

# **Is the HIPC Initiative of Benefit to the People of Northern Ghana?: A Theological Reflection**

**Bernard Nyarko Owusu – Sekyere**

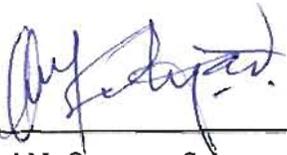
**Submitted in partial fulfilment of the requirements for the degree of Masters of Theology  
(Theology and Development) in the University of KwaZulu-Natal (UKZN), School of  
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**October 4, 2005**

**Supervisor:  
Dr. Steve M. de Gruchy**

## DECLARATION

I, Owusu – Sekyere, Bernard Nyarko, hereby declare that this thesis, unless specified in the text, is my original work. I also declare that I have not submitted this research project for any other purpose at any other Institution or University.

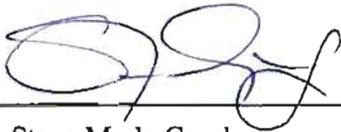


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As supervisor, I agree to the submission of this thesis



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## **Dedication**

To the loving memory of late Mary Mensah-Bonsu and my mother Afua Ohenewaa (the mighty woman of inspiration) for your patience, and to the poor children and young people of Northern Ghana.

## Abstract

The HIPC debt relief initiative is a controversial IMF/World Bank program. This thesis examines whether the HIPC initiative in Ghana is “pro-poor”. The concept of the “poor” and what this means for public policy is discussed in the framework of the biblical concept of *shalom*, that is the promotion of human wellbeing, within the context of Northern Ghana. To enable a fair assessment of the HIPC program in Northern Ghana, a review of Ghana’s debt crisis is provided alongside a brief economic history. The origin of the debt crisis is traced to the first republic. A review of HIPC is undertaken from the perspectives of both theory and its practical implication. In the implementation process, particularly in Northern Ghana, the research identifies a number of infrastructural projects being accomplished by the HIPC funds and evaluates their usefulness and relevance. The thesis argues that there are three strengths to HIPC in Northern Ghana, namely, political accountability, social participation and infrastructure development; and that there are six weaknesses, namely, dependency syndrome, cultural relevance, ethnic conflict, adult capability development, personnel provision and economic distribution. It concludes that the problem of human development that has been lacking in Ghana’s economic policies, and the crisis of skilled personnel could undermine the provisions of HIPC in Northern Ghana to contribute meaningfully to *shalom*, or some measure of *real* development in people’s life.

## Acknowledgements

The completion of this thesis and the laborious research which made it possible has been an onerous and exciting task. I cannot claim the success of it alone but acknowledge the invaluable contribution of those who helped me to complete this work. My foremost gratitude goes to my supervisor, Dr Steve M. de Gruchy, who has been a caring and competent guide to me. His meticulous concern has not been for my academic output only, but the intensifying of my intellectual and theological analytical skills makes him a great lecturer and mentor. I thank Professor Gerald O. West and Professors Kwame and Gillian Bediako whose class, Africa Christianity, helped me in doing objective and *prescriptive* interpretation and gave me a better understanding of the duty of the African Biblical scholar for this generation. I appreciate Richard Bell and Joan Duguid for their role in editing and proof reading the thesis. I express my gratitude to Rev. Dr. Fred Deegbe, the General Secretary of Ghana Christian Council, for offering me time to interview him. I also acknowledge the various sources of Internet data and materials.

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Now, to my wife, Janet, and my family Bernard (jnr), Maame and Stephanie, I appreciate your longsuffering as I am away for such long periods. I am immensely grateful for your cooperation and unceasing prayer support.

## **List of Abbreviation**

<b>AFRC</b>	<b>Army Forces Revolutionary Council</b>
<b>AIDS</b>	<b>Acquired Immune Deficiency Syndrome</b>
<b>APR</b>	<b>Annual Progress Report</b>
<b>ARVD</b>	<b>Anti-Retro Viral drugs</b>
<b>BWIs</b>	<b>Breton Woods Institutions</b>
<b>CSOs</b>	<b>Civil Society Organizations</b>
<b>CWIQ</b>	<b>Core Welfare Indicators Questionnaire</b>
<b>DAs</b>	<b>District Assemblies</b>
<b>ECOWAS</b>	<b>Economic Community of West Africa States</b>
<b>ERP</b>	<b>Economic Recovery Programme</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>GNA</b>	<b>Ghana News Agency</b>
<b>GPRSP</b>	<b>Ghana Poverty Reduction Strategy Programme</b>
<b>GSS</b>	<b>Ghana's Statistical Service</b>
<b>HIPC</b>	<b>Highly Indebted Poor Country</b>
<b>HIPCs</b>	<b>Highly Indebted Poor Countries</b>
<b>HIV</b>	<b>Human Immunodeficiency Virus</b>
<b>IDA</b>	<b>International Development Association</b>
<b>IMF</b>	<b>International Monetary Fund</b>
<b>I-PRSP</b>	<b>Interim Poverty Reduction Strategy Paper</b>
<b>IT</b>	<b>Information Technology</b>
<b>KVIP</b>	<b>Kumasi Ventilated Improved Pit</b>

M&E	Monitoring and Evaluation
MA	Metropolitan Assembly
MDAs	Ministries, Departments and Agencies
MOFA	Ministry of Food and Agriculture
NDC	National Democratic Congress
NDPC	National Development Planning Committee
NGOs	Non-Governmental Organizations
NLC	National Liberation Council
NPP	Patriotic Party
NPV	Net Present Value
NRC	National Redemption Council
NSSD	National strategy for sustainable development
OECD	Organization for Economic Cooperation and Development
PRGF	Poverty Reduction and Growth Facility
PNDC	Provisional National Defence Council
PNP	People's National Party
PPA	Participatory Poverty Analysis
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
RPCUs	Regional Planning Co-ordinating Units
SAP	Structural Adjustment Programme
SDR	Special Drawing Right
SMC	Supreme Military Council

## Table of content

DECLARATION .....	I
DEDICATION .....	II
ABSTRACT .....	III
ACKNOWLEDGEMENTS .....	IV
LIST OF ABBREVIATION .....	VI
CHAPTER 1 .....	1
1. Introduction .....	1
1.1. Background to research .....	1
1.2. Motivation, main problem and research questions .....	3
1.3. Theoretical framework .....	4
1.4. Steps in undertaking the research .....	5
1.5. Outline of chapters .....	6
CHAPTER 2 .....	8
2. “Pro-poor” as a theologically legitimate goal .....	8
2.1. What is public policy? .....	8
2.2. The Concept of <i>shalom</i> .....	12
2.2.1. <i>Shalom</i> in the history of Israel .....	14
2.2.2. <i>Shalom</i> as peace with justice .....	20
2.2.3. <i>Shalom</i> and the New Testament .....	21
2.2.4. <i>Shalom</i> and the economic sphere of life .....	23
2.2.5. <i>Shalom</i> and environment .....	27

2.2.6. <i>Shalom</i> and Jubilee .....	28
2.3. Conclusion: <i>Shalom</i> , the poor and public policy .....	34
CHAPTER 3 .....	35
3. Poverty in Northern Ghana .....	35
3.1. Overview of Ghana's economic and political history .....	35
3.1.1. Colonial period - 1957 .....	37
3.1.2. The Nkrumah period (1957 – 1966) .....	40
3.1.3. Post-Nkrumah Period (1966 – 1982) .....	44
3.1.4. Structural Adjustment Programme (SAP) (1982 – 1999) .....	49
3.1.5. Conclusion: The debt burden and poverty implications .....	54
3.2. Northern Ghana's poverty .....	56
3.2.1. Historical background .....	56
3.2.2. Households and livelihoods .....	60
3.2.3. Education and literacy .....	63
3.2.4. Economic development .....	64
3.2.5. Conclusion .....	66
CHAPTER 4 .....	67
4. Ghana's Enhanced HIPC debt relief initiative .....	67
4.1. General Overview of HIPC debt relief initiative .....	67
4.2. General achievement and assessment of HIPC initiative .....	71
4.3. Overview of the HIPC process in Ghana .....	74
4.3.1. Ghana goes HIPC .....	75
4.3.2. Implementation modality .....	76
4.3.3. Implementation results .....	79
4.4. The Ghana Poverty Reduction Strategy Paper .....	82
CHAPTER 5 .....	88
5. The impact of the HIPC Initiative in Northern Ghana .....	88

5.1. Overview of the HIPC process in Northern Ghana .....	88
5.1.1. Allocation of funds and projects .....	89
5.1.2. Monitoring and accountability .....	90
5.2. Evaluation of HIPC/GPRSP benefit to Northern Ghana .....	92
5.3. The Strengths of the HIPC Initiative .....	93
5.3.1. Political accountability .....	93
5.3.2. Social participation .....	93
5.3.3. Infrastructural development (schools, clinics and latrines) .....	95
5.4. The Weaknesses of the HIPC Initiative .....	97
5.4.1. Dependency syndrome .....	97
5.4.2. Cultural relevance .....	98
5.4.3. Ethnic conflict .....	99
5.4.4. Adult capability development - literacy .....	99
5.4.5. Personnel provision .....	100
5.4.6. Economic distribution .....	102
5.5. Conclusion .....	102
CHAPTER 6.....	103
6. Concluding reflection .....	103
6.1. Summary.....	103
6.2. Reflection on HIPC and <i>shalom</i> .....	104
6.3. The way forward after HIPC implementation in Northern Ghana .....	108
7. REFERENCES .....	112
LIST OF APPENDIX.....	127
Appendix 1 .....	128
Appendix 2 .....	129
Appendix 3 .....	130

# Chapter 1

## 1. Introduction

### 1.1. Background to research

The nation of Ghana became independent in 1957, the first Sub-Saharan nation to throw off the yoke of colonisation. In the words of Martin Luther King, the fact that “a new nation was being born symbolized something of the fact that a new order is coming into being and an old order is passing away. ... the birth of this new nation, will give impetus to oppressed peoples all over the world. I think it will have worldwide implications and repercussions--not only for Asia and Africa, but also for America [African-Americans].”<sup>1</sup> Though Ghana became an inspiration for other colonised nations to seek their freedom in Africa, economically it has been a real disappointment for its rural people, especially the Northern people. There is the challenge to overcome poverty that has made life unbearable for many Northern Ghanaians.

The land area size of Northern Ghana is 98,000 square kilometers making it about 41% of the total land area of Ghana.<sup>2</sup> In terms of population the three Regions of Northern Ghana take up a little less than 20% of the country.<sup>3</sup> The climate of Northern Ghana is influenced by the North-East Trade Winds (Harmattan) with hot

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<sup>1</sup> Martin Luther King Jr., ‘The birth of a new nation’, in Carson, Clayborne, (ed). *The autobiography of Martin Luther King Jr.*, New York: Warner Books Inc., 1998, p. 111.

<sup>2</sup> Jacob Songsore, ‘Population growth and ecological degradation in Northern Ghana: The Complex Reality’.  
[http://www.crvp.org/book/Series02/II-5/chapter\\_x.htm](http://www.crvp.org/book/Series02/II-5/chapter_x.htm)

<sup>3</sup> Songsore, ‘Population growth and ecological degradation in Northern Ghana: The Complex Reality’.

day temperature conditions. It has one short rainy season and is characterized by long a dry season. Many rural communities in the North have been without basic education. They lack access to primary health care. The rural areas have very poor feeder roads that are death traps, and which make it difficult to convey agricultural products to the urban centres. They are cut off from the telecommunication network. Lack of good water and poor agricultural harvest have compounded their problems. These factors do not augur well for the wellbeing of the North. Indeed, during the past twenty years Ghanaians have been hearing of poverty alleviation programmes and projects; yet the North still remain economically excluded.

Development policies in Ghana in the last three decades have failed the poorest of the poor in the North. Ghana's economic policies have focused on economic growth and industrialisation, ignoring human development. The country has experimented with a Structural Adjustment Programme (SAP) which has been devastatingly disappointing to the poorest of the poor in the North. For the last four years (2000 – 2004) Ghana's new government has opted for the Highly Indebted Poor Country (HIPC) debt relief policy of the International Monetary Fund (IMF). The HIPC debt relief policy comes with its own conditionalities.<sup>4</sup> It offers debt relief to a sustainable level for the poor country. The amount relieved is saved by the indebted nation in a special account which is then used to fund a poverty alleviation programme based on a national Poverty Reduction Strategy Programme approved by the IMF and World Bank. Ghana reached the completion point in July 2004 and has

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<sup>4</sup> HIPC conditionalities are stipulated conditions agreed upon between *IMF and World Bank* and the HIPC applicant nation that should reflect in Poverty Reduction Strategy Paper. <[www.imf.org](http://www.imf.org)>

been granted relief of SDR<sup>5</sup> 79.05 million (about US\$ 117 million).<sup>6</sup> Yet, what is the reality on the ground? According to the Ghanaian theologian Mercy Amba Oduyoye, “Even the cancellation of debts without the establishment of economic justice and the love of compassion will be healing our hurts lightly and crying ‘peace, peace’ without ensuring enduring welfare”.<sup>7</sup> This statement has some significance for the prevailing poor economic circumstance in Northern Ghana which is due to unfavourable government development policy actions.

## **1.2. Motivation, main problem and research questions**

I worked as a home missionary for a period of nine years in Northern Ghana. My encounter with abject poverty and the lack of progress in the life and circumstances of the people has become an issue worth reflecting on. I find it a moral challenge to review the promise of the current poverty alleviation policy implemented by the government since 2001, and its impact on the poorest of the poor in the Northern Sector of Ghana. My enthusiasm in carrying out this research is of academic importance for me as a Theology and Development student. It is my responsibility to use my academic skills to contribute to knowledge pertaining to the eradication of poverty.

Ghana has accepted classification as a highly indebted poor country (HIPC). Ghana’s

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<sup>5</sup> SDR = Special Drawing Right. It is IMF’s unit of account. It is used by World Bank and other International organisations.

<sup>6</sup> IMF Press Release No. 04/142 (July 2004), ‘IMF Completes In Principle Second Review under Ghana’s PRGF Arrangement and Reviews Noncomplying Disbursement’.  
<<http://www.imf.org/external/np/sec/pr/2004/pr04142.htm>>

<sup>7</sup> Mercy Amba Oduyoye, ‘Reducing Welfare and Sacrificing Women and Children’, ricsa me99.  
<[http://web.uct.ac.za/depts/ricsa/confer/me99/procs/pro\\_odu.htm](http://web.uct.ac.za/depts/ricsa/confer/me99/procs/pro_odu.htm)>

external debt at the time the choice came for the HIPC initiative was understood to be SDR 3.8 billion<sup>8</sup> (about US\$ 5.9 billion) in Net Present Value (NPV).<sup>9</sup> “Ghana is currently trading at an average annual deficit of 400 million dollars for four years now, making it a nation in deficit with almost every country in the world,” said the Deputy Minister of Trade and Industry and the President's Special Initiatives in 2003.<sup>10</sup> This state of the national economy has caused the majority of Ghanaians to live in abject poverty, especially those in the three Regions of Northern Ghana (Northern, Upper-East and West Regions). HIPC debt relief was adopted in Ghana in 2001. Now the government is making an effort to reduce these debts through the enhanced HIPC initiative. So we need to ask: What is the poverty situation in Northern Ghana? What does HIPC offer Northern Ghana's poor? What is an appropriate theological framework to guide issues of justice, poverty and social development for wellbeing?

### 1.3. Theoretical framework

This research examines and evaluates public policy and its implementation. The empirical data collected covers issues of public policy, economics and theology. I applied the concept of “wellbeing”, based on Klaus Nürnberger's *comprehensive* wellbeing model which is all inclusive, combining theology, social policy and economics for development in a qualitative and quantitative evaluative approach.<sup>11</sup> This model does not separate theology

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<sup>8</sup> Debt in nominal term.

<sup>9</sup> Robert Osei and Peter Quartey (August 2001), ‘The HIPC Initiative and Poverty Reduction in Ghana: An Assessment’. <[www.eldis.org/static/DOC9247.htm](http://www.eldis.org/static/DOC9247.htm)>

<sup>10</sup> Business News (November 2003) ‘Average annual trade deficit: \$400 million’, Ghana Home Page. <<http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=47304>>

<sup>11</sup> Nürnberger, *Prosperity, Poverty and Pollution*, – Managing the approaching crisis, Pietermaritzburg: Cluster Publications, London and New York: ZED Books Ltd, 1999

from ordinary practical life. It applies spiritual insight and principles combined with empirical evidence, to propose not a utopian, but an economically balanced social system where fairness governs peoples' optimal benefit of national economic resources irrespective of geographical location within a country.

#### **1.4. Steps in undertaking the research**

This research is a theoretical review of Ghana's enhanced HIPC initiative. It focuses on the HIPC implementation stage one<sup>12</sup> outcome – its implementation, comments and critiques around it. The research examines what made Ghana opt for this initiative. The outcome should reflect the impact of Ghana's HIPC benefit on the ordinary people, especially the rural people. The analysis assesses the freedom that the implementation of the initiative implementation has given the ordinary Ghanaians in the Northern Sector in the area of socio-economic life after three years. The research format incorporated theoretical review via political, economic, historic and theologically focused books, reports, periodical, news articles, *IMF and World Bank* documents, Non governmental organisations (NGOs) documents and available Internet information and data on Ghana (and in some case examples in other countries). These documents provided information and a database for analysing and evaluation. It took into consideration previous poverty reduction strategies implemented by the Ghanaian governments of previous political regimes.

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<sup>12</sup> The first stage covers a period of three years of implementation to be followed by another three years of good governance together with fulfilling other conditionalities as the completion point.

## 1.5. Outline of chapters

The thesis follows the following outline:

Chapter 2: “Pro-poor” as a theologically legitimate goal for public policy. This chapter looks briefly at public policy. The *shalom* concept is discussed with its significance for economics, and then the Jubilee concept is considered as a key illustration of *shalom* in action.

Chapter 3: Poverty in Northern Ghana. This Chapter reviews background issues pertaining to political history, economic and social policies that have been skewed against the Northern Ghana sector.

Chapter 4: Enhanced HIPC initiative as public policy. This chapter provides the foundation for the HIPC debt initiative, the main focus of this thesis. Some background issues on this policy are presented, especially the theory aspects and the conditionalities, with much attention given to the Poverty Reduction Strategy Paper (PRSP). The rationale for its adoption and implementation by the Ghanaian government are also examined.

Chapter 5: Evaluation of HIPC. This chapter reviews and examines the implementation and the outcome of the HIPC debt relief policy in Ghana. The outcome is evaluated from the available disbursement data and the records of projects done with the fund with particular attention to what has been done in the

very poor sector of Northern Ghana. Attention is drawn to three strengths and six weaknesses of the HIPC implementation in Northern Ghana on the basis of the theological vision of *shalom*.

Chapter 6: Concluding reflection: The way forward after HIPC implementation in Northern Ghana. I present a summary of issues in the thesis, I offer a theological reflection on HIPC implementation, and propose some suggestions for the Church and development stakeholders to consider.

## Chapter 2

### 2. “Pro-poor” as a theologically legitimate goal

A while ago, one of the rural Northern chiefs, Na’ba Agawini,<sup>13</sup> confronted the author with this question: “Why are we (Northerners) poor? Why did God make us like this?” From Na’ba’s point of view, God is responsible for their poverty. The chief is right to demand from a Christian Minister an authentic answer to his circumstances, because in the New Testament, Jesus’ declaration in Luke 4: 18f, was to tell the many people with questions like this honourable chief, that God is interested in the circumstances of the poor. This is not a new development, but an issue that has existed before Jesus in the time of the prophets. The foregoing statement of the local chief is used to provoke a theoretical discussion on policy and *shalom* or in other words “comprehensive wellbeing”<sup>14</sup> in this Chapter in this section we will examine the definition of public policy and then we relate it to the Biblical demand for wellbeing.

#### 2.1. What is public policy?

Public policy is very important when it come to issues of development. Public policy affects development because it is the expressed intent of the government, legislature and various organs of state. HIPC is about policies adopted by governments. We need

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<sup>13</sup> He is the chief of Nayoko No. 2 near Bawku, Ghana, a professed Christian and member of Nayoko No 1. Baptist Church, which has been a congregation under the author’s pastorate.

<sup>14</sup> Nürnberger, *Prosperity, Poverty and Pollution*, p. 7.

therefore to first examine public policy and the ethical challenges raised by policymaking. How do policies impact upon the poor in the modern economic systems, especially in developing nations?

The traditional meaning of public policy has to do with "...basic political questions such as who governs, who gets what, when, why, and how, and who pays the bill."<sup>15</sup> It has also been re-defined as "a complex pattern of inter-dependent collective choices."<sup>16</sup> Catherine A. O. Hoppers quotes Kogan, Ball and Prunty, who have defined policy as "the authoritative allocation of values."<sup>17</sup> It serves the purpose of expressing the "prescriptive intent" of political operational purpose.<sup>18</sup> For this reason, Ball argues, "policies cannot be divorced from interests, from conflict, from domination, or from justice."<sup>19</sup> In other words, "policy" or "public policy" is an instrument used by government to pursue activities to solve problems.<sup>20</sup> This assertion makes policy more or less suspect, unless it goes through the democratic process of consultation and consensus to validate it.<sup>21</sup> In this case, a good policy for a development agenda requires collaboration and networking with other stakeholders within society, apart from technocrats and other government actors. In a democratic sense, a bottom-up policy approach that collates the views of both technocratic and community inputs has a greater chance of being owned, and easing the implementation process for optimal effectiveness.<sup>22</sup> This is necessary because policy

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<sup>15</sup> Ernest Giglio, *Rights, liberties and public policy*. Aldershot, UK, Brookfield, USA: Avebury, 1995, p.109: quoted from Plano and Greenberg, 1993, p. 120.

<sup>16</sup> Catherine A. Odora Hoppers. *Public policy dialogue: its role in the policy process*, Occasional paper no.2, Centre for Education Policy Development Evaluation and Management, Johannesburg, 1997, p. 14.

<sup>17</sup> Hoppers, *Public policy dialogue: its role in the policy process*, p. 14.

<sup>18</sup> Hoppers, *Public policy dialogue: its role in the policy process*, p. 14.

<sup>19</sup> Hoppers, *Public policy dialogue: its role in the policy process*, p. 14.

<sup>20</sup> H.K. Colebatch, *Policy*, Buckingham: Open University Press, 2<sup>nd</sup> ed. 2000, p. 4.

<sup>21</sup> Hoppers, *Public policy dialogue: its role in the policy process*, p. 14.

<sup>22</sup> Korten, *Getting to the 21<sup>st</sup> century, (Voluntary action and the global agenda)*, Bloomfield, Connecticut:

is not only enacted but must be implemented and there ought to be some outcome to justify the relevance and effectiveness of the implementation process.

Developing this idea, Amartya Sen argues that public policy should therefore function as enhancing and expanding people's *substantive freedoms*. In Sen's view such a policy should provide security against deprivations like starvation, under-nourishment, escapable morbidity and premature mortality. It is also required therefore to support the process for literacy, numeracy and active political participation.<sup>23</sup> It is upon this that public policy can be evaluated for its development effectiveness. An effective public policy should motivate individual initiation and social efficiency.<sup>24</sup> What Sen implies is that individuals and society should become *agents*<sup>25</sup> of their development via state support and not 'patients' of the state, doing it for them. The responsibility of the state becomes the provision of the instrumental means to facilitate people's agency. Hence, the state is responsible for all kinds of rights, opportunities and entitlements that are required for enhancing and expanding the people's freedom for their effectiveness as agents of their development destiny.<sup>26</sup> People become agents when they participate in the process of building and providing the means of freedom.

This could be achieved through exposure to a democratic process of 'policy-dialogue' by individuals, communities, institutions and social agencies. Hoppers

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Kumarian Press, 1990, p. 44-45.

<sup>23</sup> Sen, *Development as Freedom*, New York: Random House, 1999, p. 36.

<sup>24</sup> Sen, *Development as Freedom*, p. 18.

<sup>25</sup> Sen defines an agent as "someone who acts and brings about change, and whose achievements can be judged in terms of her own values and objectives, whether or not we assess them in terms of some external criteria as well." See Sen, *Development as Freedom*, p. 19.

<sup>26</sup> Sen, *Development as Freedom*, p. 37.

complements Sen's view by arguing that 'policy-dialogue' broadens the pathways of development. A further benefit of subjecting policy to dialogue is to foster transparency, so as to avoid pitfalls in policy formulation that could tempt both government and civil society to deviate from their intent and purpose, and checking of responsibilities. The dialogical process would then shed much light on "texts and discourses, including research findings (through critical discourse analysis, deconstruction or interpretive techniques)."<sup>27</sup> At this point, public policy could become a good national document, which informs and demands requisite social actions towards an objective in what Hoppers quoting J.Prunty (1985) described as:

... anchored in the vision of a moral order in which justice, equality and individual freedom are uncompromised by the avarice of a few. (A good public policy) would endorse political, social and economic arrangements where persons are never treated as a means to an end, but as ends in their own right.<sup>28</sup>

It is clear then that policy is driven by human policy makers and influenced by them. The attitude of the policy makers and implementers cannot be isolated from the overall expected outcome. It is the human players who determine the success and failure of a policy. So the aspect of morality and basic mindset becomes relevant for the working of policy and its outcome. As Mike Pothier notes:

we can speak of the 'poverty of policy'. No matter how well thought out a policy may be, and how rigorously it is implemented, it will not achieve its goals if the necessary attitudes among economic players are absent.<sup>29</sup>

For Pothier, the outcome of policy hinges on the conscientious desire for the common good and sense of stewardship by government and implementers.<sup>30</sup> Public

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<sup>27</sup> Hoppers, *Public policy dialogue: its role in the policy process*, p. 19.

<sup>28</sup> Hoppers, *Public policy dialogue: its role in the policy process*, p. 24.

<sup>29</sup> Mike Pothier (1999), 'The poverty of policy'.

<[http://web.uct.ac.za/depts/ricsa/confer/me99/procs/pro\\_poth.htm](http://web.uct.ac.za/depts/ricsa/confer/me99/procs/pro_poth.htm)>

<sup>30</sup> Mike Pothier (1999), 'The poverty of policy'

(economic) policy should be designed to seek the ultimate wellbeing of the poorest of the poor by being people-centred in focus as Pothier states:

...there is the question of people-centredness—our economic actions and decisions should never lose sight of the fact that people are both the cause and the purpose of economic activity. Once we order our economy towards the service of an ideology or a particular plan, rather than of people, the economy becomes enslaved to that ideology or plan, to the ultimate cost of people, especially the poor and the marginalised.<sup>31</sup>

The idea of “public policy” is a relatively new idea in the history of political thought, and it is not an idea that is found in a simple way in the Bible. However, the Bible has a very clear idea of how society should be governed in a way that enables citizens to live lives of dignity, prosperity and peace. The word that captures this is “*Shalom*”, and so we need to turn to this now to gain an understanding of what the Bible offers as a way of ordering society.

