mediation from the top NPP political elite. The party emerged for these primaries fractured and polarized (Bob-Milliar and Bob-Milliar 2010).

In addition to the deep split among the NPP political elite, there was a general fragmentation and lack of discipline within the

higher levels of the party. For example, 18 NPP politicians competed in the primary to be the party's 2008 presidential candidate. Eight of these politicians were senior ministers, who had ministerial portfolios that they had to resign in order to enter the contest. Many ministers relinquished their post at the same time, creating a problem for the government. This intra-cabinet rivalry for power signals an absence of cohesiveness among leading members of the ruling coalition and of internal party discipline.

4.1.2. Lower-level factions within the ruling coalition

The formal and informal party structures of the NPP evolved to give considerable power to constituency-level party organization. Party candidates were not imposed on electoral constituencies by the central party apparatus, but rather elected at party primaries. Party delegates at constituency-level primaries chose parliamentary candidates, and a national congress with delegates from all constituencies chose the presidential candidate. In the NPP parliamentary primaries before the 2004 elections, 20 incumbent Members of Parliament, including Ministers, lost the re-nomination in the primaries.³⁵ Reasons for MPs to lose their seat can result from constituency party members feeling that the MP did not deliver enough constituency-level development or enough for the lower-level party members. The same is true for national congresses to elect presidential candidates. Therefore, lower-level factions wield significant power.

33 *Africa Confidential* 2003 Vol 44 No 10, p. 2.

34 On these two factions, see Agyeman-Duah (2006) and Bob-Milliar and Bob-Milliar (2010). The split also overlaps with an ethnic cleavage within the political tradition between the Ashanti and the Akyem: the Kufuor faction being the Ashanti faction and the anti-Kufuor or Akufo-Addo faction being the Akyem faction. It is hard to say how much ethnicity has to do with it, or whether it is just a cover for other issues of personality and patron-client networks.

35 *Democracy Watch* 2004 Vol 5 No. 2&3, p. 10-11. *Democracy Watch* is a quarterly newsletter of the Ghana Center for Democratic Development.

In addition to selecting party candidates, lower levels of the NPP (and NDC) party machine were strong because the higher levels depended on party 'foot soldiers' to mobilize votes at election time.³⁶ Foot soldiers are popularly understood as people who devote exceptional amounts of their time and energy to canvassing support and votes for a party and its candidates and to neutralizing the activities of the rival party. Foot soldiers were crucial building blocks of political parties since decolonization, and they reemerged with the return to multi-party politics in the 1990s as a viable 'career' choice. They were mostly poorly educated and engaged in the informal private sector, and they invested in party activism as a way to secure their livelihood: finding work through political patronage. They viewed political parties largely as vehicles for ambitious people to seek power and take control of resources located within the state, so if their party won, they expected to get 'their cut'.

Therefore, party foot soldiers put pressure on the ruling political elite to use state resources and official positions to meet their demands.³⁷ NPP foot soldiers voiced persistent complaints that the Kufuor administration 'neglected to look after them' in terms of providing employment opportunities. In his second term, Kufuor promised to do more for them. The NPP government introduced the National Youth Employment Scheme in 2005 to address chronic unemployment, but it was also used to reward party foot-soldiers. The Scheme was highly politicized, with the recruitment of personnel, operation and management along party lines. The NDC government that came

to power in 2009 maintained the Scheme and apparently replaced NPP activists with NDC ones. The micro-credit scheme MASLOC introduced by the NPP government in the run up to the 2008 elections probably served a similar purpose of rewarding NPP activists.³⁸

4.1.3. *The imperative to win elections*

Elections not only shaped the composition of ruling coalitions and the strength of lower-level factions, they also affected the policy choices and behaviour of the higher-level factions of the ruling coalition. The political elite of both parties must convince enough voters to elect them. Research on voting patterns in Ghana characterized Ghanaians as either core voters, who vote consistently for the same party and are loyal party supporters, or floating voters, who choose between the two main parties based on past performance of the government (Lindberg & Morrison 2005, 2008). Core loyal voters are not enough to win elections, so the NDC and NPP must 'swing' floating voters to their side. The need to swing votes influenced policy decisions and implementation, particularly in terms of the kinds of goods and services that electors demand.

A survey by Staffan Lindberg carried out in 2009 explores what factors influenced voters and how voters in turn influenced elite behaviour (Lindberg 2010a, 2010b). Lindberg's survey data shows that parliamentary elections were primarily about local development and personal benefits, with a majority of voters expecting their Member of Parliament to provide local development goods for the community, which Lindberg calls small-scale club

36 See Bob-Milliar (forthcoming 2012) and *Democracy Watch* 2007 Vol 7 No 3, p. 4-6.

37 See Bob-Milliar (forthcoming 2012); *Democracy Watch* 2006 Vol 7, No 2, p. 1; *Africa Confidential* 2006 Vol 47 No 25, p. 3 and Vol 48 No 15, p. 2.

38 Personal observations.

goods.³⁹ 15 percent of voters in his survey indicated personal help, favours and jobs as the primary expectation, and almost 70 percent indicated that they most of all expect their MP to provide their community with development projects. Therefore, he concludes that it is a rationale strategy for MPs to provide private or club goods as a way to win elections. This was especially true in very competitive constituencies where the two parties closely split the vote, and MPs needed to lure these swing voters to their party.

Lindberg's survey data shows that MPs, from both the NDC and NPP, pursued a mixed strategy of providing private goods and building patron-client relationships as well as providing club goods and some public goods. However, MPs in very competitive constituencies were more likely to provide private and club goods than public goods as a strategy to win votes. MPs lobbied government ministries, departments and agencies for development projects for their communities, but they also provided them personally either through the MP's share of the District Assembly Common Fund (local government budget), the Heavily Indebted Poor Country debt relief funds, or their personal funds. In competitive constituencies, voter choice was more elastic to the ability of MPs to 'bring home the pork', so MPs faced greater pressure to provide private and club goods and thus depend on having access to 'pork' patronage and resources from party coffers, kickbacks from contracts and other sources of income that can be used to sustain networks. If the MP's party was out of

power, he or she had less access to resources with which to lubricate local political coalitions and secure reelection.

4.1.4. *Financing the state and the NPP ruling coalition*

Incumbent and aspiring presidential and parliamentary candidates spent a lot of money on campaigning (and allegedly vote buying) within the NPP to get the party's nomination. For example, 17 NPP politicians ran for the NPP's presidential nomination in the 2007 national party congress ahead of the 2008 national elections. Each candidate paid a USD 25,000 nomination fee. Furthermore, accounts of campaigning indicate that 'big' money was spent on campaigning around the country and giving 'inducements' to constituency-level party members.⁴⁰ Rampant use of money by aspirant presidential and parliamentary candidates to buy off party functionaries increased divisions within the party organization and increased patron-client relations between 'party big men' and lower-level party functionaries (Kennedy 2009: 7). After securing the party's nomination, candidates then ran expensive campaigns starting about a year before the national elections.

Constituency-level party organizations and even parliamentary candidates depended on money received from the central party office to undertake campaign activities. The NPP followed a similar strategy as the NDC, raising finances through kickback schemes on state contracts and awarding state contracts

³⁹ Lindberg refers to the provision of community (village) development projects (such as roofing sheets for a school, a borehole) as club goods, and the provision of constituency development projects as collective goods. He argues that very narrow club goods are often regarded as a form of clientelism in the broader literature.

⁴⁰ At that time, NPP party rules were such that the identities of party delegates to the national congress were only revealed a few days before the congress. On campaign spending, see Bob-Milliar and Bob-Milliar (2010) and *Africa Confidential* 2007 Vol 48 No 24, p. 1.

to NPP-aligned businesses.⁴¹ NPP politicians also personally benefited from kickbacks on government-awarded contracts, from domestic and foreign companies. Politicians also found other ways to siphon off state resources and direct them to party coffers. One such alleged example is the holding of ministry meetings and workshops in hotels owned by party loyalists.

Being a wealthy aspiring parliamentary or presidential candidate who could contribute to funding one's own campaign (or leverage the money to do so from financiers), was a bonus for the individual and for the party. But after spending so much money getting elected, party candidates expect to recoup the 'investment' once in office. The same applies at the party level. Party executives depend on financiers for funding the party. These financiers have been called 'patron activists' and described as party members who are not highly visible in the party but who contribute substantial funding and other logistics for the sustenance of the party (Bob-Milliar forthcoming 2012). Patron activists see their activism as an investment, sponsoring candidates for party positions or national office and funding national and constituency campaigns in return for mostly private goods, such as a position as cabinet minister, regional minister or District Chief Executive, or by getting business contracts.

The size and type of financing of the state to which NPP ruling elites had access also did not change very much. While non-traditional exports increased significantly, so did gold and cocoa exports, with the result that they continued to account for the bulk of total exports. The rising revenue from gold and cocoa export was due to rising prices for both commodities on the international market and a concomitant

expansion in production. Foreign aid continued to increase, although the spike in 2004 (see Figure 2) was the result of debt relief and does not represent actually money received.⁴² Foreign direct investment began to increase after 2005, but with no apparent impact on building new productive sectors or on creating a cohesive class of foreign productive capitalists or joint ventures with domestic capitalists or ruling elites.

4.2. Capabilities and political influence of productive entrepreneurs

In the 2000s, many Ghanaians in the diaspora returned to Ghana, private sector investment increased, and property rights were more secure (Killick 2010: 455-63). However, the relationship between the NPP ruling elite and domestic capitalists, especially productive capitalists, did not differ significantly from that of the NDC. There are very few secondary sources on business-state relations under the NPP government. The few that exist paint a common picture: they contrast the hostile PNDC and NDC governments led by Rawlings to the business-friendly Kufuor government and point to superficial changes or policy statements as (potentially) heralding in a new way of the state working with the private sector (Handley 2008: 202-05; Arthur 2006; Taylor 2007: 211-14). They refer to Kufuor's proclamations of a Golden Age of Business, his creation of a Ministry for Private Sector Development and his launching of the President's Special Initiatives (PSIs), all in the first year of his administration. However, they do not explore empirically what actually happened: what did the new Ministry do and how were

41 *Democracy Watch* 2005 Vol 6 No. 3&4, p. 10-12. *Africa Confidential* 2005 Vol 46 No 25, p. 3.

42 For a discussion of aid inflows during the NPP period and debt relief, see Whitfield and Jones (2009).

the PSIs implemented. As a result, the literature gives a false impression of the pro-business credentials of the NPP.

The exit of Rawlings from the Presidency clearly increased the confidence of the private sector to invest in the economy. However, beyond this general point (albeit very significant), relations between NPP ruling elites and domestic productive entrepreneurs were quite similar to what occurred during the NDC government. This point can be made by looking at several key aspects of business-state relations that were central to discussion of the NDC period.

First, the politicization of the domestic capitalist class continued. Now that the NPP was in government, it favoured business allied with its party and discriminated against businesses clearly allied with the NDC or owned by the NDC political elite (Killick 2008). New companies were created to bid for government contracts. The role of the President was not as important under Kufuor as it was under Rawlings, but support was equally as partisan. Notably, consultancy became a new highly profitable economic opportunity in the 2000s, as donor agencies and the government increasingly contracted out policy work to local consultants or required that foreign consultancy firms find local partners. The use of local consultancy firms by government ministries, departments and agencies became a new source of patronage for government ministers.⁴³

Second, productive entrepreneurs among the NPP political elite had little influence on productive sector policy and implementation during the NPP government. The second working paper in the series on Ghana (Whitfield 2011b) supports this argument by sum-

marizing what happened to the Ministry for Private Sector Development and its private sector development strategy, and the fourth working paper reinforces the argument through a detailed examination of the President's Special Initiative in Oil Palm (Whitfield 2011d).

There is no evidence that business associations had better access to government and influence on policy under the NPP government, but there are also no secondary studies on business associations under the NPP government. Kufuor created the Ghana Investor Advisory Council composed of prominent businessmen to advise him and to hold government ministers to account, and as a tripartite institution for dialogue between the government, donors and the private sector in relation to the private sector development strategy launched in 2004. However, the Council ceased to function in 2006.⁴⁴ Sector business associations involved in the two productive sector cases were found to be weak. The horticulture export associations did not have much political access, and the palm oil industry association was not functioning, despite the last chairman of the association being an important NPP member. Individual entrepreneurs may have preferred to cultivate politicians to obtain support (Killick 2008: 22). In sum, individual capitalists networked to the NPP ruling coalition could access benefits, but more organized business-state collaboration to benefit particular industries was not evident.

Third, the NPP political elite were looking to benefit from NPP control of the state in terms of business opportunities, but not typically in productive sectors such as manu-

43 Personal observations in the Ministry of Trade and Industry and the Ministry for Private Sector Development.

44 External Evaluation of the Private Sector Development Strategy, final draft, 2008, prepared by a team of international and Ghanaian consultants, for the Ministry of Trade and Industry and donors in the Private Sector Development Working Group.

facturing or agribusiness. For example, the NPP government decided to create Ghana International Airlines, a joint venture between the government and a US-based consortium, following the bankruptcy of the old national carrier Ghana Airways. Transactions establishing the company are unclear and involved negotiations with the Minister for Roads, but what is clear is that a NPP regional party chairman held a stake in the airline company through his US-based consultancy firm.⁴⁵ Another example is the scandal over the 3.5 percent stake in the Jubilee oil field by EO group, a Ghanaian company headed by two NPP members close to President Kufuor that had no track record in the oil business.⁴⁶ EO group is credited with getting the US-based Kosmos Energy a stake in the Jubilee oil field, and in return Kosmos gave EO group a 3.5 percent equity stake in its operations (with the cost covered by Kosmos). President Kufuor gave Kosmos better terms on its exploration contract than those secured by Tullow in an adjoining oil block, the other oil exploring firm that operated in Ghana.⁴⁷

There is no hard evidence to explain similarities between the NDC and NPP periods in relations between the ruling elites and domes-

tic productive capitalists, but we can speculate based on the characteristics of the NPP ruling coalition and on knowledge about the domestic productive capitalists. One reason could be that domestic capitalists, including those among the NPP political elite, were not a key resource in financing the ruling coalition. The large amounts of money needed to win party nominations and then national elections exceeded the purses of domestic capitalists, who had been weakened during the previous two decades as a result of expropriation, limited opportunities for primitive accumulation, and a harsh economic environment. A second reason could be that the NPP had broadened its support base in order to win elections, which led to internal conflicts that had to be managed through patronage and policy compromises – similar to what the NDC ruling elite faced in the 1990s. A third possible reason is that foreign aid and the policy rents attached to traditional donor lending, along with various forms of income from cocoa and gold and the value added tax, continued to be the major sources of government revenue and development expenditure. This meant that donors still occupied an important role in policy design and implementation, and that domestic productive capitalists continued to be insignificant to economic growth and exports. The latter point would begin to change over the course of the 2000s, but would remain overshadowed by traditional exports, as the prices of gold and cocoa soared. These possible answers are explored in more detail in subsequent working papers.

45 *Africa Confidential* 2006 Vol 47, No 9, p. 8; *Democracy Watch* 2006 Vol 7 No 1, p. 1-2.

46 *Africa Confidential* 2009 Vol 50 No 21, p. 3; 'Ghana: first act, long drama', Patrick Smith, *The Africa Report* No 25, October-November 2010, p. 22 & 24; *Financial Times*, 8 January 2010.

47 When Kosmos wanted to sell its stake in Jubilee oil block to ExxonMobil in 2009, the EO group stood to make USD 300 million from the sale of their stake alongside the Kosmos-Exxon deal, and the Atta Mills NDC government tried to block the sale. In May 2011, Tullow, the other oil prospecting company in Ghana, reached a deal to buy the Ghanaian firm's 1.75 percent stake for USD 305 million, after the Ghana National Petroleum Corporation unsuccessfully bid for the stake in 2010. But the state-owned oil company may still give a counter-bid. Oxford Analytica brief, 27 May 2011.

5. CONCLUSIONS

The NDC party regained control over the state after winning the December 2008 elections by an extremely close margin. After a second round of voting for the presidency, John Atta Mills won the 50.23 percent of the vote, while Nana Akufo-Addo of the incumbent NPP

polled 49.77 percent. Mills became President by a margin of 40,586 votes out of nine million votes cast. The NDC also needed the support of smaller parties and independent Members of Parliament to secure a majority in Parliament, similar to the NPP after the 2000 elections (see Whitfield 2009).

The results of the 2008 elections highlight key features of the contemporary political settlement in Ghana. The excluded political elite factions are very strong. There are two main political parties which each have a core base of loyal supporters. The 2008 Afrobarometer Ghana survey data indicates that 58 percent of the population are party loyalists (core voters), while 42 percent of the population does not feel strongly attached to any party (floating voters). The party loyalists are split almost entirely between the NDC and the NPP, with the marginal parties picking up only a few percentage points in the population. The split between the NDC and the NPP is fairly close. The survey data indicates the split at 36 percent of the population for the NPP and 19 percent for the NDC, but notes that the NPP percentage may be higher due to misreporting by interviewees who think that the survey is carried out for the government. Notably, the survey was carried out before the December 2008 elections, which the NDC won, albeit by a small margin. In any case, the data indicates that neither the NDC nor the NPP can win an election only with its core voters and highlights the importance of floating voters. Therefore, ruling coalitions in Ghana's fourth republic have become increasingly insecure in power.

As a result, the ruling elite prioritized policy actions which they thought would help them to stay in power through keeping their party loyalists as well as trying to swing floating voters to their side and not negatively affect large groups in the population whose votes were important. The time period to deliver is short, with elections every four years, and campaigning for

party nominations can start two years before the election while campaigning for national office starts at least one year before the election.

The characteristics of the ruling coalition have to be seen in the context of the structure of the economy and the characteristics and organizational power of productive entrepreneurs. The structure of the economy, which was characterized by smallholder agriculture, mining, and informal sector activities (trading and petty commodity production), shapes the demands of voters, which in turn influence the policy actions of the ruling elite. Access to finance from foreign aid, natural resources and agricultural primary commodity exports meant that governments did not have to develop new productive sectors, or upgrade existing ones, in order to meet these demands.

The domestic capitalist class was small and relatively insignificant compared to other social groups, and it was not a key driver of economic growth in the 1980s and 1990s and only became modestly more important in the 2000s. Rawlings' PNDC weakened existing domestic capitalists by expropriating their assets, reducing their economic opportunities, and not supporting them in the context of rapid economic restructuring and liberalization. The PNDC ruling elite seemingly tried to replace them with a new set of capitalists linked to the PNDC and then NDC ruling coalitions. The rise to power of the NPP after the 2000 elections further disrupted primitive accumulation and destabilized business-state relations, producing a new ruling elite and privileged set of domestic capitalists. Domestic capitalists not linked to either ruling coalition tended to be ignored. Foreign investment in productive sectors was relatively small (up until 2009), so even foreign capitalists were not active in pushing for policies to help industries grow and become more competitive. These themes surrounding the impacts of the political settlement on economic transformation are explored in more detail in Whitfield (2011b).

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