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Ghana: The Political Dimensions of Aid Dependence

Lindsay Whitfield and Emily Jones[1]

Ghana is aid dependent. Aid dependence is not just about the volume of aid flows, but also a way of working within the recipient government, of relating to donors, and of negotiating aid. This chapter argues that decades of continuously negotiating aid-sponsored reforms and projects have affected not only the institutions structuring policymaking and public administration but also the behaviour and attitudes of those working in the government. The experience of the 1980s set the scene for what has become an embedded aid system, where donors have a large influence on policy and participate intimately in policymaking and implementation processes. The interaction of this embedded aid system with an increasingly competitive multiparty political system since 1993 has given rise to a particular logic governing the aid relationship.

We can identify particular political dynamics driving the government's negotiating strategy. Politicians are driven by the four year electoral cycle and tend to adopt a short-term approach in their development vision and policymaking. The imperative to deliver visible goods and services to meet the high expectations of electoral constituencies is strong. There is little incentive to pursue policies or projects that cannot attract aid and a strong incentive to go along with what donors want as long as it can deliver something. Although the aid system is not the only factor undermining the ability of Ghanaian governments to produce and implement a longer term strategy for economic development (a topic which is beyond the scope of this chapter), the aid system clearly reinforces the incentives that discourage politicians from doing so.

A dynamic similar to the one daiving politicians is also at play in the public administration. The Ghanaian civil service was politicized under the first independent government and then stripped of much talent after economic decline in the 1970s sent those who could leave searching for greener pastures. The process of structural adjustment in the 1980s further marginalized the civil service. Since the 1990s, the poor working conditions and heavy burden of the aid system have resulted in civil servants having to rely on the perks of the aid system to simply survive and to have enough resources with which to carry out their jobs.

This logic gives rise to a way of managing aid that developed over the course of the 1990s which we call the default program: in the overwhelming number of cases, government officials and civil servants negotiate as far as they think they can on a particular loan or grant, but will accept the aid package in the end, even if the policy and programmes attached to them do not adhere to a Ministry's priorities or are seen by government negotiators as not particularly useful.

With increasing donor demands and few economic resources outside the traditional aid system in the 1990s and 2000s, the different governments have found it hard to set the policy agenda and to forge independent policy positions from which to negotiate with donors. Thus, the Ghanaian government has room to negotiate only at the margins of donor-initiated policies and programs. Ministries try to maximize the amount of aid they receive, but at the same time government officials try to avoid implementing policies or programs with which they strongly disagree or which they deem to be too politically costly.

The first part of the chapter reviews the history of the importance of aid to the economy and of the relationship between the various governments and donors since independence. It shows that Ghana did not become economically dependent on aid until the 1980s, after serious economic decline, when reforms were initiated under the military ruler J.J. Rawlings and his Provisional National Defence Council (1981-1992). Part one also describes the process of how this economic dependence led to an embedded aid system and its political repercussions in the context of a return to multiparty politics. It examines the nature of the embedded aid system as it developed under the National Democratic Congress governments (1993-2000), also headed by Rawlings.

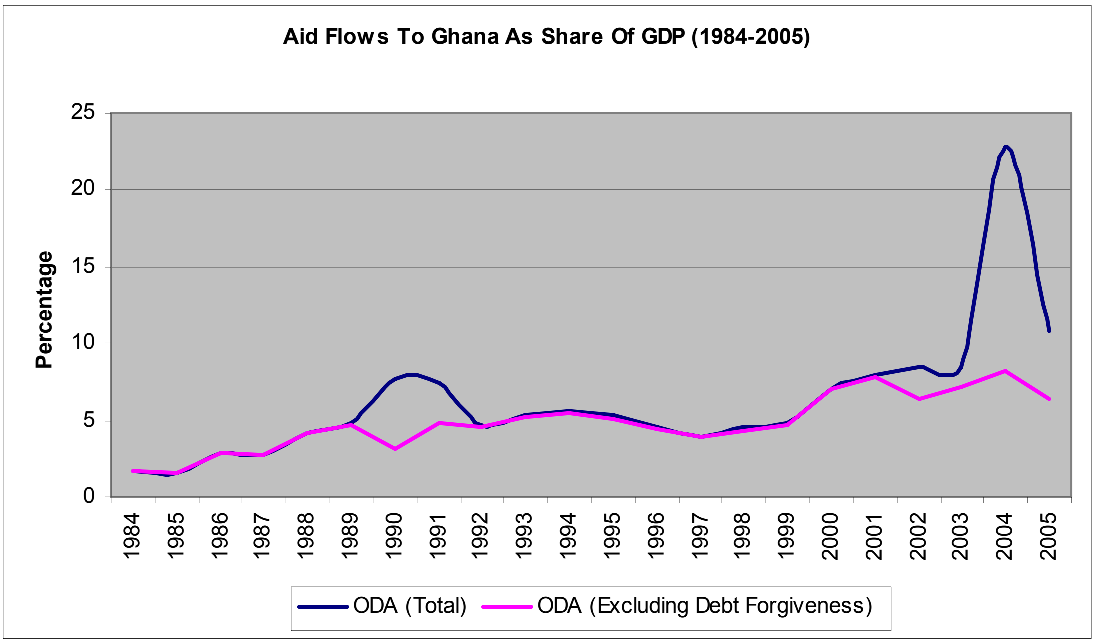
When then the National Patriotic Party (NPP) came to power in 2001, it confronted this embedded aid system, as well as new initiatives from donors such as the Poverty Reduction Strategy Paper and general budget support. Part two looks first at the impact of these generic donor-initiated innovations on the aid system in Ghana. It then examines the everyday interactions of the government and donors in the course of specific aid negotiations focused around two particular policies and two different ministries. It examines the government's negotiating strategy and outcomes in these particular cases, but also looks at broader factors accounting for the strengths and weaknesses of the government's negotiating ability. These examples allow us to break down the notion of the government as a homogenous negotiating unit and look at the different actors and interests at play within the government. The conclusion summarizes how the political dimensions of aid dependence shape the government's overall negotiating strategy.

This paper is based on new empirical research. One of the authors spent almost three years working in the Ministry for Trade and Industry, providing the opportunity to observe interactions between donors and the government at first hand in the Ministry of Trade and Industry and in the former Ministry of Private Sector Development. The authors also carried out a series of interviews in April 2007 with all of the key actors involved in the two case studies (see the bibliography).

I. History of Aid

Aid flows to Ghana were negligible prior to 1983, but increased substantially alongside economic reforms in the 1980s and 1990s. Disbursements grew steadily between 1983 and 1989, and then stagnated in the 1990s. Aid flows increased again after the New Patriotic Party came to power in 2001, with a sharp rise in 2003 due to debt relief. These trends are illustrated in Figure 1.

FIGURE 1



Sources: Calculated by authors. GDP data from IMF World Economic Outlook; ODA data from OECD Statistics.

Aid would appear to be less significant to the Ghanaian economy than for other African countries in this volume. It was very important to the economy during reforms in the 1980s, as illustrated below, but the amount of assistance to support reform was substantially lower than that to other reforming countries such as Tanzania. External debt seems to have been equally important in shaping Ghana's relationship with donors and the government's negotiating position. Reforms sponsored by the Bretton Woods institutions since 1966 were largely adopted in order to reschedule debt as well as to access credit. Ironically, increased aid in the 1990s led to increases in external debt from 1.4 US billion in 1980 to 6.0 US billion in 1997, reaching 7.5 US billion at the end of 2003 before the country began benefiting from HIPC debt relief. Debt servicing constituted 17.1 percent of government revenues in 2003.

The political economy of post-colonial development in Ghana from independence in 1957 to 1981 was dominated by two development strategies: Nkrumah's state-led industrialization emphasizing structural constraints to growth that only the state could overcome, and economic liberalization emphasizing a monetarist approach to macroeconomic instability. Even the governments that adopted the latter strategy did not manage to significantly alter the significant role of the state in the economy and the provision of services due to high domestic expectations. After Nkrumah was overthrown in 1966, government policy was dominated by short term management of economic crisis Governments oscillated between embracing IMF loans and its prescribed reforms and refusing its loans due to the conditions attached. Even though the Ghanaian economy experienced a negative growth rate of -0.3 percent between 1970 and 1981, economic reforms proved elusive due to organized urban groups demands, a stalemate between intellectuals and government technocrats on the way forward, and governments' lack of access to finance outside of the Bank and Fund with which to soften the social costs of reform. When Rawlings took power at the end of 1981, economic reform was necessary but the conditions in which he had to negotiate with the Bank and Fund offered his government little negotiating capital.

Structural Adjustment (1981-1992)

President J.J. Rawlings came to power through a coup at the end of 1981, but also as the leader of a coalition of popular forces embodied in the Provisional National Defence Council (PNDC). This coincided with the first global debt crisis, and by 1982 the economy was on its knees, and creditors were knocking at the new regime's door. Rawlings and the PNDC macroeconomic team had little choice but to adopt reforms with the financing and prescriptions of the World Bank and IMF, which would enable the regime to reschedule its debt.[3] The PNDC team would have implemented some form of stabilization on its own, and the initial reform effort owed more to judgements of the macroeconomic team than to external prescriptions (Aryeetey & Cox 1997). The team agreed with the Bank and Fund on several policies, but also managed to moderate and shape some Bank and Fund conditions through continuous bargaining. With the economy improving in the mid-1980s and with a well-prepared Ghanaian negotiating team, the Ghanaian team won several concessions from the Bank and Fund in the early reforms.

The PNDC regime's negotiating strategy was shaped by the need to arbitrate complex and contradictory pressures from domestic and external constituencies. To manage these pressures, policymaking was confined to negotiations between the macroeconomic team and the Bretton Woods institutions. The reforms were centralized in the Ministry of Finance and Economic Planning and a few central agencies, and the macroeconomic team functioned within an 'almost institutionless arena' (Hutchful 2002: 145-7). The absence of public discussions enabled decisions to be quickly implemented, for deadlines to be met and for a high level of commitment to the reforms. Rawlings' unique position among several domestic constituencies, but his allegiance to none of them allowed him to break the previous impasse to reform. Increasing aid in the early reform years allowed the government to pursue public investment and meet citizens' consumption needs and thus to contain opposition to reform from organized labour and some academics (Aryeetey & Cox 1997: 82).

While the de-institutionalization of decision-making provided the regime with room for manoeuvre between constituencies, it also weakened the government's negotiating capital. Without the ability to refer to political principals or imperatives or to draw on a large group of technocrats within the state administration, the over-stretched Ghanaian negotiators struggled to resist the superior technical skills at the disposal of the World Bank and IMF to propose and defend policy initiatives. The absence of a large Ghanaian team based within the civil service reflected more the political divisions within the civil service than the dearth of qualified people (Aryeetey & Cox 1997: 84).

Ironically, the prominence of the Bank and Fund was reinforced by the failure of the reforms to stimulate change in the productive sector of the economy and attract foreign direct investment. In the absence of other forms of capital, the economy remained highly dependent on the Bank and Fund. Their stamp of approval was also necessary for official bilateral aid flows and for foreign private investors.

Ghana's commitment to economic reforms up to 1992 attracted much donor support.[4] In the 1980s, the Bretton Woods institutions saw Ghana as its showpiece for economic reform in Africa, resulting in an expanded range of policy interventions tied to increased concessional credit. Ghana faced significant balance of payments problems at several times during the reform process, including after the sharp fall in cocoa prices in 1988. Each crisis created the temptation to roll back some of the reforms, particularly those related to the foreign-exchange market and import decontrol, but the provision of aid helped buffer the impact of external and policy-related shocks on the economy, making it easier for the government to survive those changes without resorting to the sorts of controls that sank the economy in the 1970s (Harrigan & Younger 2000: 194-5). The influence of the Bank and Fund, coupled with increasing aid flows, moved the Ghanaian policy team's economic priorities away from addressing supply-side constraints towards addressing donor agendas.

Re-introducing multiparty politics (1993-2000)

As a result of increased domestic pressure for a return to multiparty politics, increased pressure from donors for political liberalization, and the need to generate a new political legitimacy, Rawlings accepted and controlled a democratic transition. After elections in 1992, the Fourth Republic was inaugurated in 1993. Rawlings won the presidential election, but accusations of electoral fraud led other parties to boycott the parliamentary elections, leaving Rawlings' National Democratic Congress (NDC) party holding almost all the seats in Parliament.

With the return to multiparty politics, NDC politicians shifted their focus away from economic reform and towards politically-driven public spending, and power shifted away from the macroeconomic team managing reforms towards political brokers and party financiers (Hutchful 2002: 221-3). The chief architect of the reforms resigned in late 1995, and crucial players in the strong, respected and technically competent macroeconomic team left their government positions. The government lost much of its economic policymaking capacity. The PNDC government had not mobilized political support for its economic reforms, and this further contributed to the unravelling of the economic reforms in the 1990s.

The 1990s were characterized by tensions between increasing government spending and efforts to balance the budget. In addition to unexpected budget outlays in 1990 for the constitutional referendum and holding of the elections, the government overspent on development projects and campaigning before the 1992 elections (Sowa 1996). Fiscal deficits in the second half of the 1990s resulted in further inflation and currency depreciation. These deficits had multiple sources: delay in introducing a Value Added Tax in 1995 due to a massive demonstration against the law (see Osei 2000), an increase in civil servant salaries, expenditure on rural infrastructure, and party patronage in run-up to elections. In an attempt to balance the budget without sacrificing public spending, the government became reliant on one-off receipts from divestures and increased domestic and foreign borrowing (Hutchful 2002: 216). Although growth figures remained positive, macroeconomic stability unravelled.

In 1999, Ghana suffered two major external shocks: rising oil prices and a decline in world prices for its major exports of cocoa, gold and timber. These shocks were compounded by the loss of fiscal discipline and loosening of monetary policy in the run up to the 2000 elections, and by the subsequent suspension of aid and loan disbursements by the IMF and other donors due to non-compliance with IMF conditions (CEPA 2003: 3). Rapid inflation and currency depreciation followed. These macroeconomic problems meant that the NDC government depended on donors to shore up fiscal deficits and help achieve the fragile macroeconomic stability. They also probably cost the NDC the 2000 presidential election.

At the same time, the influence of donors grew. Even though the volume of aid flows did not increase significantly, donor agendas and presence on the ground in Accra increased enormously. Donors opened country offices, increasing their ability to attend government meetings as 'observers' as well as to hold more frequent donor-government meetings. Forums for government representatives and donors to engage in 'policy dialogue' proliferated. Donors use these dialogue arenas to identify opportunities to engage the government on policy reforms, coordinate their policy positions, and share information. By the end of the 1990s, donors worked at national and sub-national levels, each to their own agenda and with little coordination of their activities. Donors also extended their concerns beyond macroeconomic issues and isolated projects to good governance issues and sector-level strategies, with a concomitant increase in the scope of conditions. The Bank and Fund became less accommodating in allowing flexible implementation of reforms after slippage in implementing conditions in the early 1990s (Tsikata 2001: 86-7). Slippage often resulted from policy disagreements as well as from inappropriate design of reforms by the Bank or lack of administrative capacity. Nevertheless, conditions became more numerous, tighter and deeper, and donors provided increasing numbers of technical advisors to fill the capacity gap.[5]

This proliferation of donors, expanded agendas, and increased interaction with the government for policy formulation and implementation placed a huge burden on Ghana's public administration. Administrating the conditions associated with different projects stretched the civil service to the limit and often absorbed the skills of the few talented individuals left in an already hollow system.

The government found it difficult to resist this increasingly assertive donor system, in part because of the absence of planning and aid coordination systems on the government side. In the mid-1990s, the government had established the International Economic Relations Department in the Ministry of Finance to centrally coordinate aid inflows and negotiations. However, donor agencies continued the old routine of negotiating with line ministries and dealing directly with project management units because they saw the coordinating body as ineffective (Aryeetey & Cox 1997). Line ministries supported this deviation because they felt that this gave them greater leverage over access to funding and project design. Aryeetey and Cox (1997) argue that the absence of coordination stemmed largely from the lack of an effective planning system. The NDC government had created the National Development Planning Commission in 1994, but it remained understaffed and had little authority within government. As a result, the World Bank was left effectively coordinating aid. As the largest donor until at the mid-1990s, the Bank signalled to other donors that the government was committed to policy reform, and it led the Consultative Group as the forum for coordination of aid programmes and policies (Harrigan & Younger 2000: 198).

The political climate and economic dependence on aid described above, combined with the increased demands of donors on the inadequate structures of economic and aid management, undermined the negotiating position of the government on particular loans and project and reduced the space for government-led initiatives. During the 1990s, with macroeconomic stabilization still at the forefront, there was no serious attempt to develop a longer term development strategy to bring about structural change in the economy. In many ways democratization compounded this situation, with political incentives to focus on short-term initiatives to maintain incumbency.

President Rawlings presented to Parliament in 1995 *Ghana-Vision 2020, The First Step: 1996-2000,* the first serious attempt to develop a plan that might strengthen the government's negotiating position produced by the National Development Planning Commission. The process was not without complications. The Ministry of Finance perceived the Planning Commission as a rival institution, and World Bank officials feared it would lead to resurgence of old style bureaucratic interventionist policies (Hutchful 2002: 112).

In any case, the contents of Vision 2020 would arguably not have led to a significant departure in policymaking. By this time, the government had learned that to secure donor support, global visions had to be adapted into their domestic documents. The government pitched the document somewhere between what it thought was required for economic development and what it thought would be supported by donors. In an attempt to leave itself space for flexibility during implementation, the document lacked detail. The Vision 2020 document was criticized for having lofty aspirations but an absence of a clear strategy to deliver.

In addition to the economic, administrative and global constraints mentioned above, the NDC government also faced a particular set of political incentives that resulted in the political leadership becoming dependent on the aid system to maintain power. Development expenditures provided by aid were used to gain political support in constituencies through development projects. The PNDC and then NDC governments also used aid conditions to gain leverage in negotiations with groups in society such as workers and to avoid public debate on economic policies (Aryeetey & Cox 1997: 79).

Through this process the government became addicted to donor finance for its survival (Hutchful 2002: 240-1). The funds available in the national budget for operations of government ministries, departments and agencies were inadequate and salaries were not motivating. In this situation, the resources and perks associated with foreign funded projects in the short term created the temptation for politicians and bureaucrats to accept any aid project, and in the long term to continue a donor-led reform process. Burdened with an overloaded policy agenda and multiple, short term targets which could be superficially satisfied, the government focused on appearing to be doing whatever donors asked in order to access the money. By the end of the 1990s, there was little coordination among donors, new reforms were announced constantly but with shallow implementation and indifferent results, and reforms were overseen by a government increasingly disconnected from the process and concerned with staying in power. The lack of debate on reform issues reduced the legitimacy of the government and in turn led to a lack of support for the reform process from the domestic private sector in particular and a general disengagement and scepticism of the reforms by large parts of society.

II. A New Ruling Party, but an Embedded Aid System

The 2000 elections led to a change in ruling party. J. Kufuor became president and his National Patriotic Party (NPP) formed a coalition with the smaller parties and independent candidates to form a narrow majority in Parliament. The NPP won with a greater margin of votes in the 2004 elections, with Kufuor re-elected. In contradistinction to the PNDC and NDC governments, which were sceptical of the domestic private sector and adopted a passive role for the state, the NPP party manifesto focused on a positive partnership with the private sector and an active role for the state in removing impediments and fostering development of the domestic manufacturing sector. The NPP manifesto echoed earlier arguments in Ghanaian history on the need to address supply side constraints in the economy, but also acknowledged the importance of demand management and macroeconomic stability (Hutchful 2002: 247).

One of President Kufuor's first acts was to create the Ministry for Private Sector Development to translate its 'Golden Age of Business' vision into reality. The President's Special Initiatives were also launched in 2001, as the flagship project of the NPP's new economic policies. These public-private partnerships are designed to create new pillars of growth for the economy by accelerating the development of selected products into lead export earners. Under the auspices of the Ministry of Trade and Industry, they initially targeted four areas: garments and textiles, cassava starch, salt and palm oil.

However, the NPP government's development vision was put on hold by the imperative of managing the economic crisis it inherited (see above). Given the dire economic situation, the NPP government felt compelled to accept the Heavily Indebted Poor Country (HIPC) initiative. To receive debt relief, the government had to meet a series of conditions negotiated with the Bank and Fund. Although whether 'to go HIPC' was widely debated in Ghanaian media, the HIPC agreement was negotiated without public knowledge of the conditions (Killick & Abugre 2001).

Opting for HIPC status introduced more donor driven systems and conditionality tied to the prospect of debt relief. The NPP government had to produce a Poverty Reduction Strategy Paper. The new government had rejected Vision 2020, but had not yet produced its own long-term development strategy. The government was in a hurry to get debt relief and this sense of urgency affected the content of the Ghana Poverty Reduction Strategy (GPRS), which was a compromise document reflecting elements of the government's party manifesto, what the planning technocrats thought and what the donors wanted (Whitfield 2005). The emphasis was placed on social sector spending rather than private sector development, reflecting donor priorities at the time.

Integrating the Ghana Poverty Reduction Strategy into the national policymaking framework has been difficult (Aryeetey & Peretz 2005). The government is constitutionally required to develop and present to Parliament a Coordinated Programme for Economic and Social Development, and legally required to follow a decentralized planning process. However, in practice the GPRS is the focus for donor coordination, and this has sidelined the domestic political and planning processes. The NPP government has not been clear about how it sees the GPRS—as a medium term programme or a tool for negotiating with donors—adding to the institutional confusion. Policymakers publicly talk a lot about the GPRS in order to get money, but privately they often express the opinion that the GPRS is not a Ghanaian document.

The GPRS was revised in 2005. GPRS II is a stronger attempt by the government to break with the Millennium Development Goals paradigm and to chart its own path. Donors apparently limited their involvement in the policy debate this time around, and the government chose to merge its national policy framework with that of the donors by presenting GPRS II as the constitutionally required Coordinated Programme (Aryeetey & Peretz 2005). However, at the end of the day the GPRS is still primarily seen by government officials as a donor requirement.

By 2002, ten bilateral donor agencies had significant aid portfolios in Ghana (Denmark, France, Germany, Italy, Netherlands, Spain, United Kingdom, United States, Japan and

Canada), in addition to the World Bank, IMF, European Commission, African Development Bank, International Fund for Agricultural Development and United Nations agencies.[6] In an attempt to reduce transaction costs and the burden of managing a plethora of donor initiatives, general budget support was introduced in 2003. Disbursement is based on the achievement of targets and triggers in the Performance Assessment Framework negotiated between budget support donors and the government. By 2007, eleven donors had signed up to budget support, although only for a portion of their aid portfolio. Budget support constituted 27 percent of total official aid in 2005 (Lawson et al. 2007). Although general budget support has proved a more predictable way of giving aid and has helped to align donor support better with government priorities, it has not reduced transaction costs as much as expected. The Multi-Donor Budget Support arrangement is backed by an extensive system of sector working groups, which places considerable demands on sector ministries and the Ministry of Finance (Aryeetey & Peretz 2005).

The aid management structure now consists of quarterly mini-Consultative Group meetings, regular meetings of the budget support group and parallel regular meetings of the budget support sector working groups. These joint government-donor structures do most of the leading and coordinating of aid. The budget support structures have also increased access of donors to policy discussions across the government (Lawson et al. 2007).

Budget support is perceived by academics and civil servants interviewed as a milder form of imposition than previous Bretton Woods conditionality. Negotiations over conditions attached to the performance framework were described as 'very intense', but in the most recent negotiations the Ministry of Finance feels that it got more of what it wanted. A view outside the Ministry argues that the negotiations were easier because the new framework underlying budget support is largely based on GPRS II and thus reflected the consensus that donors and government negotiators had already reached. Interviewees commented that the Bank and Fund have learned that reforms did not get implemented in the past when they were pushed too quickly due to political constraints facing the government, and now give the government more time to implement reforms.

Increasing discussions between government and donors at the sector level influence the formulation of so-called national strategies. Line ministries are supposed to develop medium term programmes as a basis for negotiating with donors. In practice however, donors are closely involved in creating such programmes or strategies. Sector strategies have been created in education, health, agriculture, private sector development and trade. Donors try to be involved from the beginning in shaping these strategies, and ministries have had varying success in limiting their influence. As the case studies illustrate, whilst donors can help to increase the level of technical analysis, they can also skew sector strategies towards their individual funding projects or priorities, which do not necessarily coincide with government priorities.

The administrative system that the NPP inherited had weak and fragmented policymaking, planning, budgeting and financial systems—the legacy of donor-driven reforms in the context of a public administration devastated by economic decline. As a result, donor and government institutions have become deeply entangled, with negative consequences for strengthening Ghana's public administration and its ability to formulate its own policies from which to negotiate. These general trends in the aid relationship under the NPP government are elaborated and refined through examining the different experiences of negotiating aid in the Ministry for Private Sector Development and the Ministry for Trade and Industry from 2001 to 2007. These cases reveal how government policy was formulated and how aid was negotiated to support them.

Formulating the private sector development strategy

The Ministry for Private Sector Development was established by the Kufuor government in 2001 to drive the administration's key policy objectives: to ensure that the various institutions of government supported the development and growth of the private sector. One of the first acts of the Minister was to handpick a team of renowned Ghanaians with a strong record in the private and public sectors sector to draft a strategy fleshing out the objectives and role of the new Ministry. The team operated on a pro-bono basis. The draft strategy was presented at a national workshop in January 2002 attended by the President, key ministers and leaders in the private sector. Based on the outcomes of this workshop, the Ministry launched its *Strategies, Policies and Action Plan (2002-2004)*.

Within the international donor community, interest in supporting private sector development had grown around the same period. Donors in Ghana already had a thematic group on the private sector and focused on the new Ministry for Private Sector Development as an anchor for coordinating their multiple existing private sector projects. With the justification that the Ministry's strategy lacked vision, was insufficiently comprehensive and failed to consider the impact of other government institutions on the private sector, a small group of donors garnered support of the wider donor community and urged government to embark on the development of a far more comprehensive Private Sector Development Strategy.

Key policy makers involved in the design of the original strategy saw this move on the part of the donors as an attempt to reframe the policy on private sector development. The original strategy was coherent and had a clear vision, but did not match the vision that particular donors had in mind. The Minister agreed to develop a new strategy, compelled by a situation where his Ministry lacked resources and donors were offering the means to develop and implement a new strategy.

The second Private Sector Development Strategy was designed outside the existing state institutions by a team of international and Ghanaian consultants hired through an international competitive tender paid for by donors. The consultants liaised through committee meetings with different parts of government, representatives of the private sector and almost all the donors, and tried to take into account different interests. Although setting out to consult with all parties, the donors had the strongest influence over the strategy design, because they were the most organized group of 'stakeholders'. As one interviewee noted, unlike the resource-stretched civil service or private sector actors that have businesses to run, the *raison d'être* amongst donors is to influence government policy and they have teams of policy staff in their international headquarters dedicated to private sector policy development. Donors had differing agendas, and the consultants spent significant amounts of time mediating between competing donor interests.

The input of donors sometimes conflicted with private sector opinions, with Ghanaian businesses often calling for a more 'active' government than donors thought wise. In a similar vein, donors fundamentally disagreed with the President's Special Initiatives (PSIs), which the government wanted included. With policy backgrounds rooted in international donor circles, including DFID, World Bank and USAID, the consultants were themselves sceptical of many of the government and private sector proposals and deferred to 'international best practice' in making arguments against them.

The resulting Private Sector Development Strategy was a compromise document. Although donors disagreed with the 'interventionist' aspects of the government approach detailed in the original strategy and strongly encouraged government to change tack, these aspects re-emerged in the final Strategy because the government wanted them, albeit in a different guise. In an attempt to marry the tensions over the state's role in the economy, the consultants included the PSIs but introduced some criteria for 'smart' government interventions and the need for an exit strategy for the PSIs. The flexible wording of the final document left the government with substantial room for manoeuvre during implementation, but also with a lack of clear direction.

The drafting of the second strategy was necessary to persuade donors that the government would subsequently act on 'international best practice'. It is apparent from discussions with donors that they will only fund strategies that they 'trust'. This invariably means strategies that they have had a hand in designing, not just to ensure that their interests and views are incorporated, but also because using 'experts' reassures them of quality and soundness. The government allowed a re-drafting in order to please the donors and access money, but made sure that the new strategy contained its priorities.

Formulating the national trade policy and trade sector support programme

The process of policy formulation in the Ministry of Trade and Industry was very different. In early 2003 Alan Kyerematen was appointed the Minister of Trade and Industry. Kyerematen had a long career in the private sector and had been part of the brains behind the NPP 2000 election manifesto and the design of the President's Special Initiatives. Thus, he had an unusually strong vision for the Ministry.

Kyerematen's early vision was captured in the Industrial Reform and Accelerated Growth Programme, which had two core elements. First was an export-led industrialization strategy focused on agro-processing and other manufacturing and involving mass mobilization of rural communities. The second was an import competing strategy aimed at stimulating the competitive production of import substitutes, particularly processed foods and agricultural products. Several projects have been set up under this framework, including the President's Special Initiatives. These were modelled on the corporate village enterprise concept developed by Enterprise Africa, a project of the United Nations Development Programme that the Minister had formerly headed.

When Kyerematen took over the Ministry of Trade and Industry, plans were underway to create a trade policy. In the early 2000s, DfID supported the Ministry through a project to better prepare for international trade negotiations, which later turned into support to develop a national trade policy. Kyerematen saw the development of a trade policy as a way to further develop the Industrial Reform and Accelerated Growth Programme and to generate support within the Ministry and the broader public for economic policy reform. The DfID project was extended and reoriented to support the development of a broader trade policy than originally envisaged.

The Minister carefully managed each step of the policy formulation process, with the support of an international DfID consultant who had been working in the Ministry for several years, and the Ministry's Trade Policy Team comprised of senior civil servants and an Overseas Development Institute fellow.[7] The initial consultative roundtable in 2003, which included government, the business community and broader public, resulted in a clear mandate for the Ministry to develop a policy that would improve the ability of businesses to produce goods competitively by addressing key supply-side constraints. This roundtable was supplemented by a Ministry review of studies and reports on trade and competitiveness in Ghana, and together they were used by the Minister to determine the components of the trade policy.

The Ministry then hired a team of international consultants to develop a range of policy options under each component of the policy framework, paid for by the DfID trade project and managed by the consultant. Unlike the PSDS, the Minister and civil servants were deeply involved in each step of the process. The Minister briefed and evaluated the work of the consultants and made it clear that their work was only to outline the spectrum of options available to Ghana. Several focus groups were held with groups in the private sector, in government and among academics, think tanks and NGOs to review these options. Each group submitted detailed recommendations.

The team of civil servants reviewed the recommendations and drafted the final trade policy. There was consensus on over two-thirds of the policy areas, and where there was no consensus the Ministry team took a decision. The Ministry also had its own set of preferences, but according to those interviewed, in most cases the Ministry listened to the focus groups more than their own recommendations. While the DfID consultant played a large role in coordinating the process and drafting initial documents, the final trade policy reflects the considered opinion of the Ministry staff.

Donors in the private sector working group were relatively silent on the content of the trade policy. The Minister regularly updated the donors on progress but refrained from asking for their input on policy, reminding them of and thanking them for their commitment to 'ownership'. He also reassured the donors that the National Trade Policy was an integral pillar to the government's wider Private Sector Development Strategy and did not compete with the Strategy as some donors feared. Apparently peer-pressure among donors ensured that they stayed out of policy debate and gave the Ministry space, which was a significant departure from typical donor practice and required a huge effort on the part of a few individual donor staff with commitment to the idea of ownership.

Having written a trade policy that Cabinet approved in late 2004, the Minister approached the donors to support the development of a Trade Sector Support Programme that would outline a concrete set of actions through which the Ministry and related agencies would deliver the commitments made in the National Trade Policy within a five-year period. In 2005, the Ministry hired a second team of international consultants that had practical experience. Two donors agreed to finance the design process and, for the first time, gave the money to the Ministry to handle the hiring.

The consultants were not left to draft the strategy. They worked in pairs with senior civil servants and submitted reports, which the Ministry trade team used to write the final implementation plan that was agreed in detail with the Minister. Whilst the international consultants brought experiences of successful stories from elsewhere, the civil servants contributed detailed knowledge of the Ghanaian context to ensure that international lessons were successfully adapted, elaborated gaps in the reports and ensured synergy between the different components.

Ministry staff made significant sacrifices in writing the Trade Sector Support Programme, despite the vast differences in remuneration between the international consultants and senior Ministry staff (a difference in the realm of 100 fold). The Ministry team dedicated themselves to the design process over a three-month period, working through many weekends and late into the night on numerous occasions—all of this in the context of an over-stretched bureaucracy and of deplorable pay where staff have to take on work outside their day jobs to make ends meet. The commitment and outputs of the civil servants earned the respect of the Minister, in a context where this relationship is not always cordial. Interviews with civil servants suggest that they were willing to invest in this process because they believed that it was bigger than a pet project of either a minister or a donor and because it capitalized on their in the sector.

The Trade Programme is an ambitious plan, written to stimulate industrialisation rather than meet the resource envelope that donors were offering. This kind of 'ownership' within the Ministry, based on quality contributions from the public, took nearly two years, with the Programme completed in late 2005; whereas the Private Sector Development Strategy was produced in three months.

Ironically, the process of designing the Programme created scepticism and distrust among the donors funding it. Some donors felt that the Ministry had disregarded the consultants' reports and gone away to write their own document, which obviously would then not be based on 'international best practice'. This was perception was fuelled by donors not being involved in every step, by some donors' disagreement with the Minister's agenda, and general donor distrust of the Ministry's capacity to produce a quality document. Furthermore, during our interviews it became apparent that opinions on the Programme were not always objective; few donors had read the entire document.

Negotiating aid for implementation

Both the Private Sector Development Strategy and the Trade Sector Support Programme were in the early stages of implementation in April 2007 when this analysis was conducted, but experience to date offers valuable insights into the politics of aid and policymaking. Donors paid for five consultants to staff the Ministry for Private Sector Development, which were complemented with five civil servants. Later on, a further three donor-funded consultants were added, resulting in a Ministry that had more consultants than civil servants. Donors also paid for the majority of daily activities of the Ministry. This high reliance on consultants increased the trust of donors in the work of the Ministry. The consultant serving as coordinator of the Strategy had been on the consulting team that drafted it. Donors had developed a close working relationship with this consultant, who kept donors constantly informed. This consultant had also previously worked for the World Bank, understood the donors' language and in many ways shared a similar mindset. The Ministry of Trade and Industry on the other hand, relied far more heavily on the civil service. Following the Cabinet approval of the Trade Programme in October 2005, the Ministry of Trade and Industry was reorganized around the team of senior civil servants that led the design process. A special adviser, who had worked closely with the Minister at Enterprise Africa, was recruited to coordinate implementation.

In an attempt to coordinate donor funding across private sector development, a few donors pushed for a 'pooled funding' mechanism. However, only three donors in the private sector working group (of which almost all donors were members) signed up. Most of the remaining donors agreed to try and align their existing projects with the Strategy. Some donors could not engage in collaborative funding due to their agency's rules, or did not because they preferred to channel aid directly to beneficiaries in the private sector and not to, or through, ministries. One donor decided to provide support through the general budget, but with clauses to ensure that the money reached the Ministry of Trade and Industry.

The Ministry of Trade and Industry had greater difficulty than other ministries in accessing the pooled funds. The Ministry had divided the Trade Programme into twenty-seven distinct five-year projects, assuming that the donors would agree to use the pooled funds to support identified projects. In practice, pooled fund donors would only fund individual activities within projects on an annual basis rather than commit to funding entire projects for the five-year period. Pooled fund donors were verbally committed to the idea of 'ownership' and thus refused to indicate the projects they wanted to fund. However, they openly disagreed with the way that the Ministry prioritized funding for 2005 and 2006. Ministry staff went in circles trying to get a prioritization that the donors would approve. The ownership rhetoric was undermined by the fact that donor staff faced institutional impediments within their own agencies because funds had already been committed to specific projects and they could not change these commitments.

In principle, donors had agreed to approve an annual work plan for a whole series of activities and the benchmarks to be achieved by the end of the year, avoiding the need to approve individual activities. In practice this did not happen. In order to get approval for the 2006 work plan, donors demanded detailed information before approving single activities. As a result, the entire 2006 work plan was held up for several months whilst ministry officials debated with donors the merits of relatively minor activities. It also became apparent that pooled fund donors were mostly interested in providing technical assistance.

Even after this elaborate approval process, implementation of the 2006 work plan for the Ministry of Trade and Industry's activities was very slow. Pooled fund donors credit the slowness to the Ministry's lack of experience and expertise in procuring under the new government Public Procurement Act passed in 2003, but this was only part of the problem. Pooled fund donors rejected the Ministry's initial procurement plans and required the Ministry to follow the World Bank's format, but this template was so complicated that a procurement specialist from a World Bank project had to be hired to write the plans. The World Bank template was even inappropriate for the smaller procurements of daily Ministry business. Furthermore, there was no flexibility in the budgeted amounts. If at the point of awarding a contract the winning bid was higher than the budget estimate, the Ministry had to return to the donors for approval.

In short, the donors required so much central planning and micromanaged the process to the extent that the Ministry was left with little flexibility or initiative, which in turn inhibited implementation. Frustrated with this time-consuming process, the Ministry resorted to using its own government allocated funds, which led donors to believe that little was being implemented, since little of their money was being drawn down.

The Ministry struggled to secure sufficient funding from the pooled fund and began looking elsewhere. It managed to get several donors to pick up parts of the Trade Programme that fit in with their priority areas or even existing projects. In some cases, 'aligned' donors picked up activities concerning which pooled fund donors had requested the Ministry to alter before they could fund. This situation led pooled fund donors to criticise others for not coordinating and harmonizing, yet the Ministry resorted to bilateral deals precisely because the pooled fund was not delivering.

In mid-2006, the Ministry of Private Sector Development was merged into the Ministry of Trade and Industry, under the continued leadership of Kyerematen.[8] The merger stalled the implementation of the whole Private Sector Development Strategy while the new Ministry of Trade, Industry, President's Special Initiatives and Private Sector Development was reorganized.[9] Whilst the few civil servants that had constituted the former Ministry for Private Sector Development were absorbed into the new Ministry, all the consultants left. The Minister hired two new consultants to handle coordination of the Private Sector Development Strategy.

This merger complicated the government's relationship with the donor group. Donors felt that the 2007 work plan overly prioritized the Trade Programme. The relationship further soured, as the donors no longer had frequent and informal access to those leading implementation of the Strategy. Although the Minister and his advisers regularly informed donors of progress, they did not involve donors in the day-to-day policymaking decisions, viewing this as the purview of government. Donors saw the Trade Programme as the pet project of the Minister, ignoring that it reflects the priorities of the Ministry as well as the wide range of Ghanaians who gave their views during its formulation. With Minister Kyerematen seeking the NPP presidential nomination for the 2008 elections, donors charged that he was devoting too much time to his political campaign and questioned possible diversion of funds for political purposes.

Pooled fund donors justified their level of micromanagement as necessary to ensure quality control and value for money for both the donor country and Ghana. However, the institutional and individual incentives in donor agencies played an important role. On the institutional side, pooled fund donors had specific bilateral projects supporting implementation of the Trade Programme, meaning that they were responsible for delivering on specific activities through disbursement of the pooled fund according to their bilateral contract. One of the pooled fund donors had used funds from an existing project, but its institution was not flexible enough to allow for changes in the middle of the project without going to the donor country's Parliament for approval. These constraints affect the activities that these donors can fund and the barrage of information they require to justify funding. Furthermore, these two donors became worried that their budgets would be taken away if funds were not disbursed, intensifying their need to micromanage. Other donors were deterred from joining the pooled fund because they saw that the money was not being disbursed.

On the individual side, the jobs and promotion of donor staff depend on the success, or rather successful disbursement, of the projects that they run. Under the new aid paradigm, donor staff are searching for the boundary between allowing local ownership through a hands off approach and being accountable for the use of donor funds. Donor staff generally are not willing to leave everything to Ghanaian ministries which 'don't have good track records in administration', not to mention fears of corruption. They are unwilling to take the risk of trusting the government. Donor staff are usually generalists and lack technical knowledge. Since they do not trust the government's ability to design programmes and in many cases cannot judge their quality, they rely on ministries to hire international consultants to design and implement programs. International consultants appear to serve as a quality assurance mechanism for donors.

It is important to consider the Presidential Special Initiatives in the same light. They are the initiative of President Kufuor and the vision of a section of the ruling party, embodied in Kyerematen, yet the NPP government has not been able to convince donors of their merit. Donors have refused to fund the Initiatives. One donor that initially gave support pulled out when that particular Initiative ran into trouble. Ghanaians inside and outside of the government admit that some of the Initiatives have suffered from design flaws. Rather than engage in constructive discussions to improve them, however, donors and the government have taken polarized positions. Donors chide the whole idea as too interventionist, a return to the bad policies of the 1960s and 1970s. The government has staked its political career on them and is in a hurry to show results.

Why does the NPP government not commit funds to implement the Trade Programme? There are several possible explanations. The budget, until recently, had very limited resources for development expenditure, and the non-salary discretionary expenditure that the government had was supposed to follow priorities set out in the Ghana Poverty Reduction Strategy, which emphasizes social sector spending. After distributing counter-part funding for donor projects, there is not much left to distribute around to the ministries that do not have core funding from donors. The GPRS II mentions the Trade Programme, but has yet to make an impact on the Ministry's funding. Furthermore, the very small discretionary funds of the Ministry are used to support activities that the donors will not fund, such as the district industrialization programme, the revitalization of distressed industries, and some Presidential Special Initiatives. The political leadership is prioritizing these high visibility activities, whereas much of the Trade Programme activities are not high profile but necessary for the working of the Ministry.

The last crucial element to the story of negotiating aid to implement the Trade Programme involves the World Bank's Micro, Small and Medium Enterprise (MSME) project loan. The MSME project was part of the World Bank's Country Assistance Strategy (2004-07). However, the loan took almost two and a half years to prepare—almost unheard of—because Minister Kyerematen disagreed with the World Bank team over the content. The Minister reportedly refused to sign a loan where the vast majority went to technical assistance; he wanted the loan to benefit the domestic private sector. By the time negotiations reached the final stage, the Trade Programme was in the middle of formulation, but the Bank would not wait for its completion. However, the Ministry's negotiating team knew what they wanted from the loan and negotiated much harder than normal to achieve it. The Ministry proposed alternative arrangements to those of the Bank team. The end result was considered to be a compromise of the two positions, with a small part of the loan funding aspects of the Trade Programme. The loan was signed in the end, because the Ministry of Finance thought the Bank had been pushed as far as it was going to go. Subsequent events reveal that the Ministry of Trade and Industry may not have won as much as it had thought.

Government's negotiating ability

Although the Ministry of Trade and Industry was able to negotiate space to formulate its own trade policy and programme, it encountered problems in accessing funding from donors to implement its programme. Weaknesses in the Ministry's ability to negotiate aid on its own terms reveal the obstacles that the government faces, even more so because this Ministry represents a unique case of strong vision. Formulating its own policy and programme was a necessary first step in increasing negotiation strength because it allowed the Ministry to set the agenda, but it was clearly not sufficient.

The most critical factor undermining the Ministry's negotiating power was its reliance solely on donor funds to implement the programme. However, in a country where government finances are highly constrained and heavily reliant on donors, and where private sector capital is scarce, it is not easy to find other forms of finance. In particular, the Ministry's weakness was to believe some donors who said, 'write your own strategy and we will fund it'. Because the Trade Programme was not generated with a high level of donor input and did not take use the language of donors, it appeared to be a significant departure from conventional donor thinking. But donor scepticism over the content was only part of the problem. Donors had already devised their funding priorities which reflected their institutions thinking on private sector development and country level staff were looking for which of their existing activities or priorities matched elements of the Trade Programme.

Furthermore, Ministry staff perceived that they lacked any recourse when pooled fund donors made unreasonable demands that were not included in the Memorandum of Understanding setting out the procedures for the pooled fund. If the Ministry said 'no' to providing the detailed information that donors requested for every activity in the work plan, they feared that the donors would not give them the money. The Memorandum states what recourse donors have if the government does not uphold its responsibilities, but not vice versa. There is no mechanism through which to hold donors accountable to commitments they have made.

The negotiating capacity of the Ministry was also undermined by systemic factors. The poor working conditions of the civil service weaken civil servants' motivation and resolve in negotiating. After thirty years of negotiating with donors, who often come across to seasoned and experienced Ministry officials as naive, arrogant and patronizing, not being listened to is exhausting. Some civil servants would rather just avoid encounters with donors. The frustration of civil servants, and thus the diversion of their energies outside the public sector, means that many act only in desperate situations. Concomitantly, high reliance on special advisers external to the civil service, who stay for relatively short periods of time and frequently leave with Ministers, leads to a lack of institutional memory about previous negotiations. Extensive use of special advisers (also on differential pay scales, in order to get anyone willing to leave their private sector job) also leads to the further marginalization and demoralization of civil servants.

There is an imbalance of resources between donors and the government in negotiations, as the MSME example illustrates. The Bank had ten people and a loan template that they had designed and knew intimately; the government had five people (many of whom had different negotiating positions) who were working from a loan document they barely knew. One donor interviewee commented that the government had more room for manoeuvre, but needed more technical expertise to take advantage of it. But it is also true that the Bank team was in a hurry to sign the deal (and start disbursing before the CAS period expired) and was not pulling any punches. The Bank team used its credentials to deflect criticism of the loan content and to challenge the expertise of the Ministry of Trade and Industry negotiators.[10]

In this instance, and many others not recounted here, politicians and senior civil servants negotiate as far as they think they can, take the money, and try to use it for their own objectives or even to renegotiate the contract later when the donor is under pressure to disburse and the government has more leverage. Even Minister Kyerematen did not say 'no' to donors who offered support that was arguably outside the Trade Programme, apparently in the hope that this might leverage more useful funding at a later date.

Conclusion

Since the reversal of economic decline in the early 1980s, Ghana's economy has grown steadily, averaging 4.7 percent between 1984 and 2004. By 2000, however, real per capita GDP had only just recovered to the level achieved in 1960. Since 2003, the growth rate has risen above the 5 percent mark. The country's debt burden is being reduced. Together, the Heavily Indebted Country Initiative and Multilateral Debt Relief Initiative should see Ghana's debt stock reduced to 1.5 US billion. The government's foreign exchange position has also improved significantly since 2001, with increases in exports, tourism, remittances, and tax revenues (which were 22 percent of GDP in 2004). However, the underlying structure of the economy is slow to change, growth is not creating enough jobs, and aid still accounts for about 40 percent of the budget.

In addition to its continued economic dependence, the government's weak negotiating position stem from the political dimensions of aid dependence that have emerged over the decades. The two case studies represent the two extreme poles on the spectrum of the Ghanaian government's negotiating strategy, rather than two equally representative examples. The responses of the Ministry of Private Sector Development epitomizes the default program: attempts to set the agenda independently of donors; donors disagree with the policy and refuse to fund it; donors offer money for the ministry to formulate a brand new policy designed by private sector development experts; the minister accepts; and the policy is written and driven by donors and the technical assistants they pay. But this strategy is not implemented because few in government buy into it. At the other pole, the new Minister of Trade and Industry decides to pursue a different negotiating strategy, one in which the Ministry takes control of setting the policy agenda and policy content and confronts donors in order to make clear the limits of donor involvement in policymaking. But donors are reluctant to fund it because they do not own it and because of their institutional constraints. The attempts of other ministries to formulate sector plans and to negotiate funding with donors probably fall in between these two poles.

The Ministry of Private Sector Development is a special case because it was a newly created ministry with no institutional structure, only three civil servants seconded from various ministries, and no secured government funding at the time it entered negotiations with donors. Prior to Kyerematen's appointment, the situation in the Ministry of Trade and Industry probably represents an average case. The first NPP Minister did not have a strong vision for the Ministry's work; the DFID paid consultant was left alone to carry out the DFID trade project within the Ministry, attempting to change the ministry structure and motivate civil servants, but with limited success. Kyerematen's arrival as Minister of Trade and Industry turned the Ministry into a special case at the other end of the spectrum. His strong political vision for the Ministry is the result of a combination of his work outside the government in the private sector and UN-funded initiatives to ignite the domestic private sector in Africa, and of his political ambition within the NPP to become the 2008 presidential candidate. Minister Kyerematen mobilized his civil servants around the Trade Programme.

These micro-level factors affecting each ministry's negotiating strategy and ability also take place within the macro-level of domestic politics, which has important implications for their success. Minister Kyerematen had a strong vision for economic development, but that vision does not extend far outside the Ministry. Kyerematen faces challenges within his own party over his policies, as a result of the run up to NPP internal elections for its presidential candidate, but also because there was no debate within the Cabinet on the Presidential Special

Initiatives for example.[11] Outside of President Kufuor's pronouncements in support of the private sector and of the PSIs, there have been no comprehensive policy actions taken with the full weight of the government behind it. The lack of a strong, unified party position has allowed the donors to assert that the Trade Programme is the pet project of one Ministry (or Minister).

Furthermore, there was little mobilization of public support for the Trade Programme and PSIs. This is not surprising given the nature of Ghanaian politics. As a result of the legacies of top-down planning from the 1960s and authoritarian, de-institutionalized policymaking the 1980s, Ghanaian elected governments since the 1990s have not explained policies to the public and sought to mobilize popular support for them. While Ghanaian politics is not based on political mobilization around policy issues, neither is it characterized by neo-patrimonialism. The high degree of party institutionalization in Ghana has led to a low degree of personalization in the patronage politics. Ghanaian politics resembles the pork barrel politics of many countries around the world, with politicians using government (and donor) expenditure on health, education and infrastructure to get (re)elected by distributing central government funds across regional projects. The aid system also channels the government's attention away from convincing citizens towards convincing donors, because of the influence donors wield in setting the policy agenda.

These macro- and micro-level factors combine to produce the logic driving the way that the government manages its aid relationship. Politicians feel unable to say 'no' to loans and grants, even if they are only partially useful and not related to the Ministry's priorities. They fear that saying 'no' would mean no funding at all, a decline in the government's activities and therefore a potential political backlash at the polls that could cost the incumbent party the election. No politician is willing to take that risk. There are also incentives to other actors to take aid, but little incentive to reject it. Aid projects come with perks for poorly paid civil servants and poorly resourced Ministries: vehicles, travel outside the country, per diems, going into a job on contract. Many consultants and contractors are happy to be on the project payroll and do not worry about its content. The challenge is to break with this logic if it is going to achieve long term development planning.

In sum, the factors accounting for the government's negotiating strategy include a growing acceptance that donors have a legitimate place at the policymaking table, problems of public service moral, and the political and administrative incentive structures that impede initiative and risk taking. The response to weak capacity in the public sector has been to de-institutionalize policymaking and create parallel processes heavily reliant on special advisers to achieve short-term results to show to the electorate, at the cost of reforms to build long term institutional capacity.

Recent donor initiatives to allow for more government 'ownership' of policies and aid-sponsored reforms as well as to allow for more government leadership in coordinating aid have not significantly affected these factors underlying the government's negotiating strategy. Despite their rhetoric and the genuine efforts of some donor staff, donor aid practices continue to be characterized by rigid regulations and processes, a focus on tangible results, and over-planning which stems from donor agency institutional dynamics as well as a lack of trust in government capability. Donor emphasis on spending money and tangible results is an obstacle to creating funding mechanisms that allow for the flexibility and patience required to support government initiatives, to build institutional capacity and to achieve five-year plans whose results are not immediately visible. Donor institutions and procedures are not flexible and are only just beginning to enact changes to achieve the Paris Declaration. The incentive structure confronting donor staff leads them to create an excessive bureaucracy on top of the government's normal procedures. Lastly, as donor actions in supporting the Private Sector Development Strategy show, donor support for strategies often results in those strategies becoming useful tools for donor coordination rather than for helping the government to achieve its policy objectives.

Beyond the normal infighting and differences of opinions in any government, the Ghanaian government has to engage with an equally divisive supervisory board of donors. It is as if there are two governments equally trying to govern, particularly as donors become increasingly coordinated. Both 'governments' have to work together in an often unhappy partnership. This partnership produces what we have called compromise documents, compromises which neither donors nor the government wholly support. It also produces over-planning: requiring the government to plan its every step and making it difficult to change the plan once it is made. In March 2007, the NPP government and donors signed a Joint Assistance Strategy, which aims to align aid with the government's political cycle and systems, to provide a framework for supporting the GPRS II, and to measure progress towards donor harmonization. In the process, it will create more donor-government forums. Unfortunately, it looks like more of the same donor-driven generic initiatives slightly tailored to the Ghanaian context and is unlikely to alter this problematic partnership.

Endnotes

1. The authors would like to thank the Global Economic Governance Programme for financially supporting the two week research trip and the interviewees who took the time to answer our questions and share their views. They also thank Alastair Fraser and Paolo de Renzio for comments on earlier versions.

2. Emily Jones worked in this ministry from 2003-05 as an Overseas Development Institute Fellow and then worked there another six months as a consultant.

3. The analysis in this section draws on Toye (1991), Martin (1991), Kraus (1991) and Anyemedu (1993).

4. Economic reforms were successful in achieving macroeconomic stabilization and significant growth rates in the 1980s. Economic growth during this period was largely due to external capital flows, donor assistance and private investment in gold mining (Aryeetey & Tarp 2000), and does not contradict the point earlier that the reforms failed to stimulate change in the productive sectors.

5. For more details, see Tsikata (2001).

6. This list remains the same in 2007, with the addition of Switzerland.

7. This Overseas Development Institute Fellow was Emily Jones.

8. This merger was apparently in response to a recommendation of the NEPAD African Peer Review report that the number of ministries should be reduced.

9. We continue refer to the new ministry as Ministry for Trade and Industry for shorthand.

10. Emily Jones was present at all of the MSME loan negotiations.

11. The point on the PSIs was confirmed in an interview with Ernest Aryeetey.

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The Global Economic Governance Programme was established at University College in 2003 to foster research and debate into how global markets and institutions can better serve the needs of people in developing countries. The three core objectives of the programme are:

- to conduct and foster research into international organizations and markets as well as new public-private governance regimes
- to create and develop a network of scholars and policy-makers working on these issues
- to influence debate and policy in both the public and the private sector in developed and developing countries

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