## 2.2. The Concept of *shalom*

The Biblical concept of *shalom* was the moral yardstick with which the Old Testament prophets determined the state of three levels of human relationships: relationship to God, relationship to neighbour and relationship to nature, in the community of faith. The main focus of *shalom* centres on the socio-economic living standards of the Jewish nations of Judah and Israel. It can be seen that the required healthy relationship that exists between humans, and humans and nature is contingent upon the individual and community’s cordial relationship to God. Jesus also inaugurated the Kingdom of God, the heart of which was not a departure from

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<sup>31</sup> Mike Pothier (1999), ‘The poverty of policy’.

the vision of *shalom*. This required that people seek the desire of God, which comes with material satisfaction (Matt 6: 36). In this entry in the N.I.D.O.T.T.E. (see footnote No. 32), Philip Nel defines *shalom* in the secular sense of material nature as “wellbeing, prosperity, or bodily health... It also expresses the state of mind or internal condition of being at ease, satisfied, or fulfilled”.<sup>32</sup> It also “expresses the social or communal relations between friends, parties, and nations”, and indicate as well the idea of ‘peace covenant’ four times in the Old Testament.<sup>33</sup>

Modern theology has picked up the issue of *shalom* because of its relevance for the state of the order of world. There is increasing human suffering due to all kinds of political and cultural injustice and human exploitation.<sup>34</sup> Modern economic paradigms, especially capitalism and neo-liberal globalization or the free-market system have created massive poverty, economic exploitation and disparity in the distribution of wealth and ecological degradation caused by excessive and unsustainable natural resource exploitation, mostly in the colonized continents like Africa and Asia.<sup>35</sup> *Shalom* is seen as having enormous relevance for the globalized world order of economic inequalities in the midst of a technologically sophisticated world with increasing affluence and poverty on another side. In this way Nürnberger’s idea of ‘comprehensive wellbeing’ captures the essence of *shalom*.<sup>36</sup>

What makes the *shalom* concept relevant for poverty related issues is that it

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<sup>32</sup> Nel, Philip, ‘*shalom*’ in van Genereen, W.A. (ed), *The New International Dictionary of Old Testament Theology and Exegesis*, Grand Rapids: Zondervan, 1997, p. 130-131.

<sup>33</sup> Philip, ‘*Shalom*’, p. 130-131.

<sup>34</sup> Perry Yoder, *Shalom*, Great Britain: Hodder & Stoughton Publishers, 1989, pp. 3-4.

<sup>35</sup> Harvey Sindima, ‘Community of Life: Ecological Theology in African Perspective’, in Bitch, B. C., Eakin, W. and McDaniel, J. B., (eds). *Liberating Life: Contemporary Approaches to Ecological Theology*, Maryknoll, NY: Orbis Books, 1990, pp. 139-140.

<sup>36</sup> Nürnberger, *Prosperity, Poverty and Pollution*, p. 7.

embodies ethical principles which are not just religious obligations but have *concrete*<sup>37</sup> ethical measures that can guide the material aspects of living, based on a fair distribution of wealth, resolving debt and providing health and political commitments towards the poor that focuses on transformation of the poor and the entire wellbeing of both human and non human circumstances. The relevance of *shalom*, as a social concept, has not been explored so much in the context of contemporary society. The word *shalom* in English means peace.<sup>38</sup> This may not make it meaningful for development practitioners, but when it is extended to its other dimension of “wellbeing” it makes more sense, because it begins to express a concern about tangible material and physical issues.

### **2.2.1. *Shalom* in the history of Israel**

*Shalom* plays a key role in the *missio-dei*, God’s mission in the world, offering salvation and reconciliation of creation with himself. There is a need to explain the basic background of this mission of God. This subsection will discuss some of the theological views supporting this assertion, informed by a mainstream Protestant framework. The Bible tells us that through the disobedience of Adam and Eve in the Garden of Eden (Hos 6: 7), humanity finds itself in a state of sin against the Creator (Rom 5: 12). This underlies human and ecological degradation and wickedness through all kinds of exploitation and injustice in the world (Gen 6: 5-6; Jer 12: 4). Sin, as disobedience to God’s command, is the origin of human selfishness and rebellion which make us destructive beings, in our bid to possess and amass wealth

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<sup>37</sup> I used *concrete* in the context of this work to imply a tangible and measurable experience.

<sup>38</sup> Yoder, *Shalom*, p. 6.

for the sake of power and pleasure (Gen 3 & 4). God seeks to recreate the world through a human, Jesus Christ and to set the error right (Rom 5: 12-19). This means that it is the desire of God to see a world in a state that is satisfying to Him by all standards in human life and nature. This means that God is restoring order into the world. Liz Carmichael had said that this requires human cooperation and participation as co-redeemers.<sup>39</sup> *Shalom* then provides a vision for human working with God in recreating the world. This implies that there should be a cordial relationship between the transcendent Creator and humanity, and all that He has made and thus peace in the relationship. But this peace as we shall later see goes beyond the issue of salvation, into that of the state of living.

In the Old Testament the pursuit of this peace was done through the institution of the Tent and the Temple *cultus*, which facilitated the necessary religious rituals of stipulated sacrifices and offerings. These acts were performed as a deliberation on the part of humans, to pacify the righteous demand of Yahweh, or the people or individuals would suffer the consequences. The righteous demand of Yahweh was mercy and justice (Mic 6: 8). These are supposed to be instruments for enhancing peace in the community. So also the institution of the Old Testament covenant under the Law and *cultus* worship was a means of maintaining peace between the Jewish nation and Yahweh. It is through peace with God that His Spirit dwelt among His people for their blessing (Ex 23: 23-26). God established his covenant with Abraham, blessing him with prosperity for his obedience to the covenant demands (Gen 15 & 17). After the historical deliverance of the descendants of Jacob from Egypt, and before their

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<sup>39</sup> Liz Carmichael, 'Creating newness: The spirituality of reconstruction', in Hully, L., Kretzchmar, L., and Pato, L.L., (eds), *Archbishop Tutu: Prophetic Witness in South Africa*, Cape Town: Human and Rousseau, 1996, p. 185.

eventual entry into Canaan, Yahweh entered into a covenant, based upon the Decalogue and the prescription of sacrificial rituals and feast's as a means of making and pursuing peace with His people (Ex 24 & Lev 23:15-25; Deut 16: 9-17). The symbolism of Yahweh's peace in the Old Testament was His blessing of prosperity, health, good harvest and a good yield of livestock. It also brought a period of political peace from external military aggression (Lev 26: 1-13).

The exercise of *shalom* as a political and social obligation brought a sharp rift between the prophets, as the ones who advocated the demands of the Mosaic Law for a just the right social order, and on the other hand the monarchy supporting the levitical order (1 Kg 21; Amos 7: 10-17; Isa 7: 1- 9:7; Jer 22: 13-19).<sup>40</sup>

The entire phase of Israel's history is easily understood as a confrontation of kings and prophets, thus continuing the claims of the David-Solomonic commitment to order and continuity and the Mosaic affirmation of freedom even at the cost discontinuity.<sup>41</sup>

We find that actually Israel settled in the Promised Land with a vision of establishing a nation after the order of Yahweh for a just and righteous model type society (Deut 16: 20). Yahweh guaranteed them *shalom* so long as they stay within His vision of the nation of Yahweh, a righteous nation, a nation of justice (Isa 1). But barely over two centuries after settling, the nation made a radical shift to conform to the pattern of social organization of the non-monotheistic neighbouring societies. Israel, finding itself confronted with the social realities of Palestine, began to adopt some of their cultural practices to survive. They were a growing population with diminishing grazing land

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<sup>40</sup> Walter Brueggemann, 'Trajectories in Old Testament literature and the sociology of ancient Israel', in Gottwald, N.K. and Horsley, R.A. (eds), *The Bible and liberation: political and social hermeneutics*, Maryknoll, NY: Orbis Books, 1993, pp. 209-211.

<sup>41</sup> Brueggemann, 'Trajectories in Old Testament literature', p. 209.

and expanding urbanization and dependency on commerce across frontiers.<sup>42</sup> The initial stage where the people started pestering Samuel for a King to be like the other nations provoked him to forewarn them of the consequences of losing the *shalom* nature of their egalitarian society (1 Sam 8).<sup>43</sup> For example, the people lost their freedom and autonomy under the institution of the monarchy, which promoted administrative centralization favouring the urban dwellers. The rich and political elite of the urban centres breached the wellbeing and stability of the periphery. Some of these events showed that human politics alone is incapable of providing wellbeing without Yahweh's intervention.

The *Shalom* concept and its demands were a confrontation and frustration to royal imperialism and the state officials. The King, the elite and the army depended much on taxes from the peasants in periphery. The years from King Solomon onward exposed the Jewish nation to massive political and economic expansion activities, which compromised the religious integrity to Yahweh in righteousness and justice.<sup>44</sup> This meant that conforming to justice, truth and *shalom* was sacrificed for political and social advantages. The consolidation of Jerusalem and its greatness was nothing but a travesty of social justice which got to the edge of open confrontation led by Jeroboam (1 Kg 11: 26-40). The tributary mode of production was highly abused, resulting in a systemic "rent capitalism" practice, involving exploitation by the royal and urban elites.<sup>45</sup> Carlos A. Dreher pointed out that because of King Solomon's

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<sup>42</sup> Reinhard Bendix, *Max Weber – an intellectual Portrait*, Garden City, NY: Doubleday, 1960, p. 210.

<sup>43</sup> Gerald O. West, 'Debt and jubilee: systems of enslavement and strategies for liberation', *Bulletin for Contextual Theology in Africa*, Pietermaritzburg: Cluster Publications, Vol. 6, 1999, pp.14-17.

<sup>44</sup> Marvin L. Chaney, 'Bitter bounty: the dynamics of political economy critiqued by the eighth-century prophets', in Gottwald, N.K. and Horsley, R.A., (eds), *The Bible and liberation: political and social hermeneutics*, Maryknoll, NY: Orbis Books, 1993, pp. 250-263.

<sup>45</sup> Chaney, 'Bitter bounty', p. 258.

accumulated debt to the Phoenician King Hiram due to outrageous imports and payment for the services of stone hewers and timber fellers, some territories of Israel were seceded to Hiram, which still did not solve the debt problem.<sup>46</sup> Dreher sees these as Solomon's white elephant projects, and explains the distressful economic crisis:

...the chaotic economic situation in which the kingdom found itself. Its economic dependence vis-à-vis the Phoenicians is beyond question. Solomon's fascination with Phoenicians' goods and culture had led him to hand over to the Phoenicians oil, wheat, and even cities.

That state of affairs exacted more pressure on the dwindling peasant communities. They had no choice of resisting under the prevailing political system. The debt was a political choice, which King Solomon pursued in the name of religion. Solomon's successor Rehoboam vowed to double the plight of the suffering ordinary people and the subsequent rift of the United Kingdom was no doubt inevitable given the condition of oppression, suppression and exploitation of the rural peasants (2 Chron 10). The land expropriation by the "prebendal estate" system and the minority urban dwellers who held economic power reached a critical turn.<sup>47</sup> It got to the stage where widows and orphans were losing their properties either in mortgage or unsettled debts (Zec 7: 8-12; Mic 2: 1-2). Some young people were given in slavery due to the inability of parents to settle debts, (Joel 3: 3; 2 Kg 4: 1). Ironically, many of these widows and orphans, according to Nlenanya Onwu, had lost their husbands and fathers, fighting as soldiers in the state's battles to maintain Israel's sovereignty.<sup>48</sup>

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<sup>46</sup> Carlos A. Dreher 'Solomon and the workers', in Vaage, L.E., (ed), *Subversive Scriptures: revolutionary readings of the Christian Bible in Latin America*, Trinity Press, 1997, pp. 29-33, 36-37.

<sup>47</sup> Yoder, *shalom*, p. 110.

<sup>48</sup> Nlenanya Onwu, 'Biblical Perspective for Peace, Development and Reconstruction: Its Socio-Religious Implications for the Churches in Africa', in Phiri, I.A., Ross, K.A and Cox, J.L., (eds), *The Role of Christianity in Development, Peace and Reconstruction: Southern Perspectives*, Nairobi: All Africa Conference of Churches, 1996, p. 32.

But the state neglected its duty to offer economic and social security to those widows and orphans. Certainly, it can be assumed that the number was significant. This was travesty of their wellbeing in the light of the law (Ex 23: 2, 6; Ps 94:1-6).

Yahweh refused to accept worship, sacrifices and offering, and festival celebrations so long as the practices of the elites denigrated the rights of others and caused pain to the poor. Isaiah confronted Judah to re-examine the basis of their religious observation vis-à-vis the circumstance of increasing oppression of the poor, and ignoring the plight of those who were starving, without material clothing and shelter (Isa 58: 1-12). The persistence of such dehumanizing condition was the *wounding* of *shalom*,<sup>49</sup> a devastation of the helpless people. Yahweh requires that in *shalom* the strong intervene to help the weak.<sup>50</sup> The principle behind *shalom* then is the continuity of liberation and freedom in God's community or household. His demand is un-compromisingly a social system where human dignity, irrespective of social status, is of foremost priority for each other. The facilitation and pursuit of this becomes the obligation of the monarch to achieve. In Perry Yoder's words:

...the proper function of kingship is to maintain the proper order through just procedures. Order is proper when the people are protected from outside aggression and from internal oppressors. It is maintaining order which liberates, where the weak and dispossessed are not taken advantage of nor enslaved by the powerful and advantaged.<sup>51</sup>

This implies the maintenance of justice by the state's institutions and its ruling apparatus and organs like the interpreters of the law, the defence force, and its economic policies. Yoder notes that, "this explains why most of the examples given

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<sup>49</sup> Nicholas Walterstorff, *Until justice and peace embrace*, Grand Rapids: Eerdmans, 1983, p. 71.

<sup>50</sup> Walterstorff, *Until justice and peace embrace*, p. 84.

<sup>51</sup> Yoder, *Shalom*, p. 96.

by the prophets lie in the economic sphere”.<sup>52</sup> The implication is that it is in economic life that the disparity in resource distribution is properly seen.

The demands of the prophetic messages turned the concept of *shalom* into social reality, wellbeing (Hos 6: 6). Wellbeing, is the economic aspiration of human life. Wellbeing touches every aspect of both human and non-human living, especially finding food, good water, health, appropriate shelter, literacy and livelihood.

### **2.2.2. *Shalom* as peace with justice**

In *shalom*, Yahweh delivers material prosperity, health and political stability if the condition of righteousness (*sedaqa*) in the sense of justice prevails among the people of God, Israel (Isa 65, Amos 8:6). Yahweh, requires that justice is pursued as a key aspect of obedience to him. Obedience at this stage can be seen as cooperation and collaboration with Yahweh to allow His desire to be of prime importance to benefit His creation. This makes the human collaborator a necessary agent for Yahweh’s purpose to be established among His people and in the world. So, as Rowland Croucher argues, human agency as co-redeemers cannot be ruled out if *shalom* is to be achieved for the state of wellbeing.<sup>53</sup> Yoder strongly agrees with this position that *shalom* is an obligation upon political institutions to administer, one that people of faith should demand. *Shalom*, according to Yoder, captures the core of the Christian faith, which focuses on the transformation of society. Yoder captures this by stating

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<sup>52</sup> Yoder, *Shalom*, p. 106.

<sup>53</sup> Rowland Croucher. *Recent trends among evangelicals: Biblical agendas, justice and spirituality*, Australia and New Zealand: Albatross Books, UK: MARC Europe, 1986, p. 45.

that, “the vision of *shalom* is a vision for the poor and oppressed.”<sup>54</sup> So *shalom* is a struggle to arrest the trend of social injustice that is perpetuated against the weak and helpless in society. It is the focus and mission of God in the world of injustice and sin to let order prevail, in accordance with his purpose for the creation. The purpose of God for humankind is justice within his creation, thus harmony between people and between creation and people and with God.<sup>55</sup>

Jesus’ proclamation of the Kingdom of God is an affirmation of the Old Testament concept of *shalom*, which is the physical and material aspect of people. In the view of Richard A. Horsely, in

...the preaching and action of Jesus, including the “kingdom of God” sayings and references to god as Father, the focus is almost always on the people, and the concern is not abstract or even primarily religious, but is with the people’s concrete circumstances, both somatic and psychic, both material and spiritual.<sup>56</sup>

What Horsely sees is that the teaching of Jesus concerning the Kingdom of God cannot in any way be dissociated from “the welfare of people”. The Kingdom is connected to a society of physical people with material needs.<sup>57</sup> This is thus a significant outlook of the Bible and the God behind it.

### **2.2.3. *Shalom* and the New Testament**

In the New Testament, Paul in the epistle to the Romans argues that humanity is lost and is far apart from the reality of God. The Romans epistle argues that, “all have sinned and

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<sup>54</sup> Yoder, *Shalom*, p. 6.

<sup>55</sup> Walterstorff, *Until justice and peace embrace*, pp. 69-70.

<sup>56</sup> Horsely, ‘The kingdom of God and the renewal of Israel’ in Gottwald, N.K. and Horsley, R.A., (eds), *The bible and liberation: political and social hermeneutics*, Maryknoll, NY: Orbis Books, 1993, p. 421.

<sup>57</sup> Horsely, ‘The kingdom of God and the renewal of Israel’, pp. 420, 422.

fall short of the glory of God” (Rom 3: 23) but through the vicarious death of Jesus Christ, humanity is reconciled to God through faith in His death (Rom 6: 21-26; Rom 5: 10).<sup>58</sup> This is not limited to humans alone but the entire creation is experiencing the throes of human lostness in sin (Rom 8: 22) Paul emphasized that humanity without faith in Jesus cannot merit forgiveness from God and His love. God has shown His love towards the world by seeking peace with His creation in order to establish *shalom* the state of wellbeing (Jn 3:16; Eph 2: 4-10).

The position of God has been to identify with the helplessness of His creatures in relation to His righteous demands. Jesus Christ, becomes our empowerment for a new desire and new perspective of this world in the vision of God for righteousness and justice (Heb 2: 14-18). The issue of sin disqualifies humanity from any relationship with God, but the effect of the redemption offered of Jesus entitles humanity to participate in a holy relationship with Him. This is achieved by the restoration of the peace bond based on the new covenant, which takes a personal form with God in Christ. The Old Testament prophets shared the same outlook of the human isolation by sin from Yahweh. This is well echoed by Isaiah: “All of us have become like one who is unclean, and all our righteous acts are like filthy rags...” (Isa 64: 6). However, Isaiah also saw God as the One who initiates the call for peace, rather than it being a human choice. Human selfish and self-seeking tendencies take us away from Yahweh. But He nevertheless comes after us as the strong seeking fellowship with the weak: “Come now, let us reason together,” says the LORD. “Though your sins are like scarlet, they shall be as white as snow; though they are red as crimson, they

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<sup>58</sup> See also: Ulrich Duchrow and Gerhard Liedke, *Shalom: Biblical Perspectives on Creation, Justice and peace*, Geneva: WCC publications, 1989, p. 129.

shall be like wool” (Isa 1: 18).

The issue of sin disqualifies humans from any self-effort to merit the favour of God except through faith in Jesus Christ. So, without the expression of faith in the sacrificial achievement of Jesus there cannot be peace between a person and God on an individual basis or in a household (Jn 1: 29; Acts 11: 14; 16: 13-15). The basis that we find in all the New Testament authors is that peace with God begins as a transformation in an individual, as new life, which ends or reduces the selfish nature, sin (1 Jn 5: 1-12; Eph 2: 11-22; Js 2: 14ff; Lk 24: 45-47; Mt 28:16f). When sin is subdued we begin to appreciate God from the standpoint of His love for us and we are regenerated from within as a transformation process by the help of the Holy Spirit (Jn 16: 5-15) and seek a new perspective of life, and quality of understanding that aspires after the desire of the Creator for His creation, and this is the wellbeing of all things that is through justice (2 Pe 1: 3-11). This is the religious demand of *shalom* which epitomizes our relationships.

#### **2.2.4. *Shalom* and the economic sphere of life**

Economics is about life. It is concerned with the ‘whats’ and ‘hows’ of meeting daily needs. As Rob van Drimmelen points out, economics is as old as human existence. The word economics takes its root from the Greek words *Oikos* meaning “household” and *nomos* meaning “the word” or “the law”. So in combination as *Oikonomous*, economics is interpreted as “the law or management of the household”.<sup>59</sup> “Household” has importance in the Scripture when it comes to the

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<sup>59</sup> Rebecca M. Blank, *Do justice: Linking Christian faith and modern economic life*, Cleveland Ohio: United

issues of *shalom*. The term “household” in the Old Testament first related to the entire community of Israel (Jer 13: 11; 23: 8).<sup>60</sup> Economics in the moral sense should be concerned with the distribution of physical household resources, which determine the survival or demise of a household or the entire community. Halvor Moxnes has noted that talking about the household “the emphasis is mostly on the economic and functional aspects of the common life of its members”.<sup>61</sup> Blank affirms that:

Those who have access to the physical resources of the household are assured of survival. They are given life. Those who are denied access to the physical resources of household face exclusion, poverty, and malnourishment. They are denied life.<sup>62</sup>

What Blank strongly argues is that we cannot limit economics to the technical definition in politics as “the allocation of scarce resources”.<sup>63</sup> This is affirmed by von Drimmelen,<sup>64</sup> and Ronald H. Preston who argues that economics must be defined beyond the conception of Adam Smith, the founder of modern economic science.<sup>65</sup> Economics should provide life for people. Life is of prime importance to God because He is the source of life. If people are starved of bread that gives life then it implies God is not giving. Jesus in His teaching on how to pray made it emphatically clear that we ask God for our daily bread (Matt 6: 11).

Duchrow and Hinkerlammert, assert that if economics is considered as merely a

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Church Press, 1992, pp. 10-11.

Also: Rob van Drimmelen, *Faith in a global economy: A primer for Christians*, Geneva: WCC Publications, 1998, p. xi.

<sup>60</sup> Blank, *Do justice*, p. 11.

<sup>61</sup> Halvor Moxnes, *Putting Jesus in His place: a radical vision of household and Kingdom*, Louisville, London: Westminster John Knox Press, 2003, p. 28.

<sup>62</sup> Blank, *Do justice*, p. 11.

<sup>63</sup> Konrad Raiser, ‘Spirituality of resistance’, in *Echoes*, Vol. 22, 2004, p.24. Also: Blank, *Do justice*, p. 11.

<sup>64</sup> Drimmelen, *Faith in a global economy*, pp. 1. 4.

<sup>65</sup> Ronald H. Preston, *Church and society in the late twentieth century: the economic and political task* (The Scott Holland Lectures for 1983), London: S.C.M. Press Ltd, 1983, pp. 42-44

science, then “in the language of the economists, science judges only the relationship between means and preference”.<sup>66</sup> The implication is that a scientific basis is devoid of value: “science does not judge values, only rationality”.<sup>67</sup> This makes the technical outlook of economics in the common definition morally neutral. However, von Drimmelen argues that economics cannot exist in neutrality of value and judgment.<sup>68</sup> The reason is that it is also a link to power relations. Laurenti Magesa shares the view of power relations and states that until a people are entitled to “political liberation” they cannot have a just economic system under unbridled political hegemony.<sup>69</sup> Political liberation is not the exercise of political choice alone, but Magesa noted should include respect for human values shaped and protected by “political action and behaviour”.<sup>70</sup> Such political action and behaviour can be demanded in economic decisions. Economics is basic to the survival of humanity so it cannot remain outside the bounds of morality for the sake of accountability to society and God who ordains economy, the *bread* of life.

Economics is about the meeting of basic needs such as nutrition, health services, education, housing and other social amenities. This makes economics morally answerable because it is directly connected to human and ecological wellbeing. On this ground, Blank has noted again that, economic decision-making makes it a priority to let policy concerns focus on those whose livelihoods are most threatened

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<sup>66</sup> Ulrich Duchrow and Franz J. Hinkelammert, *Property for people, not for profit: Alternatives to the global tyranny of capitalism*. Geneva: World Council of Churches Publications, 2004, p. 120.

See also: Preston, *Church and society in the late twentieth century*, p. 35.

<sup>67</sup> Duchrow and Hinkelammert, *Property for people, not for profit*, p. 121.

<sup>68</sup> Drimmelen, *Faith in a global economy*, p. 4.

<sup>69</sup> Laurenti C. Magesa, ‘Theology of integral development in Africa’, in Agbasiere, Joseph T. and Zabajungu, B.K., (eds), *Church contribution to integral development*. Eldoret, Kenya: AMECEA Gaba Publications, 1989, p. 116.

<sup>70</sup> Magesa, ‘Theology of integral development in Africa’, p. 116.

and not those who already have an excessive abundance.<sup>71</sup> This will help decision-makers to question on moral grounds the impact of economic choices upon the poor. In the same manner von Drimmelen asks: “instead of beginning with economies and their growth, what would it mean to start with communities and their wellbeing?”<sup>72</sup> It would then become indisputable that economic decisions are about justice for the wellbeing of all people and nature. On the other hand an economic system that denies communal sharing of the Creator’s “sacred gifts”, and systemically reduces, denies or destroys life should be resisted in all that it stands for impoverishment of community.<sup>73</sup> If resistance becomes the reality<sup>74</sup>, then it can be said that divine agenda is being promoted.

Where is the trend of economics of these days? The economy of the day is not designed to seeking the “common good”, but satisfies only a minority or the exclusive class interest. It ignores the ethical demands of being pro-life and pro-poor denying *shalom*. The economics of these days is ‘growth-centred’. According to Drimmelen,

When economic growth becomes the centrepiece of economic policies, economics as a science is reduced to promoting the efficient allocation of production factors. Progress, success, welfare and development are measured entirely apart from considerations of distribution or environmental consequences – and if there are problems with distribution or environmental destruction, economic growth is seen as necessary to solve these.<sup>75</sup>

It is explained that utilitarian assumptions influence this scientific view of economics

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<sup>71</sup> Blank, *Do justice*, p. 12.

<sup>72</sup> Drimmelen, *Faith in a global economy*, p. 125.

<sup>73</sup> Konrad Raiser, ‘Spirituality of resistance’, in *Echoes* (Justice, peace and creation news), No. 22, Geneva: WCC Publications, p. 24.

<sup>74</sup> Duchrow and Hinkelammert, *Property for people, not for profit*, p. 23.

<sup>75</sup> Drimmelen, *Faith in a global economy*, p. 118.

about growth. The implication of the concept is maximizing production through industrialization to produce surplus for greater benefit. This perspective of economic development is based on unbridled increments rather than on an orientation towards control and finding-solutions. This, for instance, means that, if there are too many cars that are causing excessive congestion, for example, new roads instead of controlling the number of cars is the recourse. The excessive focus on growth can lead to what is known as structural sin. Structural sin can manifest itself in various forms of violence, e.g., “poverty, starvation, self-contempt, hero worship, fear, disease, ignorance, superstition, corruption, victimization, torture, pride, racial and sexual discrimination, nepotism, undue patronage”. In Some economic technicalities in the name of development are used to serve the interest of those who are more privileged.

### **2.2.5. *Shalom* and environment**

The perspective of the Bible, shows that the wellbeing of the human community entails the wellbeing of nature and vice versa. The Bible presents nature as a gift to humans who are accountable for its wellbeing (Gen 1: 27- 28; 2: 15f). The Biblical perspective of nature as sacred is based upon God being the Creator and the source of its life.<sup>76</sup> On the other hand, progress or the linear ideology of the Western world encourages the concept of taking nature or the environment as a mere resource for raw materials and overexploitation.<sup>77</sup> This is an extreme view that over exploits and

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<sup>76</sup> Emmanuel Asante, 'Ecology: Untapped resources of Pan-Vitalism in Africa', *African Ecclesial review*, No. 27, 1985, p. 292.

<sup>77</sup> Duchrow and Liedke, *Shalom: Biblical Perspectives on Creation, Justice and peace*, p. 60. Also: Nürnberger, *Prosperity, Poverty and Pollution*, p. 187.

subverts the wellbeing of nature. The fact of human stewardship to take care and utilize nature in a sustainable manner for the wellbeing of both humans and nature is a problem in the world now. It shows that nature in modern times is deprived of *shalom*, with the consequence being massive degradation and pollution, and increased health hazards and disease, caused by pollution and poisoning.<sup>78</sup>

### 2.2.6. *Shalom* and Jubilee

A clear illustration of the impact of *shalom* on economics is the law of Jubilee which dealt with debt release. Apart from the national debt that characterized the flamboyance of King Solomon's reign, there is not any evidence of international debt presented in the Scripture, though there is much evidence of the debt on a local level. It is clearly evident that indebtedness in Scriptures was a socio-economic problem. Economic disparity in resources and exploitation created unfair dependency, enslavement and oppression in the Jewish community. The biblical records are not silent on oppressive debt conditions that prevailed in the Jewish communities. In considering the laws on debt, the prophets' utterances on indebtedness, and Jesus' allusion to debt in the Lord's Prayer and some of the parables, there is enough reason to justify that debt was a biblical issue, and it is dealt with through the Jubilee law.

Gerald O. West notes that, Jubilee was "a legal, structural, mechanism to ensure that there was no systemic relationship between wealth and poverty, between rich and

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<sup>78</sup> Joyce V. Millen and Timothy H. Holtz, 'Dying for Growth, Part I: Transnational Corporations and Health of the Poor', in Kim, Jim Yong, Millen, Joyce V., Irwin, Alec and Gershman, John, (eds), *Dying for Growth: Global Inequality and the Health of the Poor*, Boston: Common Courage Press, 2000, p. 178.

poor”.<sup>79</sup> The meaning of the word jubilee (Hebrew “jôbel”) is “ram” or “ram’s horn” and connotes the blowing of the horn at the fiftieth year signifying New Year and new life.<sup>80</sup> The Jubilee law was instituted before Israel became an established nation in Canaan (Lev 25 and Deut 15) as part of the Sinaitic code. The purpose of the Jubilee laws was in line with Yahweh’s vision of a community and society of comprehensive wellbeing where factors leading to acute economic imbalances were reduced.<sup>81</sup> It was to prevent the annihilation and complete ruin of the poor.<sup>82</sup> The particular concern, which Paula M. McNutt notes, is the importance the jubilee and sabbatical laws attaches to the family and the land in their preservation.<sup>83</sup> In this way the Jubilee law extends and amplifies the intention of the Sabbath laws.

The Jubilee law also dealt with slavery. Slavery emerged in its massive form during the period of King Solomon. There was a high increase of private ownership of slaves by the elites through indebtedness of the poor from that time.<sup>84</sup> Duchrow and Hinkelammert noted that the state of social inequality lead to a situation in which the poor were indebted to the rich and were bound in perpetual enslavement.<sup>85</sup> Enslavement was a breach of human entitlement to liberty and sovereignty. This is the key focus of Jubilee. This is what Israel experienced in Egypt for 400 years and their eventual deliverance by Yahweh signified His stance against human oppression in all forms.<sup>86</sup> Yahweh warned Israel against enslaving other people, especially from

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<sup>79</sup> West, ‘Debt and jubilee: systems of enslavement and strategies for liberation’, p. 15.

<sup>80</sup> Gordon J. Wenham, *The Book of Leviticus*, London, Sydney, Auckland, Toronto: Hodder & Stoughton, 1979, p. 319.

<sup>81</sup> Nürnberger, *Prosperity, Poverty and Pollution*, pp. 26-27.

<sup>82</sup> Wenham, *The Book of Leviticus*, p. 317.

<sup>83</sup> Paula M. McNutt, *Reconstructing the society of ancient Israel*, London: SPCK, Louisville, Kentucky: Westminster John Knox Press, 1999, p. 159.

<sup>84</sup> E.W. Heaton, *Everyday life in Old Testament time*, B.T. London: Batsford Ltd., 1956, p. 141.

<sup>85</sup> Duchrow and Hinkelammert, *Property for people, not for profit*, p. 79.

<sup>86</sup> Ross Krister and Gloria Krister, *The Biblical Jubilee and the struggle for life*, Maryknoll, NY: Orbis Books,

among themselves. Ross and Gloria Krister have observed that, “liberation from slavery, from Egypt, must lead to responsible living in social relations that are liberating and just”.<sup>87</sup>

The relationship between the rich and the poor is indisputably physical and material. This is in relation to the economic base of life.<sup>88</sup> Jesus’ Sermon on the Mount blesses the poor in spirit (Matt 5: 3). The implication as most commentators agree is human humility and sense of spiritual helplessness. But this does not condone the physical and material poverty with its corresponding impoverishment of the poor. So we find West arguing that Jesus opposed all social institutions that were used to perpetuate the evil order of injustice and exploitation and oppression of the poor (Mk 11: 27-13:2):

However, Jesus was not only standing against the injustice of the temple system, he was also standing with the masses – “the crowd” (Mk 12: 37b) – who were being oppressed and dispossessed by this system.<sup>89</sup>

The significance of this is that Jesus had declared the continuation and fulfilment of the Jubilee order in continuity with the Old Testament prophets’ (Hosea, Amos, Micah, Isaiah and Jeremiah in particular) struggle and insistence for justice as God’s desired righteousness. The fact that there was the note of struggle is indicative of non observance of the Jubilee order.

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1999, pp. 9-10.

<sup>87</sup> Krister, *The Biblical Jubilee and the struggle for life*, p. 9.

<sup>88</sup> McNutt, *reconstructing the society of ancient Israel*, p. 159.

<sup>89</sup> West, ‘Debt and jubilee: systems of enslavement and strategies for liberation’, p. 17.

### **2.2.6.1. The ideal function of the Jubilee laws (Leviticus 25 and Deut 15)**

The Sabbath and Jubilee laws were given to enable society to be organised in a pattern that accommodates the most vulnerable and nature against inordinate abuse by the prevailing social system. It is then legally required that all slaves, prisoners and captives are given liberty. All debts that are owed to debtors are to be cancelled and lands that are under mortgage, or taken as usury or sold are to be released to their owners – the families or clan (Lev 25:39; 2Ki 4:1; Neh 5:1-13; Job 24:9; Mt 18:25). The land also is to be allowed a whole year rest without any farming activity.

The cancellation of debts and the release of slaves were meant to prevent the permanency of slavery. Perpetual enslavement was a breach of the right to honour human dignity and freedom, and the release of slaves was to offer the chance to begin new life. It was through economic failings and borrowing that made many end up in slavery. Such debt insolvency led to a family member being taken captive as slave. This practice as already mentioned above received sharp condemnation from the prophets. So the Jubilee requirement is that at the end of every fiftieth year slaves are set free to return to their families (Deut 15: 1-3). This is to enable them to start new life. In both Leviticus and Deuteronomy there is the injunction to offer assistance to those who need to resettle (Lev 25: 35; Deut 15: 7, 8).

The restoration of lands and the declaration of the Jubilee and Sabbath rest have the significance of the recognition of human stewardship. The regulation on this stipulates that at the end of the sixth year lands that have been mortgaged or sold out

of the family be restored. They are three implications here; firstly, lands are to be recognized as belonging to Yahweh. Secondly, the restoration of the land is to preserve the continuity of poor families from dying out. And thirdly, it was to enable the Jews to be kind to their fellow human in remembrance of the mercy of Yahweh that delivered them from slavery in Egypt (Lev 25: 38, 42). The farm lands also were required to have some respite from human activities. The Sabbath rest for the land begins at the end of every sixth year and certainly such an observation will contribute restoration of fertility after exhaustive use. “The presence of God in the Temple or tabernacle” as described by David N. Field, “is the integrative centre, which relates ... personal righteousness and social justice”.<sup>90</sup> This enjoins the active cooperation and participation of the covenant people to work not only for the preservation of the people but also the land. The law stipulates order and steps towards ordering living pattern and caring for nature against abuses.

The actual function of the Jubilee regulation has been doubted. The biblical evidence of the confrontations between the prophets and the civil authorities suggest that they were possibly adhered to or practiced.<sup>91</sup> It can be argued that probably the pre-monarchical period experienced some aspects of it but in fact it remained just an ideal and a future vision. Nehemiah showed his concern for the disparity in wealth distribution and the debt problems of the poor during his tenure of office as governor of Judah (Neh 5). He requested the cancellation of debts and this can be attributed to an attempt to enable the functioning of the Jubilee ideal in its own manner at that time. But it was not specifically mentioned as Jubilee. In the New Testament in

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<sup>90</sup> David N. Field, ‘The Gospel, the Church and the earth: reflection on ecological ecclesiology’, *Journal of Theology of South Africa*, No. 111, November 2001, p. 75.

<sup>91</sup> Wenham, *The Book of Leviticus*, p. 142. Also see: Heaton, *Everyday life in Old Testament time*, p. 317.

Luke, Jesus declared His mission in line with the Jubilee injunctions (Lk 4: 18f). Jesus mission has been preaching the good news to the poor, setting the prisoners free and liberation of the oppressed. He declared this to show that debt and slavery was not acceptable in the sight of Yahweh. His inevitable confrontation with the civil and religious institutions representing authority structures that allowed the exploitation of the poor also supports that Jubilee was not practically observed.

It can be summed up, that the purpose of Jubilee is to institute the right of the poor and slaves to freedom and the right of sharing in the grace of Yahweh's providence as unmerited favour.<sup>92</sup> The gist of the Christian gospel centres on unmerited favour, grace, that Yahweh has accorded to humanity by granting liberty and forgiveness of sin to the world. Grace Justice requires the principle of each becoming the keeper of the other, and this is the tenet of the Gospel of Christ, the wholesome vertical love of God and lateral concern and care for my neighbour. This spells the right of the poor in the need of care, concern and help from the stronger neighbour. In view of the demand of Jubilee, social justice should be the quest of society as against the accumulation of wealth, in the hands of a minority elite and officials. The point here is not "parity justice"<sup>93</sup> as Croucher rightly puts it, in a communist sense of state owning everything and paying all at flat rate or employing everybody, but "grace justice" that considers the position of the strong against the weak or the most vulnerable.<sup>94</sup>

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<sup>92</sup> Krister. *The Biblical Jubilee and the struggle or life*, p. 10.

<sup>93</sup> Croucher, *Recent trends among evangelicals*, p. 46.

<sup>94</sup> Croucher, *Recent trends among evangelicals*, p. 46.

### **2.3. Conclusion: *Shalom*, the poor and public policy**

The conclusion is that from a biblical point of view “pro-poor” is a theological legitimate public goal. This is the concern of *shalom*, that society order itself in a pattern that support and empowers the economic life of the poor communities, and affords the care of the environment, so that no person and nature is left out perpetually to languish in undignified economic conditions. The poor are mainly victims of social and economic structures, which operate through the practice of economic models that are supposed to be pro-poor, but in reality are hostile to the *concrete* wellbeing of the poor. In reality, the proper definition of economics should provide for community survival and life. Where the people do not know this as their right, the living standard declines making them poor. So, the poor are the weak who struggle to claim their rights.

For this reason, it requires the instrument of social policy, policy-dialogue in combination with a deliberate observance of moral values, to pursue a just system that guarantees the protection and economic security of the most vulnerable in the society for their wellbeing. In the Christian tradition, such an undertaking is making *shalom* work: it is declaring Jubilee for the downtrodden that was the cornerstone inaugural message of Jesus Christ, “The Spirit of the Lord is on me, because he has anointed me to preach good news to the poor. He has sent me to proclaim freedom for the prisoners and recovery of sight for the blind, to release the oppressed...” (Lk 4: 18f). With this theological insight into the goal of public policy, we are now in a position to examine the impact of the HIPC initiative upon the people of Northern Ghana.

## Chapter 3

### 3. Poverty in Northern Ghana

This chapter draws our attention to the situation of poverty in Northern Ghana in order to provide a reference point from which to consider the impact of the Highly Indebted Poor Country (HIPC) Initiative upon the people of this region. In order to do this, we provide an overview of the economic history of Ghana, with reference to the Colonial, Nkrumah, Post-Nkrumah and Structural Adjustment Programme (SAP) periods so as to provide a context in which to understand poverty in the North. Then we look specifically at the North, and describe the situation there.

#### 3.1. Overview of Ghana's economic and political history

Since the 1980s, Ghana has become one of the most heavily indebted countries in Africa. By 2001 the country's external debts stood at US\$ 7.5 billion (¢41.1 trillion).<sup>95</sup> This has changed the trend of Ghana's economy from a hope-inspiring one at independence, to one that creates almost no confidence among the people. Ghana's budget depends much on donor funding in education, health, roads and infrastructure-provision. The greater portion of these inflow grants and external loans paradoxically were used to service the external debt balance with the same donors and financiers.<sup>96</sup> This has sustained a growing rather than a diminishing debt balance,

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<sup>95</sup> This represents 224% of exports and 709% of budget revenue and 124% GDP. Source: AFP, Government says empty coffers forced 'poor' status.

<<http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=48101>>

<sup>96</sup> Kwabena Donkor, *Structural adjustment and mass poverty in Ghana*, UK: Ashgate Publishers Ltd., 1997, p.203.

externally and locally. Internal revenue has fallen below expectation due to reasons such as serious official corruption.<sup>97</sup> Government is finding it difficult to meet the demand of local development programmes to alleviate poverty.

The economy has followed an inevitable trend of decline, to become one of the worst in the world. Living conditions in Ghana for the ordinary person have become difficult. The average wage in Ghana hardly provides three meals and other daily needs for one person. Health and children's education has declined and most families cannot afford the cost of these social services. Forty years ago, Ghana had the same *per capita* income (about US\$ 250) as South Korea<sup>98</sup> and the highest in emerging Sub-Saharan Africa.<sup>99</sup> What then have been the cause of this decline in Ghana's economy and the deteriorating living standards of the poor in the country? Fundamentally, Ghana has gone through a long and unstable political dispensation. Military interventions in Ghana's politics resulted in different approaches to policies and national vision. A lack of commitment to a uniform policy and national vision has incurred a very large external and domestic government debt for the nation.

In order to gain a quick overview of the economic history of Ghana, and to understand the current economic situation with regard to poverty and debt, it is helpful to organise these into four periods, namely, Colonial, Nkrumah, Post-Nkrumah and SAP. We examine each in turn.

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<sup>97</sup> Douglas Rimmer, *Staying poor: Ghana's political economy 1980 – 1990*, pp. 217, 218.

<sup>98</sup> Michael Weinstein (November 2003), 'The economic paradox of Ghana's poverty', *Financial Times*. <<http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=46391>>, see also: <[www.Supubs.com/ST.html](http://www.Supubs.com/ST.html)>

<sup>99</sup> Krassowski, *Development and the Debt Trap: Economic Planning and External Borrowing in Ghana*, p. 4.

### 3.1.1. Colonial period - 1957

Ghana is not a large country, but it is located in an area richly endowed with good arable land, minerals and people potential. It has the resources to become wealthy. The former colonial master planned to make it a model for its colonies. Indeed, many of the European nations battled along the Gold Coast for control of the land. The discovery of gold, and the slave market that later emerged, created a vibrant centre of commerce. After the British gained absolute control by the Protectorate Agreement with the coastal chiefs and by subduing the Asante's resistance they established themselves and colonized the people and the land.<sup>100</sup> The British ruled Ghana from 1844 to 1957.<sup>101</sup> A few years after independence Ghana's potentiality to become an African giant, and hope for prosperity, turned out to be a mirage, due to policy miscalculations and haste to develop in the Western style. What were Ghana's economic growth policy miscalculations? The foundation for these was partially laid before independence when, according to Andrzej Krassowski:

By 1950,...the average Ghanaian had become accustomed to many basic, but 'sophisticated', consumer goods, such as processed food, soap and detergents, cigarettes, all of which – except beer – were imported.<sup>102</sup>

The cultivation of the taste of the people of Gold Coast for imported food items was the beginning of economic dependency for the people.

According to Kwabena Donkor, "In 1840...Ghanaian (Gold Coast) exports to

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<sup>100</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, pp. 2-3.

<sup>101</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 3.

<sup>102</sup> Krassowski, *Development and the Debt Trap*, p. 8.

Britain had reached £325,508, while imports reached £422,170.”<sup>103</sup> There was a drain on the nation and this demanded additional income to meet the taste of urban and rural consumers.<sup>104</sup> Other factors were a poor road network for efficient transportation, acute power supply shortages for investment projects, and a rudimentary public health system, which affected labour.<sup>105</sup> Krassowski mentioned that the civil service was “weak for the purpose of economic planning.” This was due to improper keeping of records or lack thereof and lack of financial institutions for effective economic growth.<sup>106</sup> There was no effective domestic market for the five items of export at that time, namely, gold, diamond, manganese, cocoa and timber. This subjected income earnings to control by external factors.<sup>107</sup> These weaknesses raised questions about the long-term intentions of the colonizing power.

These factors were not hidden from the growing, educated and better-informed sector of society. The period after World War Two was one of income boom for Ghana’s cocoa exports and services to American air operations in the Mediterranean.<sup>108</sup> The lack of improvement in the living standards started agitation for change. The World War advantage was not a continuous opportunity, and post-war demand by veterans, the occurrence of cocoa diseases and increasing living costs of urbanization began the process for self-rule, in which Kwame Nkrumah and others were key activists. They were arrested when some of

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<sup>103</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 3.

<sup>104</sup> Andrzej Krassowski, *Development and the Debt Trap – Economic Planning and External Borrowing in Ghana*, Croom Helm, London, 1974, p. 8.

<sup>105</sup> Krassowski, *Development and the Debt Trap*, p. 9.

<sup>106</sup> Krassowski, *Development and the Debt Trap*, p. 10.

<sup>107</sup> Krassowski, *Development and the Debt Trap*, p. 10.

<sup>108</sup> Krassowski, *Development and the Debt Trap*, pp. 11-12.

these riots exploded into violence in Takoradi.

This increasing pressure in 1947 made the British governor, Sir Alan Burns, make constitutional reforms to involve the participation of indigenes in the government. This did not end the pressure. Later in the same year the United Gold Coast Convention, a political movement, was formed.<sup>109</sup> The incorporation of local leadership into the political administrative structure did not eliminate the pressure. This made the colonial government introduce a development programme plan for a period of ten years to improve civil service delivery and improve social services. The “Ten-Year Plan of 1951” has been described by Krassowski as a mere “declaration of intent.”<sup>110</sup> The implication is that this plan did not have the ingredients to change Ghanaians’ poor living standard by a standard measure of effective development programmes. This period initiated the formation of a crass economic policy which has never changed. Such a policy is imposed without consideration of the long-term consequence upon the citizens. A public policy that can have a positive long-term effect should have a great degree of input of the citizenry through policy dialogue.

Even though Nkrumah found this programme unfavourable before his election into the colonial administration, there are some positive views about it as a modest programme. It was intended to depend much on local resources, with only 33% to be borrowed from external sources.<sup>111</sup> The broad outlook could be accepted as human centred, with 33% going into social services:

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<sup>109</sup> Krassowski, *Development and the Debt Trap*, pp. 11-13

<sup>110</sup> Krassowski, *Development and the Debt Trap*, pp. 14.

<sup>111</sup> Krassowski, *Development and the Debt Trap*, p. 15.

17 percent for 'economic and productive services' (including agriculture, industry, electricity, and water); 35 percent for 'communication' (road, rail, harbour, and telecommunications); 33 percent for 'social services' (education, health, housing, and welfare); and 15 percent for 'common services and general administration' (government offices, police and prisons, defence, etc.).<sup>112</sup>

The bigger segment which went to communications was complementary to the effective discharge of social services. For instance, good roads facilitate easy health access, business and trading. The weakness of the plan was that it lacked a long-term and visionary goal for Ghana.<sup>113</sup> Donkor says that: "This Plan simply assembled information from all government departments relating to all projects they would like to see implemented during the plan period."<sup>114</sup> It was criticized by Nkrumah as slow in delivering social investment.<sup>115</sup>

### 3.1.2. The Nkrumah period (1957 – 1966)

The post-independence new nation, Ghana, had Kwame Nkrumah as the first Chief Executive. Having repudiated the Ten Year Development Plan as inappropriate for effective and fast social development, he declared The Second Five Year Development Plan, 1959-1964. This was to:

...show what we have to do – by our own hard work, by the use of our natural resources and by encouraging investment in Ghana – to give us a standard of living which will abolish disease, poverty, and illiteracy, give our people ample food and good housing, and let us advance considerably as a nation.<sup>116</sup>

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<sup>112</sup> Krassowski, *Development and the Debt Trap*, p. 16. Also in Donkor: Economic and Productive Services. £G12,444,000, or 16.9% of total planned investment was allocated to this component. In the area of communications an allocation of £G26,110,000 or 35.3% of TPI and the largest was assigned to this sector. Social Services had the second largest allocation- £G 24,542,000. This was 33.1% of the total allocation. General Administration was allocated £G10,896,000. This was 14.8% of the total over the plan period, p. 18.

<sup>113</sup> Krassowski, *Development and the Debt Trap*, p. 21.

<sup>114</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 17.

<sup>115</sup> Krassowski, *Development and the Debt Trap*, p. 19.

<sup>116</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 28.

Nkrumah's vision was truly a concern for people's well-being, but, in spite of this, the approach he used to pursue this vision let him down. It also plunged Ghana into a state of debt insolvency and economic crisis. The approach of Nkrumah was that the new and young nation should embark on "massive industrialization",<sup>117</sup> as a way of lifting the nation from poverty. Krassowski further states, "The failure of many credit-financed projects was the mere tip of the iceberg, the obvious part of the problem which Nkrumah's policies created."<sup>118</sup>

This approach could be described as putting the cart before the horse. The portfolio of Nkrumah's policies in economics, social and political, was laudable, but over-ambitious. The massive industrialization to turn Ghana into a very fast-growing economy was hastily initiated. The social plan of multiplying educational institutions and the political empire of an African union could have been a good end-vision, together with an industrialized Ghana. Donkor commented that: "Notwithstanding the relatively large resource base at the disposal of the Nkrumah government, the Plan was still too ambitious, at least in the rhetoric."<sup>119</sup> This approach, which became dubbed as the "large coat"<sup>120</sup> plan, was arrived at because the late former President declined the cautious counsel of expectations on economic policy.<sup>121</sup>

What was the outcome of the "large coat" development initiative plan? It had promoted government over-expenditure beyond the *per capita* output that the

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<sup>117</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 41

<sup>118</sup> Krassowski, *Development and the Debt Trap*, p. 2.

<sup>119</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 28.

<sup>120</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 29.

<sup>121</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 29. K. A. Gbedemah and E.N. Omaboe (Chief Nkrumah statistician) were against Nkrumah's policy trend. Also in Krassowski, *Development and the Debt Trap*, pp. 47, 123.

underdeveloped economy could sustain. According to Krassowski:

The great upsurge of capital investment between 1959 and 1961 has several adverse consequences: it trapped the government into maintaining, for political reasons, a high level of public investment during a period when Ghana could no longer afford it; it increased recurrent expenditure (needed to maintain and make use of completed projects) to a level where this absorbed the bulk of tax revenue...it made Ghana dependent on foreign grants and loans much sooner than the planners had envisaged.<sup>122</sup>

The policy of massive state investment in industrialization underlies the huge state spending. Those industries were not locally engineered or designed. They depended in greater portion on imported materials and spare parts, which raised the import bill from £95 million in 1958 to £163 million by 1961.<sup>123</sup> There was no certain market outlet since, at that time, many African nations were still under colonial rule. The state recurrent spending increased from £54 million in 1958 to £116 million in 1961.<sup>124</sup> The other side of this huge spending pattern was the generation of debt because the state was making less income from exports and spending much more on imports. Also Isaac Kwasi Bagyina Ansah has noted that, “the fundamental cause of the balance of payment problem has been the imposition of a level of import completely out of balance with the country’s export capacity”.<sup>125</sup>

The evidence, from Ansah shows that there was a speedy build up of the Ghanaian state debt within a very short period of time. “By the end of 1961 the principal amount outstanding in respect of such credits had risen to SDR 69 million and by June 1966 it amounted to SDR 470 million which reflects the speed with which the debt was

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<sup>122</sup> Krassowski, *Development and the Debt Trap*, p. 44.

<sup>123</sup> Krassowski, *Development and the Debt Trap*, pp. 45, 114.

<sup>124</sup> Krassowski, *Development and the Debt Trap*, p. 45.

<sup>125</sup> Isaac Kwasi Bagyina Ansah, *Factors in the formulation of commercial policies in a developing African economy: The case of Ghana 1955 – 1975*, University of Geneva, thesis No. 307 (published), France and Geneva: Imprimerie Foury-St-Genis, 1979, p.50.

incurred”, and the downtrend of the Ghanaian economy which began within four years of independence.<sup>126</sup> The policy of high import propensity was unlikely to grant Ghana total liberation and bring about prosperity.

At the very onset of Ghanaian self-rule the government set itself against the people to control one of the productive contributors to the nation’s income, viz. the farmers. According to Krassowski, between 1950 and 1953 60% of Ghana’s GDP came out of the agricultural and mining sector. Only 4% came from manufacturing and public utilities.<sup>127</sup> When Nkrumah took over Ghana the cocoa farmers who contributed to the 60% became a nuisance to him. The farmers disagreed with the state continuing to control cocoa markets. The government saw this industry as a “cash cow”<sup>128</sup> that should be milked by the state. The intention was that the government use the marketing surplus from cocoa to finance state bureaucracy and development. This confrontation affected the agricultural sector, which not only produced cash crops but basic food as well. It implied that food production would be affected and that shortfalls would have to be solved by food imports. This was quite evident in the post-colonial economy and has persisted, with Ghana depending more and more on imported food items.

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<sup>126</sup> Ansah, *Factors in the formulation of commercial policies in a developing African economy: The case of Ghana 1955 – 1975*, p. 54.

<sup>127</sup> Krassowski, *Development and the Debt Trap*, p. 8.

<sup>128</sup> Krassowski, *Development and the Debt Trap*, p. 10.

### 3.1.3. Post-Nkrumah Period (1966 – 1982)

After nine years, Nkrumah's government was overthrown by army and police officers – the National Liberation Council (NLC),<sup>129</sup> in February 1966. The military tried, during a four-year rule, to achieve economic stability. This military government inherited an external balance of payments of £40 million short-term and £155 million long-term loans.<sup>130</sup> The first intention was to repudiate Nkrumah's debt.<sup>131</sup> However, the repudiation was seen as immoral and the government agreed to be faithful to external debt servicing, by negotiation with the International Monetary Fund (IMF).<sup>132</sup> NLC economic policy was "pro-market" and did not seek to transform the economy but used controlled budgets to achieve stability which previously the Nkrumah government failed to do.<sup>133</sup> The government was compelled by IMF policies to cut down on expenditure and lay off workers.<sup>134</sup> This was done with the aim of getting them to rural areas to engage in farming but this did not materialize.<sup>135</sup> Falling tax returns prevented any state investments and this, according to Krassowski, brought about stagnation. The government was compelled further to service debts<sup>136</sup> from "drawings on the IMF, official aid, and, to a lesser extent, by long-term private

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<sup>129</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 56.

<sup>130</sup> Krassowski, *Development and the Debt Trap*, p. 122.

<sup>131</sup> Krassowski, *Development and the Debt Trap*, p. 122. NB: The supplier credits were suspected to involve corruption and malpractices and needed investigation or rejection.

<sup>132</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 60. Also see Krassowski, *Development and the Debt Trap*, p. 110: Krassowski has indicated that the NLC government laid the pattern where Ghanaian governments have become dependent on IMF policy counsel in return for collateral aid.

<sup>133</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 61.

<sup>134</sup> The reduction in the government import bill on capital items affected industries, but spending on procuring military armaments was not affected. Krassowski, *Development and the Debt Trap*, p. 117.

<sup>135</sup> Unemployment in urban areas was increased by estimation of 30% in Krassowski, *Development and the Debt Trap*, p. 113.

<sup>136</sup> The NLC government managed to get concession on rescheduling short-term overdue loans. It failed to secure agreement for long-term and de facto ban on securing medium-term loans. The creditors were composed of governments mainly from Eastern bloc countries, others from the West and several major private creditors. See Krassowski, *Development and the Debt Trap*, p. 112.

capital.”<sup>137</sup> This government did not have a comprehensive long-term vision for Ghana, but a window-dressing Two-Year Plan. Preoccupied and frustrated by the debt burden, it could not avoid social pressure and the need to transfer power to civilian rule. The debt balance stood at £345 million (over £90 million above what was inherited) as at May 1969.<sup>138</sup> In economic terms the NLC has been described as “negative”, because it lacked the “initiative and interest in new development policies”.<sup>139</sup>

The second republic led by Dr. K.A. Busia and the Progress Party (PP) in 1969 lasted for just two years.<sup>140</sup> The major obstacle was the debt crisis which received less than the expected sympathy from creditors. Busia tried to win the sympathy of the Western creditors but this was not easily forthcoming, until July 1970. A concessionary agreement of 50% relief on supplier credit due fell into these rescheduling conditions.<sup>141</sup> The government’s effort to control the unbalanced economy “under the weight of massive pressure from imports” was considered by some as severe and austere.<sup>142</sup> The underlying factor was market liberalization and a decline in the cocoa price.<sup>143</sup> The Progress Party (PP) devalued the Ghanaian currency (cedi) from ₵1.02 per US dollar to ₵1.82 (48% decrease).<sup>144</sup> The overvalued cedi was a source of inflation, which worked against economic stabilization and a focus on rural development. The result of the devaluation was a

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<sup>137</sup> Krassowski, *Development and the Debt Trap*, pp. 114, 115.

<sup>138</sup> Krassowski, *Development and the Debt Trap*, p. 131.

<sup>139</sup> Krassowski, *Development and the Debt Trap*, p. 121.

<sup>140</sup> Krassowski, *Development and the Debt Trap*, p. 115.

<sup>141</sup> As at 1970 and 1971, the debt servicing commitment of Ghana stood at £43million and £35million respectively. Busia wanted a long term concession which had been hitherto offered to Indonesia but Ghana’s creditors were not prepared for such a deal. See Krassowski, *Development and the Debt Trap*, p. 132.

<sup>142</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 72.

<sup>143</sup> Krassowski, *Development and the Debt Trap*, p. 133.

<sup>144</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 72.

rise in prices of essential commodities, mostly imported food items. These items included sugar, milk, rice, wheat flour, cooking oil and liquor. In 1970, this trend was used as a reason to terminate the democratic process, by the National Redemption Council (NRC) under the Chairmanship of General I.K. Acheampong.<sup>145</sup>

The Acheampong government declared that short-term debts would be honoured with improved foreign reserve. The NRC government repudiated foreign debts as a way of solving the rising indebted economy of Ghana. He imposed a moratorium on 180-day import credits and re-examination of supplier credits under Nkrumah.<sup>146</sup> If there were any discrepancies such debts would be rejected. Some debts owed by four British companies were rejected. He also maintained an earlier debt-rescheduling agreement, negotiated by the short-lived Busia regime, of a ten-year grace period and a forty-year repayment. All interest incurred between 1966 and 1968 was rejected.<sup>147</sup>

The government took steps to make Ghana self-sufficient in food production and economically self-reliant to safeguard the nation.<sup>148</sup> In 1974 it formulated, as usual, another Five Year Plan for economic growth and development. The planners had examined the Ghanaian economic down-trend condition and discovered three major recurrent inter-related problems. According to Donkor, they identified “the openness of the economy and a chronic balance of payments disequilibrium, unemployment [not excluding underemployment] and inflation.”<sup>149</sup>

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<sup>145</sup> Donal Rothchild, ‘Ghana and structural adjustment: An overview’, in Donald Rothchild, (ed), *Ghana: The Political Economy of Recovery*, Boulder, London: Lynne Rienner Publishers, 1991, p. 4.

<sup>146</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 78.

<sup>147</sup> Krassowski, *Development and the Debt Trap*, p. 133.

<sup>148</sup> The Operation Feed Yourself national food production campaign was launched. See Donkor, *Structural adjustment and mass poverty in Ghana*, p. 79.

<sup>149</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 81.

However, the failure by the government to stick to policy implementation and discipline plunged the Ghanaian economy further downward than might have been imagined. According to Douglas Rimmer, Acheampong, after a brief commitment to serious business, brushed aside the need to finding a solution to revitalising the economy with spiralling high inflation in “contorted” economic life.<sup>150</sup> The two-year period of improvement from 1972 disappeared for the worst. In 1976-1977, people in Ghana had to queue for toilet rolls and sugar. The latter was sold on a ration basis. Corruption gained the local cliché of ‘*kalabule*’, (having the sense of deliberate cheating), and was the order of the days. In 1978 an internal coup within NRC, replaced it with the Supreme Military Council (SMC) under the leadership of Gen. A.K. Akuffo.<sup>151</sup> Once again, the SMC did not follow planned policy but, as Donkor rightly states:

The pattern of development policy revolving around heavy government intervention in industry, laxity in dealing with supported projects...was more pronounced under the NRC/SMC than any other government.<sup>152</sup>

The implication of this political and economic trend in Ghana continued the process of deepening the existing policy and debt crisis. Those who bore the greater part of the pain caused by this political and economic naivety were the ordinary people, especially women and children.

The Army Forces Revolutionary Council (AFRC), chaired by Flt. Lt. J.J. Rawlings, started a revolution on June 4, 1979. This was described as a “house cleaning”,<sup>153</sup>

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<sup>150</sup> Rimmer, *Staying poor: Ghana's political economy 1980 – 1990*, p. 224.

<sup>151</sup> Rimmer, *Staying poor: Ghana's political economy 1980 – 1990*, pp. 135, 136.

<sup>152</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 82.

<sup>153</sup> Rimmer, *Staying poor: Ghana's political economy 1980 – 1990*, p. 181.

moral exercise that overthrew the SMC government.<sup>154</sup> This coup ruled for three months and handed over to a civilian democratic administration, leading Ghana into the phase of the Third Republic. The AFRC handed over to a new civilian administration of Dr. Hilla Limann's People's National Party (PNP). The lessons of the June 4 revolution disappeared with mounting corruption in public offices and business circles. The June 4 campaign against '*kalabule*' became a mirage.

In December 1981, Rawlings, together with other military officers, again seized power from the civilian regime, under the name Provisional National Defence Council (PNDC), with Ghana falling back under military rule. Even though it was an unwelcome overthrow of the constitution by Ghanaians, the rate of corruption and other social ills made this coup inevitable. The doctrine of PNDC was neo-Marxist, with the aim of reducing the domination of foreign influence on the Ghanaian economy. Linking itself with Russia and Libya was a call for real marginalization from the capitalist world.<sup>155</sup> However, the deepening economic crisis compelled the PNDC to seek the help of the Breton Woods Institutions (BWIs) in 1982.<sup>156</sup> This made Ghana become the first country in the Sub-Saharan Africa to adopt the policy programme of adjustment known as Structural Adjustment Programme (SAP).

The next section takes a look at SAP and its impact in Ghana.

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<sup>154</sup> Rimmer, *Staying poor: Ghana's political economy 1980 – 1990*, p. 224.

<sup>155</sup> Rimmer, *Staying poor: Ghana's political economy 1980 – 1990*, pp. 180, 181.

<sup>156</sup> Rimmer, *Staying poor: Ghana's political economy 1980 – 1990*, p. 181.

### 3.1.4. Structural Adjustment Programme (SAP) (1982 – 1999)

Since the 1970s, developing nations' debts have built up beyond their control. The Breton Woods Institutions (BWIs) introduced the SAP programme, which was supposed to revive their economies and speed up poverty reduction. It is a programme of lending conditionalities to put discipline in the fiscal policy, external debt servicing and financial disbursement. It was thought that what was recovered from financial wastage could be ploughed into development projects to help the poor. But the stringent conditions stipulated by the IMF /World Bank rather made way for the opposite to happen. The implementation of SAP carries the condition described by Donald Rothchild:

...a programme of structural reform [which] has both an economic and political dimension. It is characterized, on the economic side, by a reliance on market mechanisms, the promotion of exports, reduction in the size and functions of the civil service, privatization, the elimination of marketing boards, and currency devaluation. On the political side....not just less government but better government – government that concentrates its efforts less on direct interventions and more on enabling others to be productive.<sup>157</sup>

The impact of these seemingly good conditionalities of discipline since the 1980s has worsened and devastated the economies of poor countries. The implementation of SAPs in many developing countries has created unbearable hardship for the poor and the middle class workers.<sup>158</sup> Those who are already rich are the ones being helped by the SAP policy.<sup>159</sup> Much of the impact in poor countries undermined the education, health, transportation, agriculture, environment and small-scale business sectors. This has been a contradiction to the

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<sup>157</sup> Donald Rothchild, 'Ghana and structural adjustment: An overview', p. 3.

<sup>158</sup> Ogbu U.Kalu, *Power, Poverty and Prayer: The Challenges of poverty and pluralism in African Christianity, 1960 – 1996*, Frankfurt am Main: Peter Lang, 2000, p. 43.

<sup>159</sup> Millen and Timothy H. Holtz, 'Dying for Growth, Part I: Transnational Corporations and Health of the Poor', p.184, 186.

UNICEF argument and recommendation, as indicated by Herbst, that the most cost efficient way to let funds benefit the larger poor communities is through increase in funding and interventions for education and health.<sup>160</sup> We will see how this has impacted upon Ghana.

We have seen that by the 1980s, Ghana's economy had been saddled with huge external and domestic debts<sup>161</sup> and was almost in a state of bankruptcy.<sup>162</sup> The oil shock during the late 1970s had already hastened the declining economy. GDP had declined by 15% by 1981 within a period of 7 years.<sup>163</sup> The economy of Ghana had also been weakening by over-dependence on external sources.<sup>164</sup> The country depended much on borrowed money from Western-based Corporations and International Banks, which are all capitalist institutions. Within the 1970s and 1980s the country's main sources of foreign exchange, such as minerals, ore and cocoa (which accounts for 60% of export earnings) suffered low prices.<sup>165</sup> In that period there was a general decline in agricultural output and industries exhibited low productivity. The government, with such a helpless state of economic failure, resorted to the Economic Recovery Programme (ERP) from 1983. This programme had two phases: first, halting the decline in industrial production and commodity exports (1983-1986) and second, economic development (1987-

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<sup>160</sup> Jeffrey Herbst, *The Politics of reform in Ghana 1982 – 1991*, Berkeley, US: University of California Press, 1993, p. 148.

<sup>161</sup> Matthew Martins, 'Negotiation Adjustment and External Finance', in Donald Rothchild, (ed), *Ghana: The Political Economy of Recovery*, Boulder, London: Lynne Rienner Publications, 1991, p. 245. - Devaluation of Ghana's currency in the 1980s caused higher domestic spending, leading to increased domestic debt.

<sup>162</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 203.

<sup>163</sup> Rothchild, 'Ghana and structural adjustment: An overview', p. 5.

<sup>164</sup> Mick Foster and Douglas Zormelo (Working Paper 164, April 2002), 'How, when and why does Poverty get Budget Priority? - Poverty Reduction Strategy and Public Expenditure in Ghana', Overseas Development Institute. <[http://www.odi.org.uk/pppg/publications/working\\_papers/164.pdf](http://www.odi.org.uk/pppg/publications/working_papers/164.pdf)>

<sup>165</sup> Rothchild, 'Ghana and structural adjustment: An overview', p. 5.

1989).<sup>166</sup> These programmes were to promote more export, remove price control and liberalize foreign exchange markets. The programme met with much criticism.

Pressed to the point of collapsing, the Rawlings administration submitted to the newly designed SAP as a condition for lending by the IMF/World Bank. Ghana had to admit that there was total economic mismanagement, excessive centralization in state bureaucracy, excessive state spending and lack of coherence in policy administration. For this reason there was no credibility in the Ghanaian economic and political structure to convince international financiers to give their support.<sup>167</sup> The government's willingness to accept the trial of the SAP was the readiness to go under the required discipline and corrective actions to restore sanity in Ghana's economy and policy administration. Between 1983 and 1999, Ghana received eight loans from the IMF, totalling \$1.4billion, and 23 loans from the World Bank, amounting to \$840million, by staying in the track of the BWIs.<sup>168</sup> Many of these loans were used to service the external debt. The enormity of the debt could not be sustained by the end of the 1990s,<sup>169</sup> and other human-centred development programmes could not be funded.

Critics have described SAP as a programme without a human face. It focused on economic growth rather than on development which improved living conditions.

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<sup>166</sup> Rothchild, 'Ghana and structural adjustment: An overview', p. 8.

<sup>167</sup> In Rimmer's critique he described IMF and donor agencies conditions as having a positive effect in helping to remove what he describes as obstacle to political participation, debate on public policies, the misuse of political authority and keeping policy making to the executive desk. See Rimmer (1992), p. 225.

<sup>168</sup> Fantu Cheru (November 2002), 'The PRSP Process in Ghana (Second Meeting of the African Learning Group on the Poverty Reduction Strategy Papers (PRSP-LG))', UNECA.  
<[http://www.uneca.org/prsp/docs/ghana\\_prsp.htm#1.%20Nature,%20characteristics,%20and%20depth%20of%20poverty](http://www.uneca.org/prsp/docs/ghana_prsp.htm#1.%20Nature,%20characteristics,%20and%20depth%20of%20poverty)>

<sup>169</sup> Cheru (November 2002), 'The PRSP Process in Ghana'.

The conditions of SAP affected living standards negatively, especially among the poorest people. In the course of restructuring government institutions, and the privatization of state corporations and industries, many people lost their jobs. The removal of government subsidies in the area of health<sup>170</sup> impacted negatively, reducing life expectancy. In Ghana the government hospitals and clinics now operate on a “cash and carry” system. This has reduced hospital attendance and people resort to unorthodox medicines which are not effective.<sup>171</sup> HIV/AIDS patients could hardly get government support in the form of Anti-Retro Viral drugs (ARVD).

Infant malnutrition has increased with the inception of SAP, causing higher infant mortality in the deprived region of Northern Ghana and the rural areas of the south.<sup>172</sup> Formerly Ghana enjoyed the privilege of having good public schools but these now receive little government support.<sup>173</sup> Many teachers have left the service due to poor conditions and lack of resources.<sup>174</sup> In agriculture, crop farmers receive little attention from the government. The high prices of farming inputs and fertilizer, which are all imported, have reduced the effectiveness of rural and peasant farming. Moreover, importation of cheap foreign food has

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<sup>170</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p.118. by 1981 Ghana government contribution health sector amount to less than 0.7% of GDP. (average for all Sub-Sahara Africa health is 1.6% (UNDP/WB, 1989))

<sup>171</sup> Mick Foster and Douglas Zormelo (Working Paper 164, April 2002), ‘How, when and why does Poverty get Budget Priority? (Poverty Reduction Strategy and Public Expenditure in Ghana)’, Overseas Development Institute. p.ix. <[http://www.odi.org.uk/pppg/publications/working\\_papers/164.pdf](http://www.odi.org.uk/pppg/publications/working_papers/164.pdf)>

<sup>172</sup> Foster and Zormelo (Working Paper 164, April 2002), ‘How, when and why does Poverty get Budget Priority?’, p. ix.

<sup>173</sup> Foster and Zormelo (Working Paper 164, April 2002), ‘How, when and why does Poverty get Budget Priority?’, p. ix.

<sup>174</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p, 118. 1981 Ghana government contribution education sector amounts to less than 1.9% of GDP. (average for all Sub-Sahara Africa education is 4.6%(UNDP/WB, 1989)).

created unfair competition for local farmers, without any aid or subsidy. The poor state of access routes to the rural areas creates marketing problems for the meagre harvest that could support farmers as their means of livelihood.

In the area of economic growth, SAP has achieved some commendation, in principle, in Ghana. The country's GDP within six years from 1984 to 1990 increased by 6% per annum.<sup>175</sup> There was an increase in export and agricultural production within the same period, but these gains did not reflect in the lives of the ordinary people.

The major reason is that economic gains attained have not made a significant difference on the living standards of most Ghanaians. This is not simply because of the depth of Ghana's economic depression in 1977-1983, but largely because the architects of the reform programme have been relatively indifferent to core sources of growth and well-being in Ghana.<sup>176</sup>

The rate of poverty that is measured every five years, experienced a reduction from 51% in 1991-1992 to 43% in 1998-1999.<sup>177</sup> This reduction was noted in the Accra (the capital) area and the forest localities. However, the three Regions of Northern Ghana and Central regions of the south (another deprived area) experienced an increase in the poverty index within the same period.

The overall comment on this is that SAP is focused on economic growth without consideration for human development in education, health, employment and job retention. The economic growth policy at its best, should co-exist with human

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<sup>175</sup> Jon Kraus, 'The Political Economy of Stabilization and Structural Adjustment in Ghana', in Rothchild, Donald, (ed), *Ghana: The Political Economy of Recovery*, Boulder, London: Lynne Rienner Publications, 1991, p. 128-129.

<sup>176</sup> Kraus, 'The Political Economy of Stabilization and Structural Adjustment in Ghana', p. 151.

<sup>177</sup> Cheru (November 2002), 'The PRSP Process in Ghana'.

development policies and its benefit flow to enhance social services like free basic education and free Primary Health Care for the rural communities and provision of accessible roads and expanded telecommunication among others. Effective economic growth, should become a source of life to impact human development and the environment for an overall comprehensive wellbeing outlook. In fact, the two policies are necessary. But when economic growth alone becomes the main focus at the cost of human development such a policy environment is not conducive for wellbeing of the ordinary people.<sup>178</sup>

### **3.1.5. Conclusion: The debt burden and poverty implications**

At this stage it can be concluded that the effects of Ghana's debt burden, and the SAP's inability to reduce it, have had negative impacts in the area of human resources and capacity development and retention of those available. Kwabena Donkor says that,

The paradox of the Ghanaians situation is that both the Ghanaian government and the World Bank acknowledge the need for human capital development and yet their actions had been contrary to this acknowledgement.<sup>179</sup>

As the loans acquired through the SAP were used to pay some of the external debt balance, this satisfied the donor countries and the International Financial Institutions. However, since 1983 it has eroded the social opportunities available to the ordinary person in Ghana. Between 1987 and 1989 about 36,000 civil servants lost their salaries from public sector dismissals.<sup>180</sup> By 1990, 50,000 civil

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<sup>178</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 203.

<sup>179</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p. 203.

<sup>180</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p.157.

servants had been made redundant.<sup>181</sup> This caused suffering and pain in families and communities and has affected the ordinary market because of the low purchasing rate. The issue at stake is what Robert Bates captures in his question: “Why should responsible men adopt public policies that have harmful consequences for the societies they govern?”<sup>182</sup> Government has followed wrong policies irrespective of their consequence, because of the attachment of external aid<sup>183</sup> for economic growth and industrialization, but not for poverty alleviation. Poverty alleviation policy should have human development as the basic focus which spills into other areas.<sup>184</sup> Mahbub Ul Haq has commented that:

In my judgment, the most precious wealth of any nation is its people and it is investment in those people that can turn around the economic destiny of nations...there need to be more human development and not just simply economic growth<sup>185</sup>

The economic growth-oriented policy of the government under the SAP period has not been “effectively pro-poor.”<sup>186</sup>

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<sup>181</sup> Donkor, *Structural adjustment and mass poverty in Ghana*, p.127.

<sup>182</sup> Quoted in Donkor, *Structural adjustment and mass poverty in Ghana*, p.116.

<sup>183</sup> Cheru, ‘The PRSP Process in Ghana’, p. 5.

<sup>184</sup> Horner, Simon, (Interviewer), ‘People are the most precious resource of any nation’, in *The Courier*, No. 139, May June 1993, p. 4.

<sup>185</sup> Simon Horner (Interviewer), ‘People are the most precious resource of any nation’, p. 4.

<sup>186</sup> Cheru (November 2002), ‘The PRSP Process in Ghana’, p. 5.

Jeffery Herbst says that vulnerability to the larger international is not the only cause of weak and devastating economy of Ghana and other African countries, but “in good part the result of government policies that kept them poor”. See: Herbst, *The Politics of reform in Ghana*, p. 129, 140.

## 3.2. Northern Ghana's poverty

We have provided a brief overview of the economic history of Ghana. We are now in a position to turn to the situation in the North, and to see how these broader economic trends have impacted upon this Region.

### 3.2.1. Historical background

Before the 18<sup>th</sup> and up to the early 20<sup>th</sup> centuries, the northern territory (Northern Ghana today) in colonial days suffered slave raiding attacks from Zabarma, Alfa Gazare and Babatu.<sup>187</sup> The captives were sold on the Salaga market from where they were conveyed to the coast of the Gold Coast and sold to European buyers which began with the Portuguese, the Dutch, the Danes and the English. When the Asante defeated Denkyira in late 17<sup>th</sup> century, export from Asante declined and the north became the main supply source.<sup>188</sup> For instance, the Dagomba chief, Na Gariba, was required by the Asantes to pay tribute of 2000 slaves per annum.<sup>189</sup> In 1817, the British officer T. Bodwich demanded 500 slaves be sent to the south. The people within the domain of the present Upper East were mostly affected. Paul E. Lovejoy states that, by the end of the century, “the northern region was a major supply area; at that time the Gurunsi country south of the Mossi states and west of Mamprussi was

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<sup>187</sup> Allison M. Howell, *The Religious Itinerary of a Ghanaian People: The Kasena and the Christian Gospel*, Accra: Africa Christian Press, 2001, p. 28-31.

It should be noted that slavery existed before the arrival of Europeans to West Coast of Africa. The Asante people bought and maintained domestic slaves for farm labour and military purpose. These slaves were to some extent considered as “members of their master’s family”, and maltreatment of slaves was not the norm. For this reason the Asantes benefited economically from their slaves. See: W.E.F. Ward, *A history of Ghana*, London: George Allen and Unwin Ltd, 3<sup>rd</sup> edition, 1966, p.102-103.

<sup>188</sup> Patrick Manning, ‘Social and demographic transformation’, in Northrup, David, ed., *The Atlantic slave trade*, Lexington, Massachusetts, Toronto: D.C. Heath and Company, 1994, p. 156.

<sup>189</sup> R.S. Rattray *The tribes of the Ashanti Hinterland*, vol. II, 1932, p. 564. Captain Rattray did not give much detail but Lovejoy (2000:161) sourcing from Ivor Wilks (1975:674-675) shows both Dagomba and Gonja chiefs provided 500 each per annum whilst the other 1000 came from some other southern chiefs.

the chief supplier”.<sup>190</sup> After the abolition of the slave trade there persisted some raiding activities into the 1900s for local domestic purposes.<sup>191</sup> For such reasons, the northern territory came to be focused upon for unskilled labour extraction for the colonial administration without any attempt to improve the area.<sup>192</sup>

Today, Northern Ghana is made up of three political administrative regions. These are the Northern Region, with Tamale as capital, and Upper East and Upper West Regions, with Bolgatanga and Wa, as capitals, respectively. Historically, according to Rimmer, since colonial times the North has experienced economic exclusion on the incorrect assumption that the area is not productive because of the environment, and the people have been misused to achieve other political purposes.<sup>193</sup> This assumption has enabled successive governments of Ghana to play down the development issues of that area. In David Kimble’s comparison with other parts of the then Gold Coast, he argued that,

The north, however, came under colonial rule at almost exactly the same time as Ashanti; in neither area had the British acquired any direct influence before the 1890’s; and the simultaneous Orders in Council of 1901 were precipitated mainly by the developments of the preceding five year. Yet it was the Northern Territories far more than Ashanti, that lagged behind the rate of advance of the rest of the country.<sup>194</sup>

In a further explanation, Kimble attributed this to “deliberate”<sup>195</sup> alienation from mission education, which had contributed to delaying their role in emerging political changes. Kimble further on says, “This disparity between North and South

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<sup>190</sup> Paul E. Lovejoy, *Transformations in slavery: A history of slavery in Africa*, UK: Cambridge University Press, 2<sup>nd</sup> edition, 2000, p. 161.

<sup>191</sup> Lovejoy, *Transformations in slavery*, p. 167-168, and Ward, W.E.F., *A history of Ghana*, London: George Allen and Unwin Ltd, 3<sup>rd</sup> edition, 1966, p.102-103.

<sup>192</sup> Howell. *The Religious Itinerary of a Ghanaian People*, p. 28-31.

<sup>193</sup> Rimmer, *Staying poor: Ghana’s political economy 1980 – 1990*, p. 220.

<sup>194</sup> David Kimble, *A political history of Ghana: The rise of Gold Coast Nationalism 1850 – 1928*, Oxford: Clarendon Press, 1963, p. 534.

<sup>195</sup> Kimble, *A political history of Ghana*, p. 534.

became increasingly marked over the years”.<sup>196</sup> Let us examine this further.

Between 1918 and 1920, the labour crisis at the southern gold mines needed political intervention.<sup>197</sup> To shorten a long story for the convenience of this work, the colonial administration under Governor Guggisberg decided not to allow the profitable gold mining to collapse for lack of labour. In the words of Jeff Crisp,

...profitable industry with powerful supporters in the metropolis could not be allowed to collapse for lack of official support,...the mine should receive official assistance in recruiting labour. He acceded to the mines' longstanding request for legislation requiring all labour to be placed on written contract, while Political Officers in the north were left in no doubt about the need to satisfy the industry's demands for labour.<sup>198</sup>

The problem was the poor wages and lack of safety which discouraged the Northern young men from pursuing mining labourer work. Crisp points to the state of deplorable health, and the high rate of death that was at the mine camp.<sup>199</sup> Not only this but the expanding Cocoa farms and other construction labour within the Guggisberg Development Programme offered better wages. The Governor thus resorted to use “compulsion”<sup>200</sup> and “coercion in the recruitment”<sup>201</sup> to extract labour from the Northern Territories.

Delving further into the political role in undermining Northern Ghana development, Crisp, and Kwabina B. Dickson also attribute this attitude to the colonial administration's wrong perception of the Northern Territories geo-cultural and

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<sup>196</sup> Kimble, *A political history of Ghana*, p. 534.

<sup>197</sup> Jeff Crisp, *The Story of an African working class: Ghanaian miners' struggle 1870 – 1980*, London: Zed Books Ltd., 1984, p. 43.

<sup>198</sup> Crisp, *The Story of an African working class*, p. 46.

<sup>199</sup> Crisp, *The Story of an African working class*, p. 48.

<sup>200</sup> Crisp, *The Story of an African working class*, p. 47.

<sup>201</sup> Crisp, *The Story of an African working class*, p. 47.

social problems. The Northern Territories were demarcated for cheap labour exploitation on the ground that the area had little direct economic value.<sup>202</sup> In the words of John Paul Kaburise, “the deliberate colonial policy to keep the North undeveloped prepares the way for subsequent neglect of the area by post colonial governments”.<sup>203</sup>

The colonial administration initiated an export oriented agricultural replacement to the slave trade which was abolished between 1906 and 1912.<sup>204</sup> Cotton seeds were supplied to farmers. However, the colonial government abandoned the supply of cotton seed to the farmers. This halted the cotton cultivation in the North Territories of the Gold Coast for a long period.<sup>205</sup> The reason was that the yield was lower than expected seasonally. For example, 27,882lb per seasonal total was not commensurate to the amount of seed supplied.<sup>206</sup> This was the official cause of the project being abandoned. The problem was not with the geographical condition but was the behavioural<sup>207</sup> problem of the farmers who faced difficulties because they could not make enough from the harvest to support their families. Dickson says this actual cause of the low harvest was not investigated.<sup>208</sup>

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<sup>202</sup> Crisp, *The Story of an African working class*, p. 35. Also: Kwabina B. Dickson, *A historical geography of Ghana*, UK: Cambridge University Press, 1969, p. 172.

<sup>203</sup> Ghana News Agency, ‘Govt’s failure to address poverty causes apathy on the masses’.  
<<http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=55338>>

<sup>204</sup> Dickson, *A historical geography of Ghana*, p. 171-172.

<sup>205</sup> Dickson, *A historical geography of Ghana*, p. 173.

<sup>206</sup> Dickson, *A historical geography of Ghana*, p. 173.

<sup>207</sup> Korsi Ashong and David Rider, ‘Livelihood of the poor in Ghana: A contextual review of Ghana-wide definitions and trends of poverty and the poor with those of peri-urban Kumasi’, May 2001, <http://www.livelihoods.org/info/docs/SLGhana.rtf>

<sup>208</sup> Dickson, *A historical geography of Ghana*, p. 173.

### 3.2.2. Households and livelihoods

Socially, the Northern Sector has many ethnic groups. There are about fourteen languages.<sup>209</sup> The Northern people have different cultural and traditional practices from the south. Most of the Northern traditional practices do not permit a local chief to control land assets, but control and custodianship of land is in the hands of land owners (*teng'dana*). Land is leased on an easy tenure basis, because leadership systems in the North are more religious than political.<sup>210</sup> The Northern Sectors have less developed urban centres. Most of the settlements (about 70%) are rural and practise peasant farming. Urbanization rates in the three Regions of Northern Ghana are Upper East 15.7%, Upper West 17.5%, and Northern Region 26.6% (based on the 2000 population and housing census).<sup>211</sup> Traditional farming methods that begin with bush burning and excessive exposure of land surface to the sun coupled with shortened fallow periods, over-grazing and cutting of wood to produce firewood has resulted in the degradation of the land and reduced its fertility.<sup>212</sup> The environmental degradation has also been causing a loss of wildlife that depends on it.<sup>213</sup> Arable land fertility has been reduced in many places due to uncontrolled bush burning during the long dry

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<sup>209</sup> Peter Barker, *Peoples, Languages, and Religion in Northern Ghana*, Ghana: Ghana Evangelism Committee and Asempa Publishers, 1986.

<sup>210</sup> Dickson, *A historical geography of Ghana*, p. 312.

<sup>211</sup> Boakye-Yiadom Louis, 'The Evolution of Welfare in Ghana: A Rural-Urban Perspective', July 18-20, 2004, Accra, Ghana, p. 10. <http://www.issr.org/Evolution%20of%20Welfare%20in%20Gh.pdf>

<sup>212</sup> Jacob Songsore, 'Population growth and ecological degradation in Northern Ghana: The Complex Reality'.

<sup>212</sup> Dickson, *A historical geography of Ghana*, p. 173.

<sup>213</sup> Songsore, 'Population growth and ecological degradation in Northern Ghana: The Complex Reality'.

<sup>213</sup> Dickson, *A historical geography of Ghana*, p. 173.

season.<sup>214</sup> Environmental degradation destroys investment potential that could be developed to attract ecological tourism.

Farmers depend on their family members for agricultural labour. Because of this, the custom of multiple marriages is practised, where the wives and grown-up children become the source of farm labour.<sup>215</sup> This implies that some of the children's education is affected because they have to work on the farm during busy farming periods. The wives, in most cases, do not benefit lucratively from their work, apart from what they eat. In many parts of the North the seven-month dry season is an inactive period. That is the time when some young people may travel to the south to work as *kayayoo* (female porters), or as farm labourers.<sup>216</sup>

This migration which has some economic benefit, raising about 7% of Northern house-hold needs, has a serious adverse effect.<sup>217</sup> Geestl has indicated that it undermines the development of the rural communities in the North: "It has also been argued that out-migration has reduced the incentive to farmers themselves to make northern farming systems more intensive and productive. Others argue that migration and remittances can be an important condition for agricultural intensification to occur."<sup>218</sup> Some women engage in petty trading from the money they receive from the labour which they offer to other farmers during the raining season. The few who are fortunate

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<sup>214</sup> Songsore, 'Population growth and ecological degradation in Northern Ghana: The Complex Reality'.

<sup>215</sup> Howell, *The Religious Itinerary of a Ghanaian People*, p. 216.

<sup>216</sup> Geestl, 'Rural migration and livelihood security in Ghana', p. 3, 8.

<sup>217</sup> Geestl, 'Rural migration and livelihood security in Ghana', p. 8.

<sup>218</sup> Geestl, 'Rural migration and livelihood security in Ghana', p. 8.

enough to have their own small farms use the money they earn for the same purpose. The majority of the people remain idle during the dry season. This idleness does not contribute positively, and Crisp sees this as a cause for non-productive activities like communal conflicts.<sup>219</sup> The shortage of water in the dry season makes farmers temporarily redundant.<sup>220</sup>

Apart from farming, the economic activity of the Northern people is in small trading activities. Many localities have markets which take place regularly. Sometimes market days are held every three days, especially in the Upper East Region. Some other places hold markets weekly. These markets are less active in the farming season, but after the harvest they become the centre of community life. Some of these markets, such as Bawku, Yendi, Tamale, Damongo and Hamle, attract traders from southern Ghana and other West African countries. Inter-border trading has been made easier because there is no tariff on the export or import of agricultural products within the Economic Community of West African States (ECOWAS) region.<sup>221</sup> In fact, there is much potential in this micro-level commerce, but some factors, such as high illiteracy and inefficient formal schools and poor health, reduce the benefits.

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<sup>219</sup> Crisp, *The Story of an African working class*, p. 35.

<sup>220</sup> Dickson, *A historical geography of Ghana*, p. 314.

<sup>221</sup> Felix Addo. The ECOWAS regional initiatives, PricewaterhouseCoopers.

[http://www.pwcglobal.com/Extweb/indissue.nsf/2e7e9636c6b92859852565e00073d2fd/25f266fd8f9900d480256dc80037c0a6/\\$FILE/ECOWAS%20Regional%20Initiative.pdf](http://www.pwcglobal.com/Extweb/indissue.nsf/2e7e9636c6b92859852565e00073d2fd/25f266fd8f9900d480256dc80037c0a6/$FILE/ECOWAS%20Regional%20Initiative.pdf)

### 3.2.3. Education and literacy

As at the middle of 1980s, the proportions of six-year olds in schools in the Northern region were 30.95%, Upper East Region 36.23%, and Upper West Region 37.95%.<sup>222</sup> The government education subsidy, per school-age child as Tsekpo and Jebuni report (July 2004) shows the three Regions of Northern Ghana far below average as at 1998 (see appendix 1). Such a situation is short of being “pro-poor”, because it does not reflect equity in increasing resources for the most deprived Northern area primary and junior secondary schools.<sup>223</sup> The ratio of teacher capacity and school age children per classroom (between 58 to 86 pupils) in the three Regions of Northern Ghana is not commensurate to pro-poor (see appendix 1).<sup>224</sup> The richer regions are more favoured in terms of resource distribution. This has created human resource wastage and a loss in the economic system rather than making more income and opportunities by capacity enhancing through at least basic education.

The potential of the North in the development of the people through educational investments has been the principal issue undermining efforts of development and the optimal utilization of the available natural and human resources. Education is not a matter of providing infrastructure facilities. The availability of educators and the type of curriculum determines the educational achievement of the learner. According to Nürnberger, education

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<sup>222</sup> Songsore, 'Population growth and ecological degradation in Northern Ghana: The Complex Reality'.

<sup>223</sup> Anthony Tsekpo and Charles D. Jebuni (July 2004), 'Budget implementation and poverty reduction in Ghana', ISSER, p. 12-15. <[www.issr.org/Budget%20Implementation.pdf](http://www.issr.org/Budget%20Implementation.pdf)>

<sup>224</sup> Tsekpo and Jebuni (July 2004), 'Budget implementation and poverty reduction in Ghana', p. 12-15.

can be wrong by not being transforming due to “inadequately trained teachers”.<sup>225</sup> The learners who are introduced to abstract knowledge that they easily forget and that has no cultural relevance and values that the learners can utilize for meaningful application in improving their circumstances cannot contribute to development.<sup>226</sup>

The persistence of high illiteracy also has its repercussion in narrowing the opportunities people can have. It inhibits human exploration of their potential through the fear of the unknown.<sup>227</sup> This is the condition where an excessive traditional mindset coupled with negative religious beliefs within the social system has undermined genuine efforts to change the perennial shortages of food and the health status and knowledge in many places in Northern Ghana. Living in constant expectation of relief aid cannot help and promote any meaningful transformation and progress for human wellbeing. These are issues that a good poverty alleviation programme should consider as part of its strategy.

#### **3.2.4. Economic development**

By income measures, poverty levels are highest in the three Northern Savannah Regions (the Upper East, Upper West and Northern Regions), ranging between 69% and 88%. Nine out of ten people in the Upper East Region, eight out of ten in Upper West Region, seven out of ten in Northern

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<sup>225</sup> Nürnbergger, *Prosperity, Poverty and Pollution*, p. 104.

<sup>226</sup> Nürnbergger, *Prosperity, Poverty and Pollution*, p. 103-104.

<sup>227</sup> Nürnbergger, *Prosperity, Poverty and Pollution*, p. 104.

Region were classified as poor in 1999.<sup>228</sup> In postcolonial times the trend of economic exclusion persisted towards the North. The closure of some of the very few food processing industries created unemployment and loss of tax for the area. It has reduced, for instance, the market opportunities many vegetable farmers who have no other means to preserve their harvests, may have. This shows that in terms of investment distribution, the North is adversely affected, thus contributing to the relatively high unemployment there.

This finds substantiation in Anthony Tsekpo and Charles D. Jebuni's report: "failure to allocate investment on the basis of rational analysis of prevailing conditions in the past led to very high deprivation in certain parts of the country, particularly the 3 northern regions..."<sup>229</sup> Jacob Songsore has shown that the North contributes a mere 1.3 percent of the total number of Ghana's industrial establishments, 0.3 percent of total value added, and another mere 0.7 percent of total number of persons employed in industries staffing 30 or more people.<sup>230</sup> This shows the deprivation of investments in the area.

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<sup>228</sup> World Bank (Vol. 1, Analysis and policy statement, February 2003), 'GPRS 2003-2005: An agenda for Growth and prosperity', p. 15. <[http://www.worldbank.org/GHANAEXTN/Resources/Ghana\\_PRSP.pdf](http://www.worldbank.org/GHANAEXTN/Resources/Ghana_PRSP.pdf)

<sup>229</sup> Tsekpo and Jebuni (July 2004), 'Budget implementation and poverty reduction in Ghana'.

<sup>230</sup> Songsore, 'Population growth and ecological degradation in Northern Ghana: The Complex Reality'.

### 3.2.5. Conclusion

Northern Ghana has experienced inequality in political and economic policies and social service provision, such as education which undergirds the high prevalence of poverty. In as much as the climatic conditions in the North have been used as an excuse for its economic exclusion, this is difficult to accept, because the marginalization of the North is the result of political and economic policies. The condition cannot be taken as a 'wicked' issue, which is beyond remedy, but must be seen as having a policy bias.<sup>231</sup>

This overview of the economic history of Ghana, and the situation of poverty in Northern Ghana, provides us with the context in which to examine the impact of the HIPC Initiative upon the people of the North. In order to do this we must now turn to look at the HIPC Initiative in Ghana.

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<sup>231</sup> World Bank (Vol. 1, Analysis and policy statement, February 2003). 'GPRS 2003-2005: An agenda for Growth and prosperity', p. 15. <[worldbank.org/GHANAEXTN/Resources/Ghana\\_PRSP.pdf](http://worldbank.org/GHANAEXTN/Resources/Ghana_PRSP.pdf)>

## Chapter 4

### 4. Ghana's Enhanced HIPC debt relief initiative

In our previous chapter we have looked at the economic history of Ghana, and the poverty situation in Northern Ghana. The response of the World Bank and the International Monetary Fund has been the Highly Indebted Poor Country (HIPC) Debt Relief Initiative. This chapter first provides a general overview of the HIPC initiative, and then turns to examine the HIPC initiative in Ghana. This will provide us with the basis for our evaluation in the next chapter.

#### 4.1. General Overview of HIPC debt relief initiative

In the 1970s and 1980s the Bretton Woods Institutions (BWIs) saw the need for greater engagement with developing countries. However, the attempt of these financial institutions to aid their member countries to undertake their designed development programmes and projects ended in the accumulation of further debts. Simply put, this mounting debt problem came about because of the 1970s oil shock and global economic recession. Since that period the BWIs have sought different economic policies to help poor countries emerge from the economic debt trap in which they find themselves. We have seen in Ghana the case of Structural Adjustment Programmes (SAPs) which failed as a pro-poor economic remedy.<sup>232</sup>

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<sup>232</sup> "...a programme of structural reform [which] has both an economic and political dimension. It is characterized, on the economic side, by a reliance on market mechanisms, the promotion of exports, reduction in the size and functions of the civil service, privatization, the elimination of marketing boards, and currency devaluation. On the political side....not just less government but better government – government that

SAP failed the test as a poverty alleviation economic policy in developing nations, because the international financiers introduced the designation Highly Indebted Poor Country Debt Relief Initiative as an alternative “pro-poor” economy rejuvenation policy. HIPC is described by the initiating financial bodies, the IMF and World Bank, as a programme which has the “aim of ensuring that no poor country faces a debt burden it cannot manage”, in other words maintain a debt sustainability level.<sup>233</sup> Since its introduction in 1996, around 38 countries have applied for this debt relief mechanism. Even though it has received some criticism, the general impression from certain debt relief campaign NGOs is that the Enhanced HIPC is much more pro-poor with its conditions than its predecessors, HIPC and the SAP.

The initial plan of HIPC had been to induce heavily indebted poor countries to properly manage their economy, so as to qualify for some sustainable debt relief. This implied establishing a three-year track record of strong economic performance. By this criterion, the debt over-burdened country has to undertake economic stabilisation programmes and public sector reforms which comprise restructuring or privatisation of loss-making state enterprises, targeting public spending toward poverty reduction, health, and education.<sup>234</sup>

The HIPC Initiative debt relief provides its framework of qualification and eligibility for countries that need the policy. These are nations:

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concentrates its efforts less on direct interventions and more on enabling others to be productive”. See: Donald Rothchild, ‘Ghana and structural adjustment: An overview’, p. 3.

<sup>233</sup> IMF (April 2004) ‘Debt Relief under the Heavily Indebted Poor Countries (HIPC) Initiative’. <<http://www.imf.org/external/np/exr/facts/hipc.htm>>

<sup>234</sup> UNCTAD (2004). ‘Economic Development in Africa Debt Sustainability: Oasis or Mirage?’ <[http://www.unctad.org/en/docs/gds20041\\_en.pdf](http://www.unctad.org/en/docs/gds20041_en.pdf)>

- i. that can only borrow from the International Development Association (IDA) and access funds from the IMF under Poverty Reduction and Growth Facility (PRGF);
- ii. with per capita GDP below US\$700;<sup>235</sup>
- iii. with an established good track record of performance under programmes supported by the IMF and the World Bank, including a Poverty Reduction Strategy Paper (PRSP). The PRSP is required to meet six basic demands: Being country-driven, results-oriented, comprehensive, prioritized, partnership-oriented and driven by a long-term goal.<sup>236</sup> It does not require additional conditionalities aside from what has been negotiated with the IMF. The PRSP framework contains the main conditionalities which are not easily negotiable. The conditionalities are the same as the SAP, but this time with some modification that takes note of some human needs concerns for development as indicated below:
  - a. macroeconomics;
  - b. gainful employment/production;
  - c. human resources development/basic services;
  - d. vulnerability and exclusion;
  - e. governance.

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<sup>235</sup> News in Ghana 'Ghana's per capita GDP in 2001 was only US\$300, which implies that by international standards Ghana is a low-income country'.

<<http://www.newsinghana.com/economy/what-Osafo-Mafo-said.htm>>

<sup>236</sup> Seth D. Vordzorgbe and Ben Caiquo (June 2001), 'Report on status review of national strategies for sustainable development in Ghana', p. 27. <<http://www.nssd.net/country/ghana/gh0401.htm> - 22k>

- iv. willing to conduct a tripartite Debt Sustainability Analysis with the IMF and the World Bank to determine sustainability levels, timing and amount of relief to be obtained by the HIPC country.<sup>237</sup>

Eligibility goes through three main stages: The first stage involves being on track with BWIs programmes, which qualifies the HIPC to receive the Naples Term<sup>238</sup> debt relief treatment. This guarantees 67% debt service relief from the Paris Club Creditors and other commercial and bilateral creditors.<sup>239</sup> Effective compliance at the first stage leads to what is officially described as the “decision point”. This level continues with a desk top negotiation on the substantive amount of relief required to provide debt sustainability.<sup>240</sup> After this negotiation is over, the second stage is entered as the “Interim Period”. This period provides relief in debt from multilateral institutions: the BWIs, African Development Bank and European Union. Furthermore, the Paris Club Creditors continue to provide up to 90% cancellation of principal debt and interest that are matured within the Interim Period. Within this period the BWIs demand full implementation of the Poverty Reduction Strategy Programme (PRSP) and Poverty Reduction and Growth Facility (PRGF) for macro-economic stability.<sup>241</sup> From this stage on an effective implementation of the conditionalities, also known as the trigger point, moves towards the “completion point”, the third stage. This stage has no specific time schedule but requires at least one year’s implementation of the PRSP and a joint

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<sup>237</sup> News in Ghana, ‘What Osafo-Mafo told the Media about HIPC Completion Point’.  
<<http://www.newsinghana.com/economy/what-Osafo-Mafo-said.htm>>

<sup>238</sup> News in Ghana, ‘What Osafo-Mafo told the Media about HIPC Completion Point’.

<sup>239</sup> News in Ghana, ‘What Osafo-Mafo told the Media about HIPC Completion Point’.

<sup>240</sup> News in Ghana, ‘What Osafo-Mafo told the Media about HIPC Completion Point’.

<sup>241</sup> News in Ghana, ‘What Osafo-Mafo told the Media about HIPC Completion Point’.

IMF staff assessment of the country's annual progress report and pursuit of macro-economic stability.<sup>242</sup>

## **4.2. General achievement and assessment of HIPC initiative**

There has been a mixed reaction to the general impact of the HIPC initiative. Four positive aspects have been noted. Firstly, under the HIPC Initiative Debt relief, some poor countries involved have increased poverty reducing expenditures by implementation of the PRSP. Since 1999 there has been an average rise in GDP of HIPCs from 6.4 percent of GDP in 1999 to 7.9 percent in 2003 due to cuts in external debt servicing. This level represents about three times what is normally spent on debt service according to IMF.<sup>243</sup>

Secondly, the HIPC Initiative has enabled implementing countries to provide substantial savings in terms of debt-service payments for HIPCs. By 2003, 27 HIPCs have declined in debt-service payments relative to export and fiscal revenue from 16% and 24% to 10% and 15%.<sup>244</sup>

Thirdly, twenty-seven HIPC Initiative countries have reached their completion point or,

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<sup>242</sup> News in Ghana, 'What Osafo-Maafa told the Media about HIPC Completion Point'.

<sup>243</sup> World Bank (2004), 'Debt Relief: Debt Strategies for Sustainable Growth and Poverty Reduction'.  
<<http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20040942~isCURL:Y~menuPK:34480~pagePK:34370~piPK:116742~print:Y~theSitePK:4607,00.html>>

<sup>244</sup> World Bank (2004), 'Debt Relief: Debt Strategies for Sustainable Growth and Poverty Reduction'.

during the interim-period, have had two-thirds of their total debt stocks relieved. “HIPC Initiative and associated debt relief is expected to lower the NPV of debt-to-exports ratio of the 27 countries to levels comparable to or lower than that of other non-HIPC low-income countries and developing countries in general.”<sup>245</sup>

Fourthly, there has been some impact on poverty reduction. The priority of the HIPC “fund” is to provide resources for social services for poor communities. The debt-servicing accumulated funds were released by creditor nations and international financial institutions to provide infrastructure for health, education and sanitation for rural communities. In some countries, percentages of the funds were used to immunize children against communicable diseases<sup>246</sup> and in other places reforestation<sup>247</sup> was supported with HIPC funds. For example, the IMF has indicated that Ghana has constructed 509 new classroom blocks for basic level education in all districts. It also used savings from the HIPC funds to provide micro-credit to about 43,000 farmers, in addition to funding 563 sanitation and 141 water projects. In Senegal, the fund helped develop community-based health care services. This is contributing to strengthening basic community health services in rural areas.<sup>248</sup>

On the negative side, however, it would seem that the main objective of debt relief helping qualified countries achieve the debt sustainability level did not work. The reason is that the international financiers adapted indicators in an *ad hoc* manner, without much in-depth work on analyzing particular issues pertaining to the different

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<sup>245</sup> World Bank (2004), ‘Debt Relief: Debt Strategies for Sustainable Growth and Poverty Reduction’.

<sup>246</sup> World Democratic Movement (June 2002), ‘DEBT AND HIPC: The Highly Indebted Poor Countries Initiative’. <[http://www.wdm.org.uk/cambriefs/debt/debt\\_debthipc.pdf](http://www.wdm.org.uk/cambriefs/debt/debt_debthipc.pdf)>

<sup>247</sup> Ghana News Agency, ‘41 billion cedis HIPC fund for reforestation project’. <<http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=38997>>

<sup>248</sup> World Bank (2004), ‘Debt Relief: Debt Strategies for Sustainable Growth and Poverty Reduction’.

economic context of the poor countries.<sup>249</sup> This approach employed by the IMF “common sense” path, uses the growth-cum-debt standard.<sup>250</sup> In this way, it was expected that domestic resources could balance the equation of debt servicing. On these theoretical grounds it was expected that a domestic resource increase would boost export and raise foreign exchange levels to resolve balance of external debts. This ignores government temporal budget constraints and the level of fiscal deficit that is financeable.<sup>251</sup> According to Hjertholm, this has just been a conceptual expectation, but unrealistic as practical issues faced common sense methods.<sup>252</sup>

Over twenty countries successfully implemented this conditionality, indicating that their debt burden would be reduced to a bearable 50%.<sup>253</sup> However, this has not changed the economic equilibrium since HIPC countries have enormous financial commitments. If they maintain the macroeconomic discipline, then every year some percentage of the remaining overhanging debt would be scrapped. But, the economies of the poor countries, for instance Ghana, cannot be stabilized for long periods even by full 100% debt forgiveness, as some other critics of HIPC policy, such as Jubilee 2000 and World Democratic Movement (WDM) are advocating. The forgiveness is needed but it will not solve the real economic crisis. The reason is that the economies of the poor countries are in shambles due to external unfair trade agreements and excessive internal domestic debts.<sup>254</sup> This is confirmed by the

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<sup>249</sup> Peter Hjertholm, ‘Theoretical and Empirical Foundations of HIPC Debt Sustainability Targets’, in *The Journal of development studies*, Vol 39 No. 6, August 2003, p. 73.

<sup>250</sup> Hjertholm, ‘Theoretical and Empirical Foundations of HIPC Debt Sustainability Targets’, p. 73-74.

<sup>251</sup> Annalisa Fedelino and Aline Kudina, (September 2003), ‘Fiscal Sustainability in Africa HIPC Countries: A Policy Dilemma?’ . IMF Working Paper WP/03/187 - Fiscal Affairs Department.  
<<http://www.imf.org/external/pubs/ft/wp/2003/wp03187.pdf>>

<sup>252</sup> Hjertholm, ‘Theoretical and Empirical Foundations of HIPC Debt Sustainability Targets’, p. 73.

<sup>253</sup> According to HIPC policy theory this should result in stable economy but it is not the case in the poor countries now.

<sup>254</sup> John E. Serieux, et. al, ‘The Enhanced HIPC Initiative and Poor Countries Prospects for a Permanent Exit’,

UNCTAD Report released in Accra, Ghana, that the adoption of HIPC Initiative has not shown any sign of debt sustainability and easy economic management for the poor countries.<sup>255</sup> It requires the Creditor countries to enter into fair and balanced trade terms, *trade justice* that would facilitate hopeful economic recovery.<sup>256</sup> The means of earning revenue on the international market is very limited for the poor countries that have enormous critical human needs like education and health to grapple with.

With this general view in mind, we turn to the specific case of Ghana.

### **4.3. Overview of the HIPC process in Ghana**

Ghana opted for HIPC in 2001 to allow the administration of the New Patriotic Party (NPP) to raise funds for development programmes and projects.<sup>257</sup> Thus far, HIPC is reported to have been helpful in Ghanaian circumstances, because the government managed to reach the HIPC completion point in July 2004, cancelling and releasing an amount of SD\$ 26.35 million (about US\$39million),<sup>258</sup> which is 50% of Ghana's external debt overhang. In Chapter three we examined the background to Ghana's debt crisis, now we return to the rationale behind the choice of HIPC, the stages of implementation, and the results.

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*Canadian Journal of Development*, Vol XXII, No 2, 2001.

<[http://www.nsi-ins.ca/ensi/pdf/cjds/8\\_serieux2.pdf](http://www.nsi-ins.ca/ensi/pdf/cjds/8_serieux2.pdf)>

<sup>255</sup> UNCTAD (2004) 'Economic Development in Africa Debt Sustainability: Oasis or Mirage?'

<sup>256</sup> See: <http://tradejusticeusa.org/issues/debt/trade.htm>

<sup>257</sup> Ghanaian Daily Graphic 'No viable alternative to HIPC'.

<<http://www.ghanaweb.com/GhanaHomePage/NewsArchive/printnews.php?ID=14746>>

<sup>258</sup> IMF Press Release No. 04/142 (July 2004), 'IMF Completes In Principle Second Review under Ghana's PRGF Arrangement and Reviews Noncomplying Disbursement'.

### 4.3.1. Ghana goes HIPC

In 2001, the John Kufour administration took its turn to manage Ghana's economy when the state coffer was virtually empty.<sup>259</sup> This compelled the then new President to remark that he did not know that the situation of Ghana's financial position was that dangerous. Confronted with fulfilling the promises of his campaign, Kufour announced the need for Ghana to fall back into the hands of the BWIs. This was after efforts to solicit emergency help from the country's traditional donors failed because of huge debt default. In April 2001 the Ghanaian President told the Ghanaian public:

*All we have done by opting for the HIPC initiative is that we decided telling the truth to the nation, which was that Ghana, was poor and heavily indebted and could not service her debts.*<sup>260</sup>

In 2001, Ghana's major creditors and donors of Paris Club such as UK, Germany, France, and others like USA and Canada, urged Ghana to take the course of the HIPC initiative, since the problem of the debt burden was insoluble.<sup>261</sup> Thomas M. Callaghy has argued that in fact Ghana was one of the few countries making an effort in managing its debt credibly, it did not need to call for HIPC. Against this however, it must be noted that the debt management was undermining development and social service delivery, from which the poor people benefit. Akoto-Ampaw indicates that: "Together with the demands of external debt servicing, servicing domestic debt takes up about 75% of total government revenue. This leaves hardly anything for

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<sup>259</sup> AFP (March 2001), 'Gov't Says Empty Coffers Forced `Poor` Status'.  
<<http://www.ghanaweb.com/GhanaHomePage/NewsArchives/printnews.php?ID=14045>>

<sup>260</sup> Ghanaian Daily Graphic, 'No viable alternative to HIPC'.

<sup>261</sup> Thomas M. Callaghy, (July 9, 2002), 'Innovation in the Sovereign Debt Regime: From the Paris Club to Enhanced HIPC and Beyond', World Bank.  
<[http://lnweb18.worldbank.org/oed/oeddoelib.nsf/DocUNIDViewForJavaSearch/4BC77E9BEC2CAAF85256E4A00536A04/\\$file/hipc\\_wp\\_sovereign\\_debt.pdf](http://lnweb18.worldbank.org/oed/oeddoelib.nsf/DocUNIDViewForJavaSearch/4BC77E9BEC2CAAF85256E4A00536A04/$file/hipc_wp_sovereign_debt.pdf)>

development financing”.<sup>262</sup> Therefore Ghana going for HIPC initiative could not have been avoided.

### 4.3.2. Implementation modality

HIPC has not created any new development programmes but it has enhanced existing programmes. The conditionalities maintained strict reforms focusing on adjustment issues, trade investment policies, fiscal and financial sector reform, privatization, budget cuts and cut-down of labour and market deregulation. The BWIs require the poor countries to incorporate the aspect of poverty concerns, which are gainful employment, human resource development and basic services, vulnerability and exclusion. This then transforms the document into a poverty reduction strategy. In the case of Ghana, HIPC took up the previous Interim Poverty Reduction Strategy Paper (I-PRSP),<sup>263</sup> which the World Bank and IMF Boards reviewed in August 2000. This document was first prepared by an *ad hoc* committee as an executive level document (this was without the input of the ordinary person). However, it was part of the *IMF and World Bank* condition that the Poverty Reduction Strategy Paper would not merit credence unless it had been discussed at the various grassroots levels for their opinions. Thus the new government took steps to implement the participatory process:

To achieve this objective, the government has started a broad-based participatory process aimed at: (i) costing the poverty reduction programmes so that they are fully

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<sup>262</sup> Akoto Ampaw (March 2001), ‘Ghana and HIPC: What Should Be Done?: Choices facing the NPP government’, Jubilee 2000. <<http://www.jubilee2000uk.org/opinion/archive/ghana.htm>>

<sup>263</sup> IMF and IDA (June 2001), ‘Enhanced Heavily Indebted Poor Country (HIPC) Initiative – Preliminary Document’, p. 2. <[www.imf.org/external/np/hipc/2001/gha/ghapd.pdf](http://www.imf.org/external/np/hipc/2001/gha/ghapd.pdf)>

funded; (ii) establishing direct links between poverty reduction programmes and the annual budget so that the medium-term poverty programme can be translated into annual programmes, starting with the 2002 budget; and (iii) creating a strong monitoring and evaluation system with the key stakeholders, and especially civil society.<sup>264</sup>

The first stage of the PRSP preparation went to the Inter-Ministerial Committee on Poverty Reduction (IMCPR), which was chaired by the Minister of Finance in 1995. In 1996, the second stage took the PRSP document through a multi-sectoral Technical Committee on Poverty (TCOP), with the assistance of local private consultants. The third stage was to get the District Planning Co-ordinating Units (DPCUs) and ministries, departments and agencies (MDAs) to integrate the emerging policies into their planning processes. At this stage, the document was ready for more interaction with other stakeholders.<sup>265</sup> In the middle of 2001, it became a participatory document by submitting it to national debate on various levels of the social strata. The main picture of the steps taken to collate further input took this turn: <sup>266</sup>

- i. agreement by IMCR and TCOP on a framework for preparing the GPRS;
- ii. launching of GPRS process;
- iii. formation of Core Teams;
- iv. orientation for commencement of work by Core Teams;
- v. consultations with civil society representatives on situation analysis, strategy and programmes;

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<sup>264</sup> IMF and IDA (June 2001), 'Enhanced Heavily Indebted Poor Country (HIPC) Initiative – Preliminary Document', p. 2.

<sup>265</sup> Seth D. Vordzorgbe & Ben Caiquo (June 2001), 'Report on status review of national strategies for sustainable development in Ghana', p. 25.

<sup>266</sup> Vordzorgbe & Caiquo (June 2001), 'Report on status review of national strategies for sustainable development in Ghana', p. 26.

- vi. Technical Harmonization Forum;
- vii. consensus-building forum on First Draft GPRS;
- viii. GOG/Donor Consultative workshop on strategy and programmes for implementing GPRS;
- ix. finalization of Ghana's Poverty Reduction Strategy;
- x. publication and circulation of updated GPRS.

From the technical point of view, the documents were ready for stakeholders, for participatory review and contributions.

This consultative level took place between government and civil society groups, private sector, the vulnerable and poor, the development partners, religious bodies, academia think-tanks and the media.<sup>267</sup> This stage went through the following steps:<sup>268</sup>

- i. consensus-building workshops and meetings;
- ii. public information campaigns;
- iii. information dissemination through various stakeholder groups;
- iv. field visits, interviews and focus-group discussions;
- v. consultative group meeting on the final draft of the GPRS document.

The revised document was submitted to the government as a national poverty reduction policy, which has become the guideline for the implementation of HIPC.

The criticism levelled against this document as a national one is that it was not

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<sup>267</sup> Vordzorgbe & Caiquo (June 2001), 'Report on status review of national strategies for sustainable development in Ghana', p. 26-27.

<sup>268</sup> Vordzorgbe & Caiquo (June 2001), 'Report on status review of national strategies for sustainable development in Ghana', p. 27.

allowed wider-range coverage for all to offer their opinions. This was due to the government's explanation that the time limitation within which it was needed by the government for its negotiation with the *IMF and World Bank* was September and October 2001. The modality of the distribution of the fund was criticised by Centre for Policy Analysis (CEPA) for not considering the most poverty endemic areas for greater share. NGOs association like The Northern Ghana Network for Development also deplored the sharing modality. But the government explained that poverty is wide spread in other regions and population density was key factor in the sharing.<sup>269</sup> But the advantages other places have over the North were not considered.

#### 4.3.3. Implementation results

After four years of Ghana's implementing the HIPC Initiative Policy, in July 2004, the country reached a completion point, which qualified it to be given relief of debt by multilateral creditors such as the World Bank, the African Development Bank, the IMF, the European Union and Paris Club creditors.<sup>270</sup> Since the middle of 2003, this added a total of SDR 79.05 million (about US\$117 million) to the government poverty reduction fund, for poverty alleviation projects within the HIPC - GPRSP agreement. According to the *IMF and World Bank* report no.28676:

The Ghanaian authorities are to be commended for the successful implementation of macroeconomic policies, which together with an improvement in the terms of trade, has provided a favourable economic climate for rising business confidence, strong growth, and, more recently, significantly declining inflation.<sup>271</sup>

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<sup>269</sup> Gyimah-Boadi and Asante (May 2003), 'Minorities in Ghana', p.13.

<sup>270</sup> Ghana News Agency and ISD (September 2003), '¢752.4 Billion of HIPC Fund released so far in cedi equivalent'.

<<http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=42681>>

<sup>271</sup> Noticias, 'IMF Completes In Principle Second Review Under Ghana's PRGF Arrangement and Reviews Noncomplying Disbursement'. <<http://www.noticias.info/Asp/aspPrintingVersion.asp?NOT=28676>>

This declaration was a mighty hurrah for the Ghanaian government, whose efforts to save million of dollars had turned out like a matured bond. The news media heralded this as a victory for the government, whose meticulous efforts had yielded this gain. The first HIPC completion fund disbursement is shown below: <sup>272</sup>

1. Ministry of Food and Agriculture - ¢20.4 billion
2. Ministry of Education, Youth and Sports - ¢64.56 billion
3. Ministry of Works and Housing - ¢21.76 billion
4. Ministry of Roads & Highways - ¢40.8 billion
5. Ministry of Health - ¢17.0 billion
6. Ministry of Energy - ¢34 billion
7. Ministry of Lands and Forestry - ¢34 billion
8. Ministry of Interior - ¢13.6 billion
9. Ministry of Manpower Development and Employment - ¢8.16 billion
10. Ministry of Communications and Technology - ¢10.88 billion
11. Ministry of Private Sector Development - ¢9.52 billion
12. Ministry of Information - ¢8.16 billion
13. Ministry of Women and Children's Affairs - ¢2.72 billion
14. Ministry of Tourism and Modernization of the Capital City - ¢6.8 billion

At the time of writing, Ministries had received 293.08 billion cedis from government, being their share from the HIPC Initiative. The Ministry of Food and Agriculture was to use their share to attain growth and employment in the agriculture sector. The

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<sup>272</sup> Ghana News Agency and ISD (September 2003), '¢752.4 Billion of HIPC Fund released so far', Ghana News Agency and ISD.

Ministry of Education, Youth and Sports was to use their allocation for the upgrading of 31 senior secondary schools in some selected districts in all the 10 regions. This is to improve the facilities in the schools selected. An amount of 40.8 billion cedis was allocated to District Assemblies to fund construction of 6 unit classroom blocks in four towns in each district. The share of the Ministry of Roads and Highways went to a feeder roads programme, to promote agricultural production which includes cocoa, Ghana's main agricultural export.

The energy sector allocation was to increase rural electrification and consolidation and improve existing energy supply systems. The Ministry of Communications and Technology was allocated facilities for the provision of Information Technology (IT) and general communications facilities for communities in senior secondary schools. The following sectors did not stipulate what they used their allocations for: Ministry of Lands and Forestry, Ministry of Manpower Development and Employment, Ministry of Health, Ministry of the Interior, Ministries of Private Sector Development, Ministry of Information, Ministry of Women and Children Affairs and Ministry of Tourism and Modernization of the Capital City. There was an indication that some undeclared part of the fund would be used to rehabilitate post offices in a number of rural communities.<sup>273</sup>

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<sup>273</sup> Ghana News Agency and ISD (September 2003), '¢752.4 Billion of HIPC Fund released so far', Ghana News Agency and ISD.

#### 4.4. The Ghana Poverty Reduction Strategy Paper

For a fuller understanding of HIPC we need to grasp the focus of the Ghana Poverty Reduction Strategy Paper (GPRSP). According to Gyimah-Boadi and Asante the GPRS is “to ensure maximum effect and without spreading resources thinly, the programs in the five thematic areas of the GPRS were prioritized. The priority programs were to ensure that the problem of poverty is confronted in a holistic and equitable manner”.<sup>274</sup> To do so we focus on each of the five conditionalities in turn:

The *macroeconomic conditionality* focuses on economic stability for GDP growth, reduction in the inflation rate, a cut in government spending, reducing the budget deficit, and the restructuring of government domestic and foreign debt. It also requires restructuring public enterprises to reduce their losses, privatization and increased private sector involvement in providing infrastructure.<sup>275</sup> These macroeconomic factors may appear wonderful to the ordinary person, but are they attainable? From a development perspective these factors have re-occurred from the painful history of recent international economic policy. The SAP carried the same conditions as above. During the time of SAP, GDP growth in some countries performed adequately. In Ghana, GDP from 1983 to 1999 experienced appreciable

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<sup>274</sup> E. Gyimah-Boadi and Richard Asante (May 2003), ‘Minorities in Ghana’ – (Sub-Commission on Promotion and Protection of Human Rights Working Group on Minorities Ninth session), p. 11.  
[http://www.unhchr.ch/huridocda/huridoca.nsf/0/CA724C46B6CD9E5BC1256D250039E7BB/\\$File/G0314145.doc?OpenElement](http://www.unhchr.ch/huridocda/huridoca.nsf/0/CA724C46B6CD9E5BC1256D250039E7BB/$File/G0314145.doc?OpenElement)

“The strategy also focuses on laying a solid foundation for reducing regional disparities in poverty and enhancing access to social services. In addressing the disparity in regional poverty levels, the paper also seeks to reduce poverty in Northern Region from 69% in 2000 to 60% in 2002, 88% in Upper East in 2000 to 75% in 2004. Government also intends to reduce poverty in Upper West region from 84% in 2000 to 70% in 2004. Government intends to reduce poverty from 39% in 2000 to 32% in 2004, reduce extreme poverty from 27% to 21%”. See Gyimah-Boadi and Asante (May 2003), ‘Minorities in Ghana’, p. 12.

<sup>275</sup> IMF and IDA (June 2001), ‘Enhanced Heavily Indebted Poor Country (HIPC) Initiative – Preliminary Document’, p. 11.

growth,<sup>276</sup> but there was no impact on the wellbeing of the poor, especially the three Regions of Northern Ghana.<sup>277</sup> The reason is that the overall impact scenario as, “The [ERPs] stabilization programs produced a limited success in the growth of agriculture and manufacturing, propelling expansion only in services on the back of a debt financed import/consumption boom”.<sup>278</sup>

The usual tendency is rising inflation where the goods are available but there is no money to buy, but it was the opposite in Ghana. It can be seen that though inflation dropped to some commendable levels from 123% in 1983 to 10% in 1992,<sup>279</sup> people did not have employment or work and could hardly meet their basic family needs. The promotion of the private sector also focused largely on big corporations, to the disadvantage of small and micro-business enterprises which lost ground in the economic haze of globalization.<sup>280</sup>

The indication is that the performance of macroeconomics does not necessarily correspond with meeting the affordable basic needs of the people as already indicated above.

Economic performance has to be translated into the empirical realities in the basic necessities of people and provision of social services. This is strongly supported by Amartya Sen’s concern that the traditional concept of development has failed to shape the life of the underdeveloped world. This is due to the fact that development is assessed by economic figures and not in terms of the ordinary person’s standard of living.<sup>281</sup>

According to Sen:

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<sup>276</sup> Cheru, ‘The PRSP Process in Ghana’.

<sup>277</sup> Gyimah-Boadi and Asante (May 2003), ‘Minorities in Ghana’, p. 7.

<sup>278</sup> Cheru, ‘The PRSP Process in Ghana’.

<sup>279</sup> Agnes A. Apusigah, ‘Sacrificing social justice for economic growth: A problem of World Bank/IMF Reforms in Ghana’, p. 5. <http://www.queensu.ca/snid/agnes.doc>

<sup>280</sup> Apusigah, ‘Sacrificing social justice for economic growth’, p. 7.

<sup>281</sup> Sen, *Development as Freedom*, p. 3.

...the contribution of economic growth cannot be judged merely by the increase in private incomes, but also by the expansion of social services (including, in many cases, social safety nets) that economic growth may make possible.<sup>282</sup>

His analysis of the correlation between economic growth and human wellbeing shows that it is not automatic for such achievement to impact the ordinary person's life without engaging active state policy to focus in provision of social services that contribute to human development. However, it also does not rule out the fact that economic growth is necessary. The point he makes is that the gains of growth, no matter how minimal, as a matter of policy should be applied to the benefit of the poor.<sup>283</sup> Sen described the benefits to include individuals' easy access to health, education and reasonable income. These are to be the determining factors of human development.<sup>284</sup> At this juncture, macroeconomic improvement in a nation cannot be development-inducing unless a conscious political will is made to let the growth benefit the poorest of the poor, through social services.

ii) HIPC requires that government policy should promote *employment* through sustainable economic growth.<sup>285</sup> The requirement here is that government should provide the enabling ground for generating employment and promoting private enterprise. However, the situation of unemployment cannot be easily improved upon within the constraint of HIPC conditionalities.<sup>286</sup> Economic growth does not necessarily lead to human development: Latin America's high industrial output and growth in the 1960s had no impact on unemployment but was "jobless growth".<sup>287</sup> Job cuts and casual employment are used and are supposed to maximize profit in growth economy models. The IMF second

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<sup>282</sup> Sen, *Development as Freedom*, p. 40.

<sup>283</sup> Sen, *Development as Freedom*, pp. 38-40.

<sup>284</sup> Sen, *Development as Freedom*, pp. 14-17.

<sup>285</sup> IMF and IDA (June 2001), 'Enhanced Heavily Indebted Poor Country (HIPC) Initiative – Preliminary Document', p. 2.

<sup>286</sup> Drimmelen, *Faith in a global economy*, p.

<sup>287</sup> Duchrow and Hinkelammert, *Property for people, not for profit*, p. 144.

review report indicates that there is “business confidence” but not business boom. This situation cannot be ignored.<sup>288</sup> Certainly, it is indicative of difficulties in the area of job creation, especially long-term job security. There is indication of development of the Northern rural economy through modernising agriculture, and sustained environmental protection through re-afforestation.

iii) *Human resources development and the provision of basic services* should focus on the delivery of social services. It must ensure location equity and quality, with particular attention to education and health services. It must ensure improvement of the educational system, model health centres and replace “cash and carry” systems with alternative methods of financing health care.<sup>289</sup> HIPC provision of health and educational infrastructure is highly commendable but, as Robert Osei and Peter Quartey recommended:

Attempts should not be made at just increasing the number of school buildings and health posts in the rural areas but also it should aim at increasing the number of teachers, nurses and doctors, etc. This will ensure an increase in not only the quantity of primary health and education that is provided but also its quality.<sup>290</sup>

The report on HIPC fund utilization does not indicate an improvement in human resource allocation. Even though the infrastructure becomes the basic requirement for the primary development of human resource capacity, it should be maintained and the quality of delivery enhanced. Clinics and schools without quality staff are equally unacceptable, because they can cause more harm than good. On the issues of the cost

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<sup>288</sup> IMF (July 2004), ‘Ghana: Second Review Under the Poverty Reduction and Growth Facility and Request for Waiver of Nonobservance of Performance Criteria’, p. 2, 41.  
<<http://www.imf.org/external/pubs/ft/scr/2004/cr04210.pdf>>

<sup>289</sup> Cheru (November 2002), ‘The PRSP Process in Ghana (Second Meeting of the African Learning Group on the Poverty Reduction Strategy Papers (PRSP-LG))’, p. 7.

<sup>290</sup> Osei and Quartey (August 2001), ‘The HIPC Initiative and Poverty Reduction in Ghana: An Assessment’, p. 22.

of accessing health, the introduction of health insurance is on trial in many places in the HIPC's. The problem goes back to the ability of paying for, but not receiving, good services because of unqualified staff and lack of logistics and equipment. Outmoded equipment tends to discourage health staff and affect their output. Again, not all people can contribute to a health insurance fund. Such vulnerable people cannot benefit and their situation in time of illness would emphasize their vulnerability.

iv) *Vulnerability and exclusion* focuses the most vulnerable and highly deprived areas such as the three Regions of Northern Ghana of Ghana, where there is an intensification of poverty.<sup>291</sup> The government should focus on interventions that have not been mainstreamed including measures to promote gender balance and equity and responding rapidly to the needs of those affected by natural and other disasters. Other measures include increasing the coverage of the social security scheme, introducing mutual health insurance to cover the majority of workers, developing systems that enforce the rights of the vulnerable especially the rights of children and women and preventing disasters and mitigating their impact on the poor. However, if these interventions are applied through a top-down process, without collaboration with the targeted areas, less will be achieved in remedying the situation as a policy.

v) There should be the pursuit of *good governance* by democratization, enforcement

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<sup>291</sup> Vulnerability typically deals with the inability of the poor to withstand shocks or manage risks that are present in the physical, economic, social and environmental contexts in which they conduct their lives. Its twin concept of exclusion relates to the levels of marginalisation, voicelessness, powerlessness and the injustice suffered by the poor. Lack of assets with which to cope with the risks creates a sense of insecurity for the vulnerable and excluded groups. Creating opportunities for the vulnerable and excluded to either prevent the materialization of the risks or for coping with the shocks is a critical policy objective. See: IMF, 'Ghana: Second Review under the Poverty Reduction and Growth Facility and Request for Waiver of Nonobservance of Performance C criteria', July 2004, p. 116.

of justice and human rights and a reduction in official corruption.<sup>292</sup> HIPC policy compelled governments to pursue a policy of involvement and people participation as Participatory Poverty Analysis (PPA).<sup>293</sup> This has given the right to communities to voice their opinions on poverty policy issues connected with HIPC PRSP. In this way, the policy is enhancing people's freedom to share in issues that affect their basic livelihood and in other welfare.

#### **4.5. Conclusion**

This chapter has introduced the HIPC Debt Relief Initiative of the World Bank and the International Monetary Fund, and the way in which this initiative was taken up in Ghana. We are now in a position to take up our primary research question, namely "Is the HIPC Initiative of benefit to the people of Northern Ghana?"

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<sup>292</sup> IMF (July 2004), 'Ghana: Second Review under the Poverty Reduction and Growth Facility and Request for Waiver of Nonobservance of Performance Criteria', p. 142-143. To promote a faster pace towards good governance, greater dissemination of information about policies, programmes and services will be mounted to inform the public about their rights, their obligations and the nature of services available.

<sup>293</sup> Vitus Azeem (ISODEC), 'The poverty reduction strategy paper- the Ghana experience', GTZ.  
<<http://www.gtz.de/poverty-Conference/dokumente/results/pro-poor/Vitus%20Azeem%20-%20Ghana.doc>>

## Chapter 5

### 5. The impact of the HIPC Initiative in Northern Ghana

This chapter weaves together the work undertaken in the previous three chapters in the following manner. In chapter 3 we examined the economic history of Ghana and some of the key aspects of the situation of poverty in Northern Ghana, and then in chapter 4 we looked at the response to this context of poverty from the Ghanaian government together with the World Bank and International Monetary Fund in what is known as the HIPC debt relief initiative. In this chapter we now bring these two together to enquire as to the impact of the initiative upon the people of Northern Ghana. We will first provide an overview of the way the process was undertaken in the region, and then we will identify the four strengths and six key weaknesses of this initiative. In order to undertake such an evaluation, we will have recourse to the key theme of *shalom* or wellbeing that was established in chapter 2.

#### 5.1. Overview of the HIPC process in Northern Ghana

In considering the long-term exclusion of Northern Ghana in terms of development resources, it appears that in the case of HIPC, it would be difficult for the present government in Ghana to ignore the area within HIPC conditionalities.<sup>294</sup> For this reason there is a need to ascertain whether the Northern Sector had a fair deal in the allocation of money from the HIPC fund. What projects did it accomplish? Were

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<sup>294</sup> Gyimah-Boadi and Asante (May 2003), 'Minorities in Ghana', p. 11.

the needs of the area actually the target for the use of the fund?

### 5.1.1. Allocation of funds and projects

According to the Ghanaian Minister of Finance, the HIPC fund allocation took into account the key factor of population and size of the region.<sup>295</sup> For this reason the main Metropolitan Assembly (MA) in the North received the least share of the allocation to MAs, viz. seven billion cedis.<sup>296</sup> The District Assemblies (DAs) received, equally with the others in southern Ghana, an amount of two billion cedis each, for projects approved by the Ministry of Finance. In addition, each Ministry and government department and agencies (MDAs) were given varying allocations, out of which the various Districts Assemblies benefited in the projects such funds permitted.<sup>297</sup> Available official statistics revealed, in the 2003 GPRSP-Annual Progress Report (APR), how the deprived North benefited from some of the DAs' shares.<sup>298</sup>

The method of the allocation to the deprived area has received both commendation and criticism. The implementation of HIPC has been commended for having contributed in measurable terms to the provision of educational infrastructure, health, water and sanitation facilities. Some other beneficiaries of the allocation are

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<sup>295</sup> Ghana HIPC Watch, 'Disbursement Of HIPC Relief Funds Requires Looking Beyond Populations', *Ghana HIPC Watch*, Vol. 1, No. 2, October-December 2002.

< <http://www.sendfoundation.org/watch/story.asp?ID=13>>

<sup>296</sup> This amount is less than what the other MAs got but Tamale being in a deprived area should have been given exceptional concern.

<sup>297</sup> Ghana HIPC Watch, 'Disbursement of HIPC Relief funds require looking beyond populations', Ghana HIPC Watch.

<sup>298</sup> IMF Country Report No. 03/395, 'Ghana: First review under the three-year arrangement under the Poverty Reduction and Growth Facility – Staff Report; Staff Statement; Press Release and the Executive Board Discussion; and Statement by the Executive Director for Ghana'.

<<http://www.imf.org/external/pubs/ft/scr/2003/cr03395.pdf>>

the promotion of food production and the financing of micro-businesses

After looking at the allocation process we need to find out the mechanism for monitoring the projects and whether there was there accountability?

### **5.1.2. Monitoring and accountability**

The success and the credibility of the implementation of HIPC depend on the system of monitoring and open accountability. In the PRSP, the government of Ghana constituted its own mechanism for monitoring the HIPC implementation and outcomes at regional level. These were the Regional Planning Co-ordinating Units (RPCUs), Regional Heads of Ghana's Statistical Service (GSS), regional representatives of Ministries, Departments and Agencies (MDAs), representatives of the National Development Planning Committee (NDPC), representatives of NGOs, Civil Society Organizations (CSOs) and representatives of the House of Chiefs.<sup>299</sup>

The role of the regional poverty monitoring groups are to:<sup>300</sup>

- i. receive, collate and evaluate data from Districts Level M&E for onward transmission to the national level;
- ii. evaluate, recommend and support M&E capacity-building for the District Assemblies;

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<sup>299</sup> IMF Country Report No. 03/395, 'Ghana: First review under the three-year arrangement under the Poverty Reduction and Growth Facility – Staff Report; Staff Statement; Press Release and the Executive Board Discussion; and Statement by the Executive Director for Ghana', pp. 22-23.

<sup>300</sup> IMF Country Report No. 03/395, 'Ghana: First review under the three-year arrangement under the Poverty Reduction and Growth Facility – Staff Report; Staff Statement; Press Release and the Executive Board Discussion; and Statement by the Executive Director for Ghana', p. 23.

- iii. review data to ensure accuracy and consistency;
- iv. facilitate dissemination of relevant feedback to all districts and stakeholders;
- v. ensure that gender-based analysis is undertaken in all districts;
- vi. hold bi-annual workshops to involve all DAs within the region, for cross-District GPRS review and policy recommendations; and
- vii. provide bi-annual regional poverty status reports and make recommendations for policy review.

The government has made available data on disbursement for all the MDAs, and Metropolitan, Municipal and District Assemblies. Some District Assemblies have made available their expenditure pattern, with the best district being Bawku West District in Northern Ghana. However, the issue of accountability cannot be settled unless details of expenditure at districts level are made available to the public. This has been the wish of the Minister of Finance:

...with the coming into force of the Public Procurement Act 2004, it was necessary that all procurements, including those from HIPC resources and releases should be compliant with the rules, procedures and processes laid down in the Law.<sup>301</sup>

In spite of this there have been reports of some District Assemblies refusing to account to the public the funding of certain projects from the HIPC money. It is not known what the government reaction will be about that. It is not a matter of ledger book accountability but the quality of the facilities provided with this money.

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<sup>301</sup> Ghana News Agency (August 2004), 'Minister announces disbursement of HIPC funds'. <<http://www.ghanaweb.com/GhanaHomePage/NewsArchive/printnews.php?ID=64161>>

## 5.2. Evaluation of HIPC/GPRSP benefit to Northern Ghana

We are now in a position to evaluate the HIPC initiative upon the people of Northern Ghana, and we will do so by identifying and analysing its strengths and weaknesses. In order to make such an evaluative judgement from a Christian perspective, we will return to the concept of *Shalom* or comprehensive wellbeing that was examined in chapter two. Here we simply remind the reader of the central aspects of this concept.

The Bible affirms “pro-poor” as a legitimate public goal. This is central to the concept of *shalom* for society to ensure a pattern of living that supports and empowers the economic life of the poor communities, and afford the care of the environment. This is to ensure that no person or nature is neglected or made to suffer in persistent undignified economic conditions. This goes to affirm that proper social policy requires the provisions that ensure the survival and improvement of life for poorer communities and protection of nature. The focus is general wellbeing which was the goal and mission of the Lord Jesus Christ as captured in his own words: “The Spirit of the Lord is on me, because he has anointed me to preach good news to the poor. He has sent me to proclaim freedom for the prisoners and recovery of sight for the blind, to release the oppressed...” (Lk 4: 18f). HIPC debt relief brings *some* good news. Debt relief represents freedom, when it is coupled with a programme of development. Does the HIPC establish freedom for the people of Northern Ghana and, if so, what kind of freedom? This will be discussed in the context of an evaluative assessment of HIPC on what the people benefited in material and

structures and what is being derived from them.

### **5.3. The Strengths of the HIPC Initiative**

In evaluating HIPC effectiveness from the perspective of *Shalom*, we can identify three key strengths, political accountability, social participation and infrastructure development. We turn to examine each one of these in more detail.

#### **5.3.1. Political accountability**

*Shalom* requires political accountability where openness of the political system guarantees intervention for the weak in the form of justice, where economic resources are fairly shared in the society. The HIPC period has been a unique period when Ghanaians were vigilant and demanded accountability from the government in such spirit of freedom. The vigilance in the North and the openness of the District Assemblies to accountability is positive progress which, if sustained, would consolidate the democratic process in the North for development. This was made easier by the decentralization of the application of the HIPC fund.<sup>302</sup>

#### **5.3. 2. Social participation**

*Shalom*, requires that the political system should uphold the dignity of every citizen which implies their freedom to contribute to issues that affect their wellbeing. Democratic governance has improved in the wake of HIPC fund allocation. The

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<sup>302</sup> Gyimah-Boadi and Asante (May 2003), 'Minorities in Ghana', p. 13, 14.

conditions of poverty in the Northern Sector have, for some time, served to keep society mute over unjust public policy issues. This long silence has been dismantled with the awakening of the participatory process. This trend is conducive for promoting democratic wellbeing for communities' self-determination. This has been made possible because the localities and communities in the North constituted themselves to monitor the use of the funds. Generally, the GPRS has the element of promoting the participatory process. Even though, at the initial stage of soliciting inputs for the GPRS in 2001, the North was given little hearing, the disbursement period caused the people to be vigilant. In using the allocated money, local NGOs and Civil Society Organizations (CSO) mobilized the citizens for the collective purpose of monitoring and evaluation. They also used the opportunity of free speech to express their grievances through the use of electronic mass media, the press and the internet.<sup>303</sup>

Contrary to some of the traditional methods of the government imposing projects and controlling them from above, HIPC brought about the decentralization of the GPRSP. The funding and control of the projects has been pushed to the grassroots level in the districts.<sup>304</sup> This has made it possible for the people to own the programmes and projects which did not originate from them. Thus the people took advantage of the decentralization process and became the real agents in determining the outcomes and effectiveness of HIPC projects for their wellbeing. The agency role of the Northern Ghanaians has caused them to realise their rights and potential opportunities. This

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<sup>303</sup> Ghana HIPC Watch, 'HIPC watch lobby team storms Accra', Send Foundation, Vol 2 No 1, January – March 2004.

<<http://www.sendfoundation.org/watch/story.asp?ID=26> >

<sup>304</sup> Gyimah-Boadi and Asante (May 2003), 'Minorities in Ghana', p. 13, 14.

helped the community leaders and the people to express their concerns, thus exhibiting their ownership of the outcomes of HIPC. The challenge facing the people now is that of utilizing the facilities for their *long-term* delivery of human development objectives to promote *shalom*. The possibility of this would extend the utility of the HIPC-initiated projects for the long time making it duly effective. Furthermore, the effectiveness of HIPC should manifest itself in leaving the people with an empowered motivation, capable of sustaining the gains brought to Northern Ghana.<sup>305</sup> This requires responsible and accountable leadership over the people both traditionally and politically to deliver wellbeing and sustain it.

### **5.3.3. Infrastructural development (schools, clinics and latrines)**

The central social issue in *shalom* focuses on the need for transformation of society for common prosperity. Hence, material things that contribute to lifting people's wellbeing, especially from poverty, should be considered as fostering *shalom*. Education and health service delivery are prior to achieving a sustainable prosperity of families and communities. In poverty reduction, one of the basic needs is the availability of funding to develop infrastructure for education, clinic and sanitation among others. The HIPC money provides hope with infrastructure such as the provision of school buildings, renovations and work on those in a deplorable condition and as well as clinic buildings. These are facilities of inspiration that could serve as a foundation for the effective development for alleviating poverty through education and good health. The GPRS second report indicated that illiteracy is declining among the very young people. Since

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<sup>305</sup> Ghana HIPC Watch, 'The HIPC Watch Crusade Marches On', Send Foundation, No 3, January – March 2003. <<http://www.sendfoundation.org/watch/story.asp?ID=42>>

the provision of new school buildings there has been a record increase in basic school enrolment in the Northern Sector.<sup>306</sup> Education and literacy is essential for people's wellbeing and is a social right. Increasing education would obviously change so many things and raise or improve the level of wellbeing in relation to poverty.

In education, the 2003 APR, Northern Sector, had 81 school blocks out of the national total of 509. Eight districts out of 22 districts nationwide had furniture in their new school buildings. Seven districts in the Northern Region and Upper East Region out of a national total of 31 had teachers' quarters built, in addition to school blocks,. Two districts in Northern and Upper East Regions had school buildings renovated.<sup>307</sup>

In health, the HIPC fund has provided for Northern Sector health equipment for one district in the Upper West Region, out of 3 nationwide. Other provisions cover health exemptions for 12 districts out of 15 nationally, health facilities for 24 districts out of 78 nationwide, health insurance schemes for 9 districts out of 46 and 14 nurses' quarters out of 52 nationwide, all for the three Regions of Northern Ghana.<sup>308</sup> The preliminary report of the 2003 Core Welfare Indicators Questionnaire (CWIQ)<sup>309</sup> shows that the three Regions of Northern Ghana have poor access to health facilities:

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<sup>306</sup> IMF Country Report No. 03/395, 'Ghana: First review under the three-year arrangement under the Poverty Reduction and Growth Facility – Staff Report; Staff Statement; Press Release and the Executive Board Discussion; and Statement by the Executive Director for Ghana', p. 79.

<sup>307</sup> IMF Country Report No. 03/395, 'Ghana: First review under the three-year arrangement under the Poverty Reduction and Growth Facility – Staff Report; Staff Statement; Press Release and the Executive Board Discussion; and Statement by the Executive Director for Ghana', p. 121.

<sup>308</sup> IMF Country Report No. 03/395, 'Ghana: First review under the three-year arrangement under the Poverty Reduction and Growth Facility – Staff Report; Staff Statement; Press Release and the Executive Board Discussion; and Statement by the Executive Director for Ghana', p. 121.

<sup>309</sup> IMF Country Report No. 03/395, 'Ghana: First review under the three-year arrangement under the Poverty Reduction and Growth Facility – Staff Report; Staff Statement; Press Release and the Executive Board Discussion; and Statement by the Executive Director for Ghana', p. 87.

the Northern 35%, Upper East 26.6% and Upper West have 30.4%. This shows the percentage of area population who are able to utilize the few health facilities available that are poorly equipped. The reasons given for under-utilization are lack of money in families and a proximity problem. In sanitation, out of 62 nationally 11 districts had refuse containers; out of a nationwide 436 Kumasi Ventilated Improved Pits (KVIPs) 65 were for the three Regions of Northern Ghana and incinerators for 2 districts in the Upper West Region.<sup>310</sup>

## **5.4. The Weaknesses of the HIPC Initiative**

Having noted these three key strengths, we now turn to the six key weaknesses of the HIPC Initiative from the perspective of *shalom*. These we have named as dependency syndrome, cultural relevance, ethnic conflict, adult capability development, personnel provision and economic distribution.

### **5.4.1. Dependency syndrome**

Dependency, when it becomes a syndrome, negates *shalom* by depriving people of their economic independence and making them incapable of productivity and makes them a social liability. Certain factors mentioned already like past slavery, illiteracy and overdue neglect have created a dependency mindset which PRSP did not take into account. So, there has been a lack of social reconditioning and/or reorientation facilities to prepare society for new programmes and

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<sup>310</sup> IMF Country Report No. 03/395, 'Ghana: First review under the three-year arrangement under the Poverty Reduction and Growth Facility – Staff Report; Staff Statement; Press Release and the Executive Board Discussion; and Statement by the Executive Director for Ghana', p. 121.

expected social change for the improvement of their poverty status.<sup>311</sup> In the case of Northern Ghana, a peculiar form of mindset takes the form of dependency syndromes, where the majority of the people continuously assume the 'receiving' position. This coincides with the thought of economic and ecological fatalism.<sup>312</sup> This mindset has made generation after generation underestimate the economic potential and ecological value of the North, which in reality, it possesses. With this kind of mindset the HIPC fund may sustain and strengthen the dependency condition. This falls short of promoting the wellbeing of communities. HIPC does not change the negative economic and ecological problems caused by the people's mindset.

#### 5.4.2. Cultural relevance

In *shalom* the relevance of culture is important in regard to recognising the dignity and values of other people. The PRSP ignored a consideration of certain peculiar cultural issues, especially for the most vulnerable. The inadequate participatory process that characterized the preparation of the PRSP caused it to ignore *peculiar issues* and problems pertaining to the Northern sector as a typical example. It generalised community issues, the same policy formulation mistake for which IMF's HIPC qualification criteria has been criticised. If the government seeks policy dialogue with the BWIs,<sup>313</sup> it should also likewise recognise the values of the people the government is there to serve. The absence of cultural relevance in the spirit of *shalom* does not augur well for the

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<sup>311</sup> Gyimah-Boadi and Asante (May 2003), 'Minorities in Ghana', p. 18.

<sup>312</sup> Nürnberger, *Prosperity, Poverty and Pollution*, p. 381.

<sup>313</sup> Carl-Johan Dalgaard and Henrik Hansen, 'On Aid, Growth and Good Policies', in Hermes, Niels and Lenski, Robert, (eds), *Journal of Development Studies*, Vol. 37 No. 6, August 2001, p.17.

wellbeing of the beneficiary communities.

### **5.4.3. Ethnic conflict**

*Shalom* focuses on community coherence and trust that is conducive to general social welfare. *shalom* relates to a relationship of peace among neighbours. However, the PRSP, as a development action plan, did not consider the volatile issues in the North and how the programme would fit into it there. The ethnic distrust in the Northern Sector underlies ethnic and social conflicts that can be obstacles to development efforts.<sup>314</sup> This is not taken up as an issue in the GPRSP because it is a generalised plan. The persistent conflicts are some of the left-over legacies generated at the period of the slave raiding by the stronger tribes over weaker ones. This has always destroyed the desire of the three Regions to think along a common line for the common good in pursuing development and preserving progress.

### **5.4.4. Adult capability development - literacy**

*Shalom* is necessary for wellbeing, and illiteracy works against it because it undermines people's access to information for development. The PRSP statistics are silent on adult illiteracy, which is another serious problem affecting the development of the Northern Sector of Ghana.<sup>315</sup> Adult illiteracy often affects children. Many illiterate parents do not understand why their children should be at school, when they need them on the farm during the rainy season or to take

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<sup>314</sup> Gyimah-Boadi and Asante (May 2003), 'Minorities in Ghana', p. 21.

<sup>315</sup> Songsore, 'Population growth and ecological degradation in Northern Ghana: The Complex Reality'.

their cattle to grazing. Adult illiteracy undermines the wellbeing prospects of many young people. Where the parents have been introduced to education, literacy increases the chances of children going further in education, rather than dropping-out after a few years' enrolment.

#### 5.4.5. Personnel provision

*Shalom* is not just about physical infrastructure, but about the ability of people's lives to be enhanced by the infrastructure. Indeed, the creation of infrastructure while there exists a shortage of personnel gives the impression of putting the cart before the horse, e.g. the low, inadequate number of teachers, health workers and agricultural technical assistants. The government and communities' inability to provide incentives and motivation to maintain skilled workers and professionals in the North is a policy problem which was not addressed by the GPRS and HIPC conditionalities. The shortage of health staff,<sup>316</sup> as a priority, and which is lacking in the PRSP, should become a concern at this stage.<sup>317</sup> The infrastructure should be complemented with increasing numbers of staff, for both quantity and qualitative service. Though personnel issues indicate weakness, HIPC as a programme *per se*, cannot be held responsible for government's failure to make long-term sustainability plans based on the HIPC achievements. The importance of personnel and staff capacity development based on the training of leaders for transformational development is very important for sustaining achievements of the programme could also contribute to *shalom*. In the absence of adequate qualified staff some nutrition and health problems are persisting in spite of the availability of infrastructure.

Due to the lack of trained personnel under-nourishment has not generally improved. For example, starvation is still not corrected in the Northern Regions, especially in

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<sup>316</sup> The exodus of health professionals is affecting the Northern Sector alarmingly, with a ratio of one doctor to 12,000 people. Source: Ghana News Agency (August 2004). 'Exodus of health personnel threatens health sector'. <<http://www.ghanaweb.com/GhanaHomePage/NewsArchive/artikel.php?ID=59711>>

<sup>317</sup> Osei and Quartey, 'The HIPC Initiative and Poverty Reduction, in Ghana: An Assessment', August 2001, p. 22.

the Upper East and West Regions. In 2003 these Regions registered food insecurity at rates of 40.3% and 23.3%, respectively (the Northern Region 8.7%).<sup>318</sup> These figures indicate the number of people who have difficulty in meeting the average of two or three meals per day. The trend shows inadequate technical personnel to assist farmers in productive farming, a lack of incentives to revolutionize food production, in the two Upper Regions, and a lack of irrigation water and lack of education concerning farming methods, although the Northern Sector has two Agricultural Institutions and a major agricultural research station. This is bound to other factors in the area of maternal and child health and general productivity, on which the people's nutrition status depends.<sup>319</sup> When nutrition remains unstable and inadequate, child under-nourishment will be another health problem which affects the infant mortality rate in the Northern Sector. Even though health facilities have been provided for some districts it does not solve the problem immediately, without qualified personnel to provide services to the people.

#### **5.4.6. Economic distribution**

In *shalom* the benefits of economic growth should reach the peripheries of the society. The macroeconomic growth of the Ghanaian economy has not yet reached the micro level of Northern Ghana. The absence of motivation to mobilize local resources and the guarantee of security of jobs and livelihood in the North does not amount to *shalom*. In *Shalom* it is a political task to ensure justice and fairness in the distribution of the national resources for the benefit of all citizens. Economic

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<sup>318</sup> IMF Country Report No. 03/395, 'Ghana: First review under the three-year arrangement under the Poverty Reduction and Growth Facility – Staff Report; Staff Statement; Press Release and the Executive Board Discussion; and Statement by the Executive Director for Ghana', p. 80.

<sup>319</sup> Sen, *Development as Freedom*, pp. 49-51.

growth, in its positive sense, occurs not only with increased national exports but depends considerably on the number of people in gainful business and employment. This generates revenue which could be a greater source of income for the District Assemblies.

## **5.5. Conclusion**

Chapter five has integrated the previous three chapters, by evaluating the strengths and weaknesses of the HIPC initiative for poverty in Northern Ghana. On the basis of our theological framework of *shalom*, we have suggested that the key strengths are political accountability, social participation, and infrastructural development. Against this, the key weaknesses have been identified as dependency syndrome, cultural relevance, ethnic conflict, capability development, personnel provision, and economic distribution in the North. Following this evaluation, we are now in a position to conclude the thesis and to suggest a way forward with regard to poverty alleviation in the North.

## Chapter 6

### 6. Concluding reflection

This final chapter will focus on a summary of the thesis issues, a reflection on HIPC and *shalom*, and suggest some way forward for the HIPC achievement in Northern Ghana.

#### 6.1. Summary

Firstly, in Chapter 2, the thesis has argued that “pro-poor” is a theological legitimate goal of public policy, and therefore that social policy should consciously observe moral values that seek a just social ordering that guarantees the protection and economic security of the most vulnerable in the society for their wellbeing. From the Christian point of view, this shows that such an undertaking is making *shalom* work for improved and dignified human living. Upon this basis the thesis focused on evaluating the HIPC debt relief programme in Northern Ghana.

Then in Chapter 3, in an effort to ascertain whatever HIPC is a pro-poor development policy as adopted by the Ghanaian government, the Northern Ghana implementation of the HIPC fund to provide development needs became the main focus of the thesis. After an overview of the economic and political history of Ghana the thesis recognized that Ghana’s debt crisis began with the first republic followed by a trail of inconsistency with political decisions and actions. The various past governments have not been able to mitigate the unfortunate trend of escalating debt and rising

social economic crisis for ordinary Ghanaians. This economic and social crisis is most felt in the far periphery of Northern Ghana with its disadvantaged history of slave raiding,<sup>320</sup> difficult (but not impossible) environmental problems and inequality in social service provisions and economic privileges.

Chapter 4 of the thesis provided an overview of HIPC policy and concluded with the question of the pro-poor nature of the policy. This led to an evaluation of the programme implementation in Northern Ghana to verify this fact. Now it can be agreed that HIPC is pro-poor because it provided for social needs in a way that was capable of helping transform the poverty conditions of the North. This includes specifically, a demand for political accountability, the promotion of social participation and provision of infrastructure for education, health and sanitation. These things certainly promote social wellbeing. However, the thesis also noted five weaknesses against the policy implementation framework in the PRSP, namely: dependency syndrome, cultural relevance, ethnic conflict, capability development, personnel provision, and economic distribution in the North.

## **6.2. Reflection on HIPC and *shalom***

The three positive factors have to be safeguarded for the benefit of wellbeing. However, the issues of the PRSP weaknesses call for rethinking and further action on these limitations to enhance wellbeing. The limitations raised should have been noted earlier on in the course of drawing up the PRSP, but Ghanaians would acknowledge that the revision of the previous PRSP was a very hasty one. This has

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<sup>320</sup> Gyimah-Boadi and Asante (May 2003), 'Minorities in Ghana', p. 7.

already received deserved criticism in other documents and reports. What is needed now is a way to improve upon and sustain what has been achieved, and to correct the weaknesses. The major portion of the critical issues raised have to do with sustaining human capital resources. This has been a constant missing link in Ghanaian economic policies: to focus on people's wellbeing as the primary objective, especially in the North. This reminds us of SAP which was named as "SAP, without a human face". In as much as we see HIPC as having better outcomes than SAP, the demand for technical and expert personnel is not addressed. To promote *shalom*, there is the pressing need of a sustainable wage for the ordinary worker that can provide for the average family, mechanisms to facilitate an equitable market for food producers in the deprived areas and enduring housing which is a serious concern.<sup>321</sup>

So, how can the weaknesses be addressed to enhance wellbeing? This cannot be done unless Ghanaians find themselves bound by the spirit of *shalom* for under-privileged people in the savannah belt. We have to first recognize the historic injustices committed in the territory by the slave raiding activities in the 17<sup>th</sup> century. This has already created a serious state of human humiliation and its consequences of economic handicap, fear, voicelessness and the loss of a sense of coherence and confidence. Ogbu U. Kalu affirmed that "slave trade is not merely an economic matter but a spiritual one."<sup>322</sup> The effect of slavery did not only result in economic pauperization but also spiritual enervation. Kalu further comments that:

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<sup>321</sup> Isaac Nii-Moi Thompson (March 2003), 'A Critique of Ghana's Poverty Reduction Strategy'. <http://www.ghanaweb.com/GhanaHomePage/NewsArchive/printnews.php?ID=34050>

<sup>322</sup> Kalu, *Power, Poverty and Prayer*, p. xv.

The victim may degenerate to the level of preferring to remain a slave than fighting for freedom and even when (such people) try to fight, the burden or liability of the past would hang like an albatross, vitiating all (their) struggles.<sup>323</sup>

Without recognizing this issue of past injustice wrought through the colonial rule period, such political anomaly could easily be perpetuated by any government. This is done through marginalizing the people in the North by wrong assumptions which have been carried out through policy biases.

Further, Northern Ghana deserves more than debt relief funds. The North deserved a greater portion of it and compensation beyond debt relief funds. Northern Ghana deserves international compensation for the human capital loss inflicted upon them and its negative impact which hamstrings the Northern people's development. The Northern people should receive some compensation from colonial abuses and post colonial neglect. Therefore there is the need for some advocacy role that should not be left with Northerners alone but should become a national cause for the redress of injustices of the past by colonization. What is implied here is that HIPC, though helpful to some extent, without a *political commitment* to let all other social policies benefit the Northern sector, cannot make any meaningful and lasting change. This is the kind of justice *shalom* seeks.

Let us, if we can, reflect over the statement of Na'ba Agawini quoted above in the introduction to Chapter two: can the people of Northern Ghana, a decade later, say God cares for them because of the HIPC fund and the GPRS accomplishments? HIPC relief achievement can be used to change some dehumanising conditions in

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<sup>323</sup> Kalu, *Power, Poverty and Prayer*, p. xv.

the North, but not without the active participation and responsibility of all Ghanaians, especially the government, and also the Church's indispensable role. It has to be noted again that the idea behind debt forgiveness is for a fundamentally regenerative process for the indebted poor to begin new life. In this case, Duchrow and Hinkelammert challenge: "It is a matter of giving back what has been stolen not simply by individual wickedness but with the aid of economic mechanisms in [global] society."<sup>324</sup>

The key facts are that the Northern underdevelopment can be overcome through increased education which is empowering, and health that guarantees wellbeing. The first two factors require human resources. Now the HIPC conditionalities or the GPRS argues that the spotlight is on the poor as the *object* or target. The target in reality should be the people's wellbeing in terms of social competence through capabilities and good health, and a sense of sustainability - ownership. This is the tangible and quantifiable<sup>325</sup> criteria we expect to be evident within the nearest time range. But if the very relevant human resources are not of necessity captured in the development policy make-up, how do they guarantee a sustainable wellbeing for the North? This implies that the nation provides complementary intervention in the North, to push the initiated a step further on in order to maintain a HIPC pro-poor outlook. To be clearer: many of the health and educational problems can be attributed to a lack of qualified personnel.

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<sup>324</sup> Duchrow and Hinkelammert, *Property for people*, p. 24.

<sup>325</sup> It is here implying a measurable period from the period of execution of the projects to specified range of decade in acceptable policy implementation assessment.

### **6.3. The way forward after HIPC implementation in Northern Ghana**

I propose some suggestions below based on the issues this research has raised as to HIPC being pro-poor from the experience at Northern Ghana. The author hopes that these suggestions, in their simplified way, will serve the purpose of provoking a re-look at the Ghanaian public policies in the context of wellbeing. The Ghanaian Church would surely agree so far that the Church has a crucial role to play in getting government to be *pro-poor* in policy formulation, thus promoting a people-centred policy after HIPC implementation is over. The PRSP document should not be allowed to be shelved. This would amount to a deviation in policy, whereby there would only be infrastructure are there without capable staff.

i. *The responsibility of the Church towards the proper stewardship of community resources: people and material.*<sup>326</sup> Economic loans can be a positive or negative resource to a nation. When loans become negative, as with insolvent debt, they have the capability of making all Ghanaians slaves to their debtors and depriving them of state sovereignty. The cause of the greater portion of the enormous debt has been due to arbitrary economic decisions. The Church's stewardship requires early intervention in state policies. This enjoins the Church to insist on justice and the democratization of governance processes, not only for religious reasons, but for the fact that the Church is an integral part of Ghanaian society. In line with this, the Church should not abandon its partnership role in

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<sup>326</sup> Pothier (1999), 'The poverty of policy'.

skilled resource development. I therefore suggest much focus to be given to the North in particular, and any such contribution should focus on the real and felt needs of the people and the environment and can then be sustained by local initiative. The drift of skilled workers from the North, and others refusing to take appointments there, are not only of economic but theological concern: “are we our brother’s or sister’s *keepers*?” The Church should help discourage the mass emigration of professionals and the skilled from the North.<sup>327</sup>

Alongside this, the holding of the trust of resources for future generations should be the duty of the Christians and indeed all Ghanaians.<sup>328</sup> The pride of nations is when they think about the future in terms of the just distribution of economic and social resources. HIPC has provided properties, which soon shall be seen as government owned if some remain idle, thus there is the possibility of reverting to the *status quo*, especially in much the traditionalized context of the Northern sector. In a few years time a lack of care could render many of them unusable. It is being suggested here that the Church should offer the needed social education or campaign to ensure that communities continue to possess these facilities for the present and the future generations. *Shalom* requires accountability of available resources by the poor as well, thus, Northern Ghanaians should exercise the required accountability on the HIPC fund provisions.

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<sup>327</sup> The acute shortage of skilled professionals is not only with state institutions but missionary projects as well. In Nalerigu the Baptist Medical Centre is lacking Ghanaian doctor's: “...effort be intensified to recruit Ghanaian doctors and administrator to work at the Nalerigu Medical Centre in the Northern region”. Source: Resolution of the 37<sup>TH</sup> annual session of the Ghana Baptist Convention held on the 23<sup>RD</sup> to 27<sup>TH</sup> August, 2000, at Mensah Sarbah Hall, Legon – University of Ghana, item 17.

<sup>328</sup> Pothier (1999), ‘The poverty of policy’.

ii. *The Church should not compromise the pursuit of people-centred economic decisions and actions.*<sup>329</sup> If the objective of good economics is for the wellbeing of the people, then civil authorities should be made to subject their decisions and economic policies to participatory valuation. This is what the Church should pursue to enhance the democratic process in Ghana, to benefit the poorest of the poor. The Church can also form public policy committees as a specialized ministry, to make use of its human resources and to offer input into a government paper for balanced plans and actions that would benefit every citizen. The Church, as noted by Pothier in Chapter two, should help society by intervention in some way to prevent policy makers being over-influenced by ideological interest at the expense of the wellbeing of the ordinary people. In this way the Church could be working to close the gap between the spiritual and secular for better and faster social transformation in Northern Ghana and for economic empowerment of the poor for the sake of their *shalom*.

iii. *There should be promotion and enhancement of dialogue between Church and state on human wellbeing.* Such a dialogue should bring together the ecumenical bodies in the country and other religious groups, for a common voice on policy issues.<sup>330</sup> The HIPC exemplifies this. Through such dialogue and consultation, religious bodies will share their experiences of projects and programmes from other places, which they have acquired

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<sup>329</sup> Pothier (1999), 'The poverty of policy'.

<sup>330</sup> C.S. Banana, 'Church and Development: An African Perspective', in Koegelenberg, R., (ed), *Transition and Transformation: A Challenge to the Church*, Cape Town: EFSA, 1994, p. 56.

through net-working, to reduce pauperization in severe poverty endemic areas such as Northern Ghana.<sup>331</sup>

In concluding this Chapter, the most significant issue to recognise is that Ghana cannot always accrue debts and expect this unusual type of cancellation. Evidently, some concrete achievements have been made by the judicious use of the relief funds, especially in Northern Ghana. The outcome of the Northern Sector HIPC relief achievements as pro-poor and the promotion of wellbeing (*shalom*) is unambiguous in terms of the infrastructure. But there is the need for sustainable use of facilities and infrastructure provided. Another factor is that, without the state support of providing human resources to make the building infrastructure useful, the debt relief fund achievement as pro-poor will be frustrated in the long run. There are some other non-technical, spiritual, cultural and other circumstantial issues about the North which are played down in policies made in the South with donor influence like the PRSP. However, when a policy falls short of considering the basic issues and views that impact and affect the lives of the people of the North, it will seldom contribute to their wellbeing for their effective development and which manifests in measurable changes.

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<sup>331</sup> Nümberger, *Prosperity, Poverty and Pollution*, p. 445.

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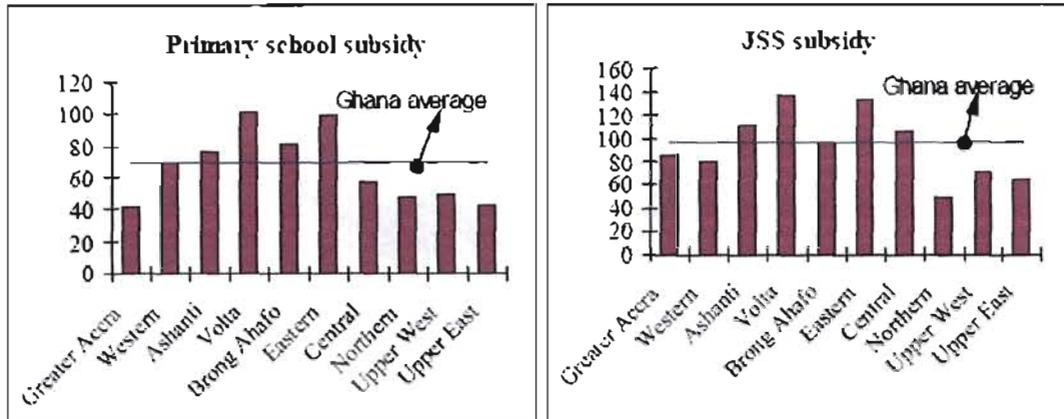
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## **List of Appendix**

Appendix 1 Public Health and Education Spending in Ghana in 1992-1998.....	128
Appendix 2 Ghana GPRS Regional Poverty Profile 1991 -1999.....	129
Appendix 3 A Definition of Poverty – GPRS.....	130
Map 1: Ghana General.....	131
Map 2: Ghana Population and Land Cover.....	132
Map 3: Gold Coast Northern Territories before annexation after World War ...	133

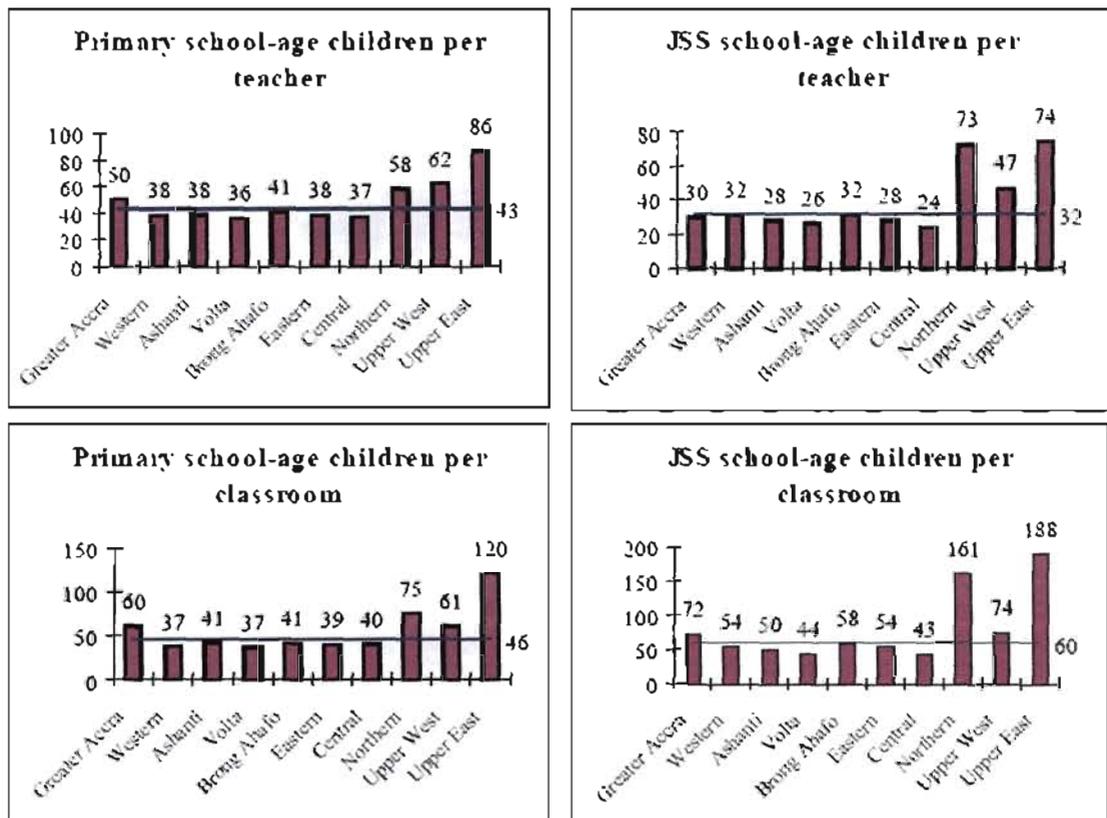
## Appendix 1

**Figure 1: Ghana: Teaching Capacity by Region**



Source: Canagarajah and Ye, 2002: Public Health and Education Spending in Ghana in 1992-1998: Issues of Equity and Efficiency, p.9-10. (Copied from Tsekpo and Jebuni, 2004)

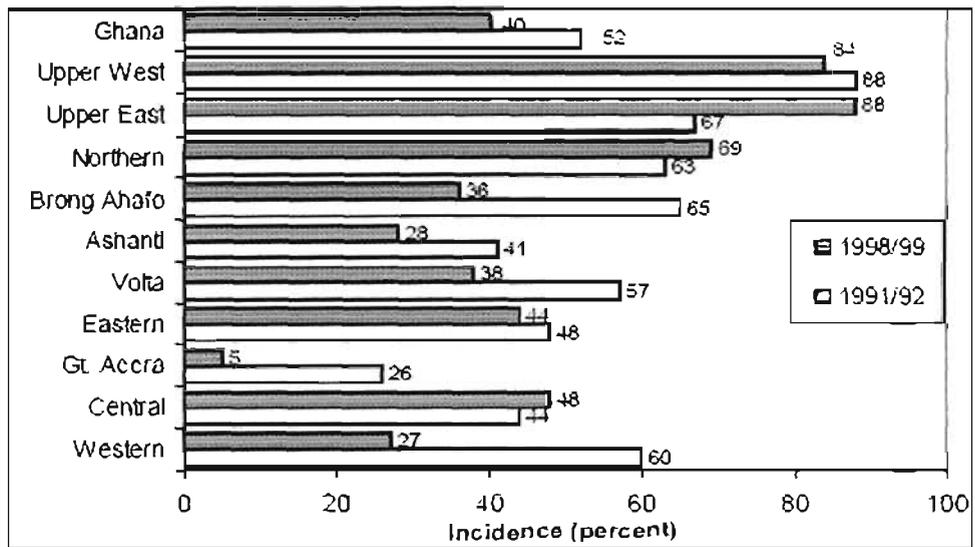
**Figure 2: Ghana: Teaching Capacity by Region**



Source: Canagarajah and Ye, 2002: Public Health and Education Spending in Ghana in 1992-1998: Issues of Equity and Efficiency, p.9-10 (Copied from Tsekpo and Jebuni, 2004)

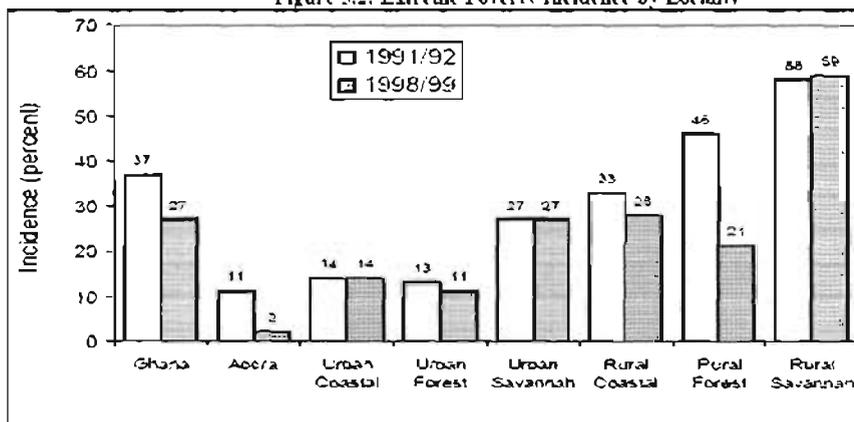
## Appendix 2

Figure 3.1: Regional Poverty Profile



GPRS February 19, 2003

Figure 3.2: Extreme Poverty Incidence by Locality



Source: Ghana Statistical Service

## **Appendix 3**

### **A DEFINITION OF POVERTY**

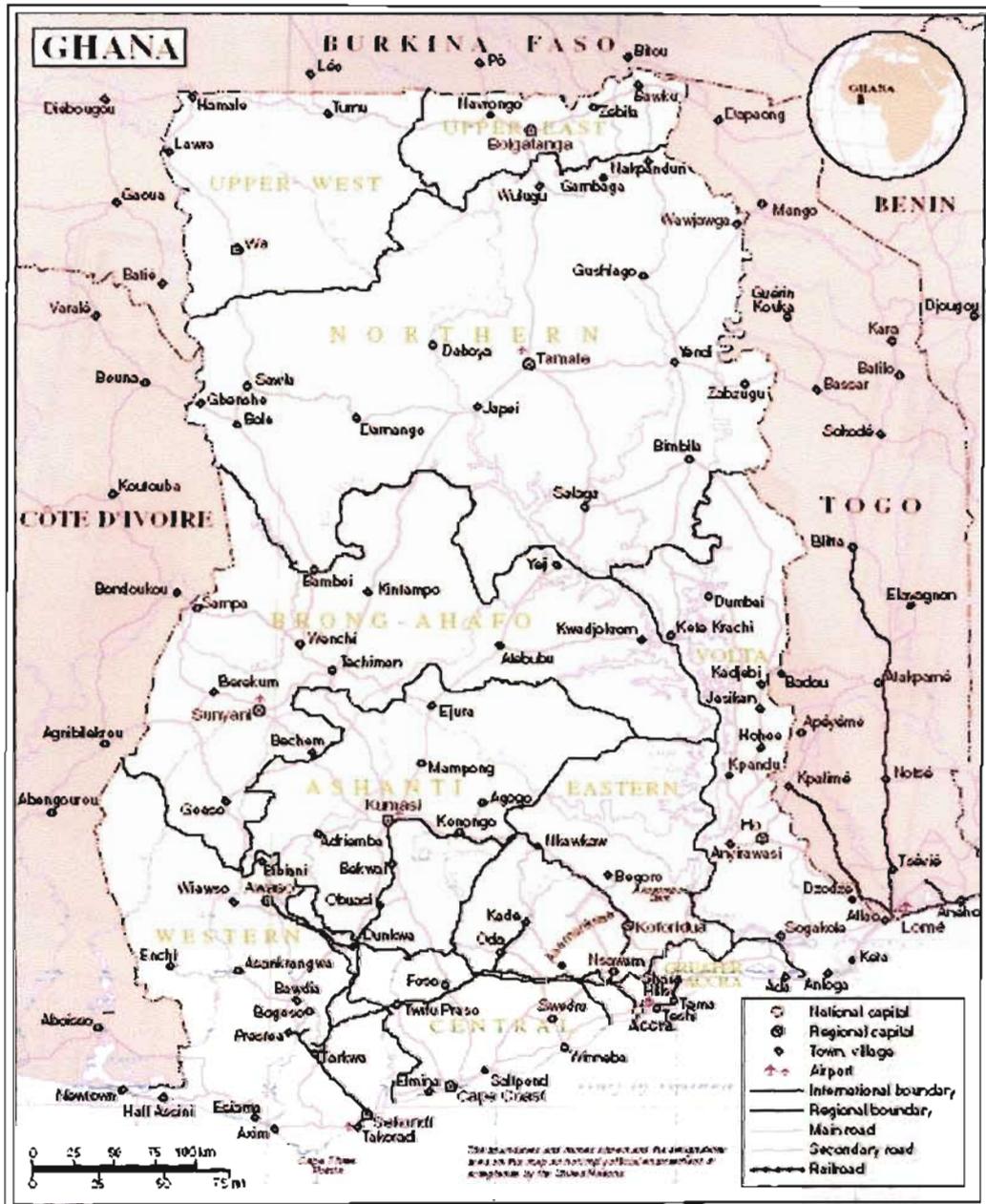
Poverty is now recognized as multi-dimensional with complex interactive and causal relationships between the dimensions. For purposes of the Ghana Poverty Reduction Strategy (GPRS) poverty is defined as unacceptable physiological and social deprivation. This may be caused or exacerbated by:

- the lack of capacity of the poor to influence social processes, public policy choices and resource allocations
- low capacities through lack of education, vocational skills, entrepreneurial abilities, poor health and poor quality of life
- the disadvantaged position of women in society
- exposure to risks through lack of financial, social or physical security
- low levels of consumption through lack of access to capital, social assets, land and market opportunities
- exposure to shocks due to limited use of technology to stem effects of droughts, floods, army worms, crop pests, crop diseases, and environmental degradation
- inadequate environmental protection measures
- lack of macro-economic stability that erodes the resources of the poor through inflation and other variables
- the inability of the national economy to optimise benefits within the global system
- habits and conventions based upon superstition and myths giving rise to anti social behaviour
- other factors leading to vulnerability and exclusion

Source: GPRS FINAL DRAFT VERSION February 4, 2002.

<http://www.dfid.gov.uk/pubs/files/ghana-pov-red-strat.pdf>

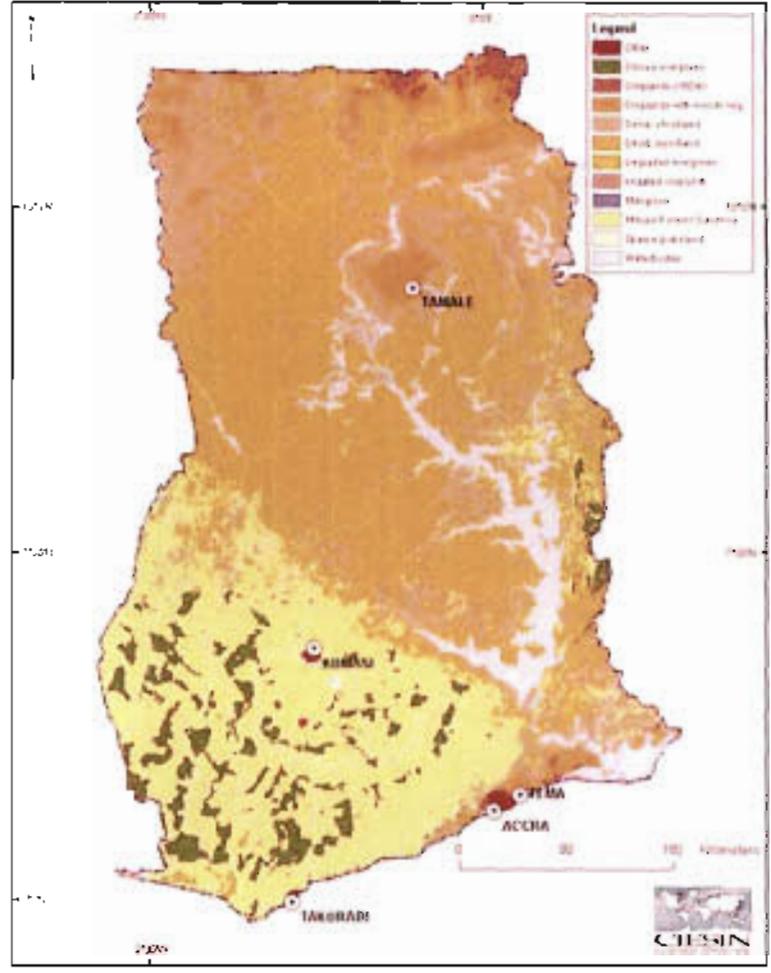
Map 1



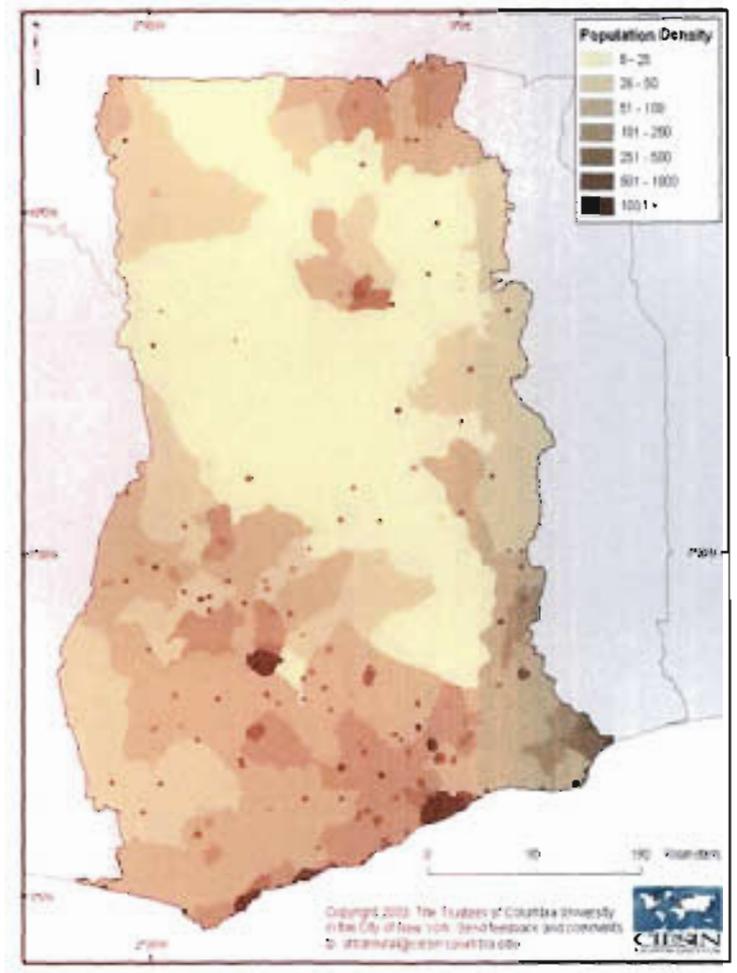
Map No. 4/00/Rev.1 UN FIDR/CAP/2  
July 2004

Dept of External Development Operations  
Country of the Country

Ghana: Land Cover, 2000



Ghana: Population Density



132

Map 2

Map 3

Northern Territories before annexation after World War I



Source: Ward, W.E.F., *A History of Ghana*, London: George Allen and Unwin Ltd, 3<sup>rd</sup> edition, 1966, p. 98.