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REBALANCING THE PUBLIC AND PRIVATE SECTORS IN DEVELOPING COUNTRIES: THE CASE OF GHANA

by

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SUMMARY

The process of adjusting the balance between the public and private sectors, an essential part of structural reforms launched in Ghana, took place in an improved macroeconomic environment. The policies pursued, Economic Recovery Programme I (1983-86) and II (1987-89), have followed so far a consensual scheme, "stabilization first then structural adjustment". In the following study, the author points out the probability of success for this second step, by analysing the components of one of the most successful experiences on the African continent.

RÉSUMÉ

Le processus de rééquilibrage entre secteur public et secteur privé, principal élément des réformes structurelles engagées au Ghana, s'appuie sur une situation économique considérablement améliorée. Les politiques suivies, l'Economic Recovery Programme I (1983-86) et II (1987-89), s'articulent en effet selon un schéma désormais largement consensuel : la recherche de la stabilisation économique puis de l'ajustement structurel. Dans le cas présent, l'auteur s'intéresse aux chances de succès de cette seconde phase, en analysant les composantes d'une des expériences présentées comme l'une des plus réussies du continent africain.

PREFACE

The Development Centre is currently finalising a research programme entitled: "Towards a Better Balance Between Public and Private Sectors in Developing Countries", which began under the direction of Dimitri Germidis.

Following an expert meeting in June 1987, the Centre initiated a series of case studies covering Malaysia, Mexico, Jamaica, Bolivia, Argentina, Morocco, Tunisia and Ghana. An overall synthesis report by the Development Centre, essentially based upon these case studies, is to be published in 1990.

The theoretical debates over the primacy which should be given to market forces as opposed to central planning - the private versus the public sector - date from the post-war period, during which the Welfare State was established in the mixed economies of the more advanced OECD countries. The dimension of emerging importance, however, on which the Development Centre's programme focuses, is that a growing number of developing countries are reconsidering the issues in this debate and showing a desire to change course.

In this contribution to the programme, Dr. H. Akuoko-Frimpong has pointed out that the questioning of the balance between the public and private sectors of the Ghanaian economy has been an underlying factor in the economic policies of regimes of varying political complexion since the 1950s. Since the early 1980s, efforts have been mainly concentrated on economic stabilisation and promotion of the private sector in the economy.

The success of the rebalancing process in low-income countries like Ghana will nonetheless be assured as soon as a strong and dynamic private sector has appeared. This precondition will be discussed in detail in the synthesis publication.

Louis Emmerij
President of the OECD Development Centre
April 1990

PART I: INTRODUCTION

In Ghana a marked change in development strategy impinging on the balance between the public and private sectors of the economy has been observable since April, 1983 when the Provisional National Defence Council (PNDC) Government launched its Economic Recovery Programme (ERP). The first phase of the programme, ERP I (1984-1986) concentrated on the stabilisation of the economy. The main objectives of the programme "were to halt, and where possible reverse the decline in productive sectors, establish fiscal and monetary discipline, initiate programmes to rehabilitate the country's economic and social infrastructure, and establish a proper climate for private savings and investment. This entailed substantial progress towards a realistic exchange rate accompanied by a significant liberalization of the trade regime"[1].

It should be noted that underlying the country's "economic decline in the 1970s and the early 1980s were the acute price distortions in the economy. The country consequently experienced growing budget deficits, dwindling tax base, high rates of inflation (reaching 116 per cent in 1977 and 1981) and erosion of the incentives to produce and export. Compounding the effects of poor policies were exogenous factors: petroleum shocks and severe drought in 1975-77 and again in 1981-83. The net result was a deterioration in nearly all facets of the economy - production, exports, imports - coupled with fall in foreign capital flows. Real GDP declined by 11 per cent during 1972-82[2]. However, available evidence shows clearly that "ERP I was successful in achieving its key objectives. Real GDP grew at an average of 6.3 per cent per annum between 1984 and 1986 (with inflation rate confined to 12-15 per cent), thus permitting positive real increases in per capita income for three successive years for the first time in over a decade"[3].

Given the success of ERP I, the main aim of ERP II (1987-1989) - often referred to as Structural Adjustment Programme (SAP) - "is to consolidate the gains from the stabilization of the economy (from the previously chaotic state of affairs resulting from a decade or more of mismanagement of the economy) through a programme of structural adjustment and development"[4]. In the words of the PNDC Secretary (Minister) for Finance and Economic Planning: The second phase of the Government's Economic Recovery Programme ... has as its principal objectives: a) continued economic growth (*i.e.*, sustained economic growth at between 5 to 5.5 per cent a year over the medium term); b) sustained fiscal and monetary discipline; c) increased levels of domestic savings (from about 7 per cent at the end of 1986 to about 15 per cent by the end of 1990) and investment; d) further improvement in public sector resources management; and e) further development of the private sector"[5].

In order to achieve the goals of ERP II (1987-1989), the PNDC Government's policy has its focus, inter alia, on the following broad areas: firstly, progressive liberalization of trade and exchange rate policies by expanding the official foreign exchange market to include banks and authorised dealers (known as 'Forex Bureaux') and by rationalising the structure of trade, taxes and tariffs; secondly, improvement in public sector management through further improvement in the policy and administration of the public expenditure planning process; thirdly, reform of the state-owned enterprises (SOEs) sector, including policy changes to enhance public sector efficiency and encourage the commercial operations of SOEs, rehabilitation of priority SOEs, and divestiture programme for SOEs through liquidation or outright sale to the public, including workers in the affected enterprises; and lastly, improvement by Government in the management of the public sector through a phased reduction in the size of the civil service, recruitment of skilled Ghanaians to strengthen policy planning co-ordination in the higher reaches of government, and provision of logistical support to agencies responsible for implementing the Structural Adjustment Programme[6].

In the context, a policy statement by the Ministry of Industries, Science and Technology, in respect of public manufacturing enterprises (PMEs) under its portfolio is also noteworthy: "As part of the overall economic strategy on the reforms planned for the public manufacturing sector, a carefully assