## A Tale of Two Debt Crises: The IMF and the Unsustainable Development of Ghana

*'Observed patterns of development processes across time and space show that no country has ever managed to achieve sustainable development through externally driven strategies. Countries may borrow and adapt ideas, money, and human resources. For a period of time they may need tutelage, technology and technical assistance. In the end, however, truly sustainable economic growth and development can only come through self-reliant home grown strategies. The alternative is perpetual dependency and servitude'.* (Okereke & Agupusi, 2015: 1).


### Abstract

Ghana has been lauded by the International Monetary Fund (IMF) as a model nation in Sub-Saharan Africa for its achievements in economic development and transition to democracy. However, the sustainability of Ghanaian economic development in recent years has begun to be suspected. In this chapter, we delve into the international political economy literature to recover a critical approach that offers a fresh perspective when considering questions of sustainability and emerging markets in the contemporary era. In particular, we apply dependent development concept, generated by Fernando Henrique Cardoso and Enzo Faletto, to deepen our understanding of how Ghana has followed an unsustainable developmental trajectory since the debt crisis of the 1980s, one that has maintained its financial dependency on multilateral and bilateral donors and led the country to the verge of another debt crisis four decades later.


### Introduction

The driving force behind the meteoric rise of sustainable development from relative political obscurity to propagation as crucial to the socio-economic advancement of emerging markets has been the United Nations (UN). To reflect increasing concern about the deleterious environmental impact that development may cause, the UN created *The World Commission on Environment and Development* (WCED) in the 1980s. Tasked with proposing solutions to achieving economic development without destroying the natural world, the WCED (1987: 43) defined sustainable development as 'that [which] meets the needs of the present without compromising the ability of future generations to meet their own needs'. Initial attempts to build on this progress floundered and the concept of sustainable development was subsumed within the adoption by the UN of the Millennium Development Goals (MDGs) in 2000; a series of eight pledges, including those to eradicate poverty, achieve universal primary education, and reduce child mortality, for accomplishment in 2015. The uneven progress towards meeting the MDGs led to heavy criticism (Fehling, Nelson & Venkatapuram, 2013). This opened the political space for sustainable development to take centre stage in its own right, which it did in 2015 when the UN set seventeen sustainable development goals (SDGs), including the ambition of ending poverty, achieving zero hunger, and securing gender equality, to be completed by 2030.

Focus in this chapter will be placed on Ghana and the sustainability of its development since the debt crisis of the 1980s. Ghana has been considered a 'model' nation on the continent of Sub-Saharan Africa by the IMF for its vigorous implementation of structural adjustment programmes (SAPs), the notable gains the country has made in economic development, and the establishment of a democratic political system (Brydon & Legge, 1996: 1; Opoku-Dapaah, 2011). Whilst other international financial institutions have interacted with Ghana over the last four decades, exclusive focus on the IMF is justified not only as a considerable bilateral donor to the country since the 1980s, but because of its role as a progenitor of an unsustainable development strategy that has preserved Ghana's financial dependency on bilateral and multilateral aid and led the country to the precipice of another debt crisis in the twenty-first century. In order to understand how the IMF propelled Ghana along this unsustainable developmental trajectory, this chapter will draw from the literature on international political economy to resurrect the theory of dependent development created by erstwhile Brazilian President, Fernando Henrique Cardoso, and Enzo Falleto.

The chapter will begin with a brief overview of the rise and fall of dependency theory and the 'Washington Consensus'. The chapter will continue with our case study of Ghana. In conclusion, the chapter finds that the export-led growth model engendered by the IMF in Ghana to overcome debt crisis in the 1980s has rendered its development unsustainable, increasing the countries exposure to macroeconomic instability, and causing perpetual financial dependency on external creditors as a now routine element of the nation's debt management.

## **<u>The Rise and Fall of Dependency Theory and the Washington Consensus</u>**

The post-war period saw the emergence of the dependency theory of underdevelopment from the UN Economic Commission for Latin America (ECLA). Historical analysis of international trade by the ECLA contended that the prices of commodities deteriorated in comparison to industrial goods (Prebisch, 1950). Consequently, underdevelopment was a structural phenomenon resulting in peripheral countries within the global economic system becoming reliant upon the dwindling economic surplus generated from the export of commodities for the import of more technologically sophisticated capital and consumer goods from core countries. In the absence of substantial reform of the global economy to alleviate this structural imbalance in global trade, the ECLA proposed that underdeveloped countries should use the state to accumulate the necessary capital and technology to achieve development. Falling under the rubric of import-substitution industrialisation (ISI), the ECLA advocated state protection as the means to assuage the dependence on export of key commodities through state protection of industry, which would replace imports with local manufacturing and secure economic diversification of national production into more technologically sophisticated goods with higher value-added.

Disappointment with the results of ISI saw the emergence of a new variant of dependency theory: neo-Marxism. Critical to the understanding of dependency between the core and periphery nations of the global economic system for Marxists was the legacy of colonialism, which had instituted an economic relationship that ensured the surplus from economic activity generated by periphery countries was transferred to the core (Frank, 1967;

1969). This situation rendered perpetual underdevelopment as the only possible economic outcome for peripheral countries. Consequently, development could only be secured by one of two means; international revolution to institute a global socialism (Frank, 1984) or the implementation of autarkic economic policy to remove a dependent nation from an exploitative global economic system (Amin, 1990).

A complete reversal of development priorities was proffered by the rapid rise to prominence in the global economy of neoliberalism, defined here as the extension of free and competitive markets as the means of developing, and resolving conflicts within, human society (Patömaki, 2009: 432-433). Gaining political ascendency in a number of western industrial economies as a result of systemic capitalist crises of the 1970s, crucial in the dissemination of neoliberalism among emerging markets was the IMF and SAPs, the agreement of which were made conditional upon the provision of emergency bilateral aid to donor countries in economic difficulty (Killing, 2008).

The neoliberal economic policy implemented through SAPs fell into two categories designed to achieve a specific objective (Simon, 2008: 87-88). Short-term stabilisation measures were designed to arrest immediate economic problems. Policy in this category included public sector wage freezes, reduced subsidies on food, health, education and currency devaluation. Meanwhile, long-term adjustment measures were implemented to achieve structural reform of the national economy. Policy in this realm included liberalization, privatization of state-owned enterprises and reduction of taxation. The ostensible objective of the SAPs was to enhance the market mechanism and price signals in the allocation of resources to deliver a more efficient national economy, but reality was the utilization of state power to forcibly insert emerging markets into the global economic system of trade and finance. SAPs were designed to open emerging markets to foreign direct investment (FDI), whilst simultaneously promoting an export-orientated growth that would not only generate foreign exchange reserves to eliminate balance of payment disequilibria, but also secure economic diversification of the production base.

Gaining the moniker Washington Consensus (Williamson, 2004), integral in the transmission of neoliberal economic policy throughout the global economy was the 1980s debt crisis, which was the catalyst for a new era of market-based development for emerging markets and developing countries (Milward, 2000). As described by Willis (2005: 49-51), the origin of the debt crisis lay in the commodity boom in world trade of the 1960s and 1970s, which saw exponential gains in economic growth and tax revenues particularly by oil-exporting emerging markets. Large fiscal revenues from Middle East emerging markets were deposited with banks located in Europe and North America, which were recycled in ever increasing amounts of lending to other emerging markets. However, the late 1970s saw drastic falls in commodity prices in world trade. As interest rates throughout the global financial system rose, emerging markets began to suffer capital flight as investors fled for the relative safety of domestic markets. Many emerging markets were left with little option but to approach the IMF for emergency funding.

The Washington Consensus was increasingly identified as failing to live up to expectation with adverse consequences for emerging markets and developing countries including widening income and wealth inequality (Chang & Gradel, 2004: 19-23) as well as environmental degradation (Reed, 1992). Even more damning were the allegations of a geopolitical nature, the conditional nature of the SAPs highlighted as an unacceptable invasion of the sovereignty of emerging markets to determine their own economic policy (Bracking, 1999). The IMF was accused of 'kicking away the ladder' from emerging markets and developing countries, the imposition of neoliberalism denying them the state-led developmental models through which industrial states in Europe and North American had reached their ascendant economic position within international capitalism (Chang, 2003). Academics were quick to point out that economic growth slowed in emerging markets after 1980 when compared with the three decades of ISI after 1950 (Chang & Gradel, 2004: Chp. 2).

In response to criticism, the IMF sought to broaden the conditions attached to its provision of emergency bilateral finance to include the promotion of good governance through enhancement of the quality and efficiency of state institutions such as the civil service and judiciary. A new sensitivity to poverty can also be discerned. Rather than herald the instigation of new economic approach to development, however, these conditions were believed to 'support market-led development' (Jenkins, 2008: 516) designed to promote integration with international trade and capital (Eyoh & Sandbrook, 2003: 229). The evolution of the Washington Consensus has been described as 'pragmatic neoliberalism' (Eyoh & Sandrook, 2003) with the state limited to interventions in the economy, such as in education and health, considered to promote global competitiveness of the national economy (Eyoh & Sandbrook, 2003: 228-232). This was nowhere less obvious that in the replacement of SAPs with poverty reduction strategies (PRSs) that were meant to protect antipoverty government expenditure in consultation with civil society groups. In reality, consultation by the IMF with local organizations was often minimal and superficial (Simon, 2008: 90).

If the socio-economic results from the Washington Consensus were becoming the source of derision they at least retained their political power until the seismic tremors of the 2008 global financial crisis provided space for the emergence of new economic ideas. In contrast, the explanatory power of dependency theory and its route map for development waned to insignificance among emerging markets and developing countries from the 1980s onwards. Critics of dependency theory were not only external to the theoretical prism; the motionless conceptualisation of perpetual underdevelopment in the periphery rebuffed by the concept of dependent development designed by Fernando Henrique Cardoso and Enzo Faletto (1979). Cardoso and Faletto (1979: 174) posited that a new international division of labour had arisen in the 1970s based on 'increasing control over the economic system of nations by large multinational corporations' that 'permits an increase in development while maintaining and redefining the links of dependency'. Consequently, 'the interests of foreign corporations become compatible with the internal prosperity of the dependent countries. In this sense, they help promote development', which also 'depends on technological, financial, organizational, and market connections that only multinational corporations can assure' (Cardoso & Faletto, 1979: 149).

Driven by the arrival of the MNC as prime executor of agency within global capitalism, the association of dependence with development combined two outcomes considered contradictory by existing dependency literature. Nevertheless, emerging markets and developing countries 'remain[ed] dependent in a very specific form' (Cardoso & Faletto, 1979: xxi) because the factors necessary to achieve an autonomous process of development, such as the accumulation of capital and technology, were controlled by sources of economic and political power outside of the national economy (Cardoso & Faletto, 1979: xii). Countries could thus remain within a 'situation of dependency' (Cardoso & Faletto, 1979: xxiii), despite the incidence of economic growth and positive advancement in others metrics of development. Development delivered on these terms was necessarily limited, and ultimately unsustainable. The economic characteristics of dependent development included domination of the national economy by foreign capital and 'local industries… dependent on foreign technology' (Cardoso & Falleto, 1979: 164). In turn, instead of producing more expensive intermediate and capital goods, this ensured the manufacturing base of emerging markets and developing countries remained skewed towards the extraction, processing and export of commodities or production of cheap consumer goods. A structure of production that resulted in recurring losses from international trade. The societal impact of dependent development such phenomena as income inequality and the social marginalisation of minority peoples.

**The Dependent Development of Ghana, 1983-2018**

Ghana has agreed to eleven IMF programs since 1983, with the economic recovery programme of that year described as one of the most extensive on the African continent in that decade (Akonor, 2006: 13). In its actioning of those agreements, the country has been noted as displaying a 'remarkable degree of compliance with Fund conditions' (Akonor, 2006: 89). Eight years after its 1983 intervention, the IMF (1991: 4) published a pamphlet in which it heaped praise on Ghana for its enthusiastic implementation of its policies, which 'resulted in a major turnaround in Ghana's overall economic and financial performance since 1983', including rising real per capita income, lower inflation, and improvement in the balance of payments. More recently IMF commendation for Ghana has become somewhat more muted. In 2014, the IMF (2014: 4) eulogised Ghana for its 'strong and broadly inclusive growth over the past two decades' secured by reforms to the business environment and democratic political system that had delivered substantial flows of FDI. By 2017, however, Ghanaian economic growth had slowed significantly from the levels achieved during the boom of 2010-2013, and the IMF (2017: 5) has since limited itself to comparison of Ghana with regional peers, where it elevated itself for its 'political stability and relatively robust and diversified growth'.

IMF intervention in Ghana has been structured around core policies of promoting exports through currency depreciation and price reform, macroeconomic restraint to limit domestic demand and restore confidence, and the restoration of economic efficiency through the promotion of the market mechanism and price signals in the allocation of resources (Akonor, 2006: 86-88); these polices meant to lay the foundation for 'external payments viability' in global financial markets (IMF, 1991: 2). IMF intervention in Ghana was intended to produce a virtuous circle of economic development whereby an influx of FDI would lead to capital and technological accumulation that elevated and diversified production, whilst exports generated foreign exchange to stave off balance of payments disequilibrium. Instead, the developmental strategy engendered by the IMF has ensured that Ghana remains trapped in a 'situation of dependency' as a debtor country in the world economy; dependent on multilateral and bilateral aid to navigate the vicissitudes of the global capitalist system and boom and bust in prices of international trade.

Ghana's current 'situation of dependency' is predicated upon its reliance for economic growth on the extraction and export of its natural resources; a developmental trajectory established by the IMF intervention in 1983. Emphasis by the IMF on export-orientated growth as the means to generate foreign exchange reserves and correct balance of payments difficulties has ensured the flow of FDI into those countries with abundant reserves of natural resources has been directed into the extractive industries (Ayelazuno, 2014: 96). Excessive reliance on the extractive industries for economic development in Ghana is in stark difference to the predictions made by the IMF (1991: 3) at the opening of the 1990s that its policies would 'encourage diversification of exports'. Fast forward and the IMF's predictive capacity must be brought into question.

Ghana is now classed by the IMF as a resource intensive middle income country (IMF, 2018: 52), Table 1 showing not export diversification, but increasing specialization in primary commodities. Ghanaian exports have benefitted from a commodity boom in world trade during the twenty-first century that produced significant improvement in terms of trade until 2012. The price received for Ghana's historical commodity exports of gold and cocoa, supplemented by discovery of oil, which began production in 2010, filtering through into the high economic growth rates exhibited in Table 3. The ossification of Ghana's export structure in the triumvirate of gold, oil, and cocoa is evidenced by their accounting for 81% of all Ghanaian exports in 2014 (Jubilee Debt Campaign, 2016: 9-10). Nor is this situation likely to alter anytime soon. Recent reduction in the current account deficit is largely due to expansion of gold, oil, and cocoa export volumes (IMF, 2018: 6). Table 1 highlights that these commodities are projected to account for a significant amount of trade value for the rest of the decade.

**Table 1: Ghanaian Main Commodity Exports, 2016-2020**

| **Years** | **Export** *($US millions)* | **Cocoa Exports** *($US millions)* | **Gold Exports** *($US millions)* | **Oil Exports** *($US millions)* |
|---|---|---|---|---|
| 2016 | 11,137 | 2,572 | 4,919 | 1,345 |
| 2017 (Provisional) | 13,752 | 2,711 | 5,786 | 3,019 |
| 2018 (Projected) | 13,889 | 1,984 | 5,443 | 3,904 |
| 2019 (Projected) | 14,560 | 2,079 | 5,301 | 4,137 |
| 2020 (Projected) | 15,722 | 2,183 | 5,498 | 4,590 |

**Source:** IMF (2018: 29).

Cursory glance at Table 2 would seem to confirm significant structural transformation of the Ghanaian economy since 2010. Agriculture has seen strong decline in its contribution to economic growth from 29% of GDP in 2010 to just 17.9% in 2017, replaced by rising contribution to GDP from industry and services. Peak beneath the veneer of this structural transformation and the unsustainability of its development becomes clear however, Ghana's reliance on the extraction and export of natural resources driving the large swings in the growth rates evident in Table 3. A commodity boom in world trade, and the start of oil production, led to economic boom from 2010 to 2013. When that boom ended, it brought with it a deterioration in Ghana's terms of trade (IMF, 2018a: 117), and as the price of Ghana's commodities exports diminished from 2014 onwards, so did its rate of Ghanaian economic growth. The IMF (2017: 5) calculated the growth for 2016 lower than Table 3 at 3.5%, 1990 been the last year the Ghanaian growth rate was so low.

**Table 2: The Sectoral Composition of Ghanaian Economic Growth since 2010**

| Year | Distribution of GDP - Agriculture | Value Added – Agriculture (% of GDP) | Distribution of GDP - Industry | Value Added – Industry (% of GDP) | Value Added – Manufacturing (% of GDP) | Distribution of GDP - Services | Value Added – Services (% of GDP) |
|---|---|---|---|---|---|---|---|
| 2010 | 29% | 28% | 19.3% | 18.0% | 6.4% | 51.7% | 48.2% |
| 2011 | 24.6% | 23.7% | 25.6% | 23.9% | 6.4% | 49.8% | 45.8% |
| 2012 | 22.2% | 22.1% | 28.4% | 27.1% | 5.7% | 49.4% | 47.6% |
| 2013 | 22% | 21.7% | 28.2% | 26.9% | 5.1% | 49.9% | 48.1% |
| 2014 | 21% | 20.6% | 26.8% | 25.4% | 4.7% | 52.3% | 49.6% |
| 2015 | 19.7% | 19.1% | 25.2% | 23.6% | 4.5% | 55.1% | 51.2% |
| 2016 | 18.4% | 17.7% | 24.3% | 22.7% | 4.3% | 57.3% | 53.5% |
| 2017 | 17.9% | 17.0% | 25.6% | 23.7% | 4.2% | 56.6% | 52.2% |

**Source:** GSS (2018b: Appendix 1); World Bank (2018a 2018c; 2018d; 2018f)[1]

**Table 3: Ghanaian Economic Growth, 2004-2019**

| Year/s | Real GDP Growth | Real Non-Oil GDP Growth | Real Per Capita GDP Growth |
|---|---|---|---|
| 2004-2008 | 6.2% | 6.2% | 3.6% |
| 2009 | 4.8% | 4.8% | 2.2% |
| 2010 | 7.9% | 7.6% | 5.2% |
| 2011 | 14.0% | 8.6% | 11.2% |
| 2012 | 9.3% | 8.6% | 6.6% |
| 2013 | 7.3% | 6.7% | 4.6% |
| 2014 | 4.0% | 4.0% | 1.4% |
| 2015 | 3.8% | 4.0% | 1.2% |
| 2016 | 3.7% | 5.0% | 1.1% |
| 2017 | 8.4% | 4.0% | 5.7% |

[1] Numbers have been rounded from original data.

| | | | |
|---|---|---|---|
| 2018 | 6.3% | 5.0% | 3.6% |
| 2019 | 7.6% | 6.0% | 4.9% |

**Source:** IMF (2018a: 93, 94, 82).

Instability in economic growth is endemic of Ghana's lack of resilience within the global economic system, born of commodity dependence that leaves it vulnerable to fluctuations in international trade (Mawuko-Yevugah, 2016: 71). Unfortunately, the intensification of Ghana's reliance on its natural resources seems set to increase in the short-term. The *Ghanaian Statistical Service* (GSS, 2018: 16) recorded the growth rate of mining and quarrying sector in 2016-2017 at 30.8%, this compares with the paltry expansion of manufacturing by 9.5%. These figures pale into significance once we consider oil and gas, which is calculated to have grown by 80.3% in 2016-2017 (GSS, 2018: 16) and 95.9% in 2017-2018 (IMF, 2018: 23). Mining and quarrying, alongside oil and gas, provide a significant proportion of the sectoral contribution made by industry to economic growth as delineated in Table 3 (GSS, 2018a: 5).

Declining economic growth is not the only macroeconomic vulnerability to emerge as the commodity boom ended. Table 4 demonstrates the pernicious impact the end of the commodity boom wrought on Ghanaian public debt, the country now considered at high risk of debt related distress (IMF, 2018: 8). The substantial fall in the prices of oil and gold at the end of the commodity boom caused devaluation of the Ghanaian Cedi. In turn, this has dramatically increased the size of external debt, held in foreign currencies, particularly dollars, driving the large increase in public debt from 2013 onwards. In order to fund its external debt obligations, Ghanaian governments have had no other recourse but to approach external credits for finance leaving external debt amongst 'the highest in Africa' (Okereke & Agupusi, 2015: 58). Ghana offered $1billion of dollar denominated bonds each year from 2015-2015, significant direct lending also arising from external commercial and private lenders. Of the $18.2billion of external loans taken by Ghana between 2007-2015, $8.7billion has been identified to pay existing external debt obligations. Of that $8.7billion, only $1.7billion was used to pay down the total stock of external debt, $7.3billion spent on interest payments (Jubilee Debt Campaign, 2016: 13).

In April 2015, Ghana was forced again to the IMF negotiating emergency funding worth $930million over four years' conditional on the acceptance of another SAP instructing significant reduction in government expenditure to achieve a surplus on the primary balance in the public finances, elimination of subsidies to utilities and on fuel, and net freeze on public sector employment outside of health and education. Much like previous IMF interventions, the SAP was designed to maintain the confidence of global financial markets through structural reform of the economy (IMF, 2017: 5) and as before Ghanaian governments have complied with IMF mandated policies. Table 7 shows deep cuts in government expenditure, which per person stood at GH₵820 in 2013, but has fallen to GH₵680 per person (Jubilee Debt Campaign, 2018). Ghana secured a primary balance surplus of 0.8% GDP in 2017 (World Bank, 2018), but the IMF target for a 2% surplus in the primary balance will require further reductions in government expenditure (IMF, 2018: 9), fiscal tightening that if taken too far will inevitably threaten the valuable expenditure on social services and infrastructure necessary for further reductions in poverty and attainment of the SDGs (Jubilee Debt Campaign, 2016: 4).

**Table 4: Ghanaian Fiscal Statistics, 2004-2019**

| **Year/s** | **Government Expenditure** *(% of GDP)* | **Government Revenue** *(% of GDP)* | **Overall Fiscal Balance** *(% of GDP)* | **Public Debt** *(% of GDP)* | **External Debt** *(% of GDP)* |
|---|---|---|---|---|---|
| 2004-2008 | 22.1% | 13.6% | -5.2% | 39.2% | 24.1% |
| 2009 | 23.6% | 13.4% | -7.2% | 36.1% | 19.6% |
| 2010 | 26.8% | 14.4% | -10.1% | 46.3% | 19.4% |
| 2011 | 26.6% | 17.1% | -7.4% | 42.6% | 19.3% |
| 2012 | 29.8% | 17.0% | -11.3% | 47.9% | 21.8% |
| 2013 | 28.7% | 16.3% | -12.0% | 57.2% | 24.9% |
| 2014 | 29.4% | 17.7% | -10.9% | 70.2% | 35.8% |
| 2015 | 25.0% | 17.6% | -5.4% | 72.2% | 42.8% |
| 2016 | 26.1% | 16.6% | -8.9% | 73.4% | 38.5% |
| 2017 | 22.5% | 16.7% | -5.0% | 71.8% | 36.5% |
| 2018 | 23.0% | 17.7% | -5.0% | 69.1% | 35.3% |
| 2019 | 21.7% | 17.8% | -3.6% | 65.9% | 32.0% |

**Source:** IMF (2018a 100, 102, 103, 104, 116).

This is worrying given the rise in metrics that demonstrate the unsustainability of Ghanaian development. Absolute poverty may have been falling (World Bank, 2018e), but income inequality has been on the rise since the 1980s, the country's Gini coefficient increasing from 35.3 in 1987 to 42.4 in 2012 (World Bank, 2018a). Besides, absolute measures of poverty limited at income of $1.90 per day does not preclude huge swathes of the Ghanaian population still living in abject hardship; poverty rates show stark regional and rural-urban differentials across the country (Jubilee Debt Campaign, 2016: 12; Mawuko-Yeuvgah, 2016: 59).

Unfortunately, the foundations of the public debt that produces the unsustainable nature of Ghanaian development shows no sign of diminishment in 2018, ensuring continued demands for fiscal consolidation of the public finances to lower public debt and appease external creditors. Table 8 delineates Ghana's borrowing plans of $3.5billion from a variety of multilateral (IMF, World Bank) and bilateral (Paris Club, China) sources, alongside an ambiguously titled 'other' category, representing private creditors in the global financial markets. The planned uses of this external finance include current spending and infrastructure investment, but the overwhelming majority of external finance will be spent on the 'other' denomination of which we can assume, given previous expenditure, that a majority consists of interest payments on existing external debt.

**Table 8: Ghanaian External Debt Finance, 2018**

| | **Volume of New Debt** | Creditor – Multilateral | Creditor – Bilateral: Paris Club | Creditor – Bilateral: Non-Paris Club | Creditor - Other | Uses of Debt Financing - Infrastructure | Uses of Debt Financing – Social Spending | Uses of Debt Financing – Budget Financing | Uses of Debt Financing - Other |
|---|---|---|---|---|---|---|---|---|---|
| $US Million | 3,500 | 469.1 | 411.8 | 119.1 | 2,500 | 455.7 | 185.7 | 150.0 | 2708.6 |

**Source:** IMF (2018: 32).

Signs for hope lay in the increasing signs that Ghana is beginning to appreciate how its reliance on a narrow range of commodities to provide the foundations for economic and social improvement is limited by the unsustainable constraints of the financial dependency it propagates. A recent speech by President of the Republic of Ghana (2018), Nana Addo Dankwa Akufo-Addo, argued that to lift Africa from poverty it was necessary to 'change the structures of the economies on the continent, which are dependent largely on the production and export of raw materials. It is this reliance on raw material exports that feeds our dependence on foreign aid' towards an industrial economy that industrialised value-added economy. Imperative in this process is the use of industrial policy to prioritise economic diversification and the elevation of manufacturing (Ayelazuno, 2013), the performance of the latter has been described the Ghanaian Ministry of Trade and Industry (MITI) as 'abysmal' (MITI, 2018b). Table 2 notes how the size of manufacturing within the Ghanaian economy has fallen from 6.4% to 4.2% GDP in only seven years from 2010 to 2017. Ghana is now the subject of ten-point agenda for industrial transformation to support manufacturers and strategic industries (MITI, 2018).

## <u>Conclusion</u>

This chapter has adopted an older literature from the international political economy discipline to engage in a fresh critical approach to questions of sustainability in emerging markets. The chapter has found that far from a 'model nation', Ghana is currently located within a 'situation of dependency' rooted in the externally-driven, and IMF-mandated, development strategy it has adopted since the 1980s. Instead of building economic and financial resilience through diversification of its economy, the prioritisation of export-orientated growth has meant Ghana has become reliant on the extraction and export of commodities for economic growth and social progress. This has increased Ghana's exposure to dislocation emanating from the global economic system, particularly fluctuations in the price of commodities, ensuring Ghana has had repeated recourse to external creditors to fund budgetary shortfalls and the balance of payments. Forty-five years after IMF intervention that was supposed to have secured 'external payments viability', Ghana is still financial dependent on external creditors, particularly commercial entities in the global financial markets, and on the precipice of another debt crisis.

It is only because of partial recovery in the prices of commodities in world trade that Ghana is currently avoiding the abyss; an unsustainable basis from which any country can hope to achieve sustained economic and social development.

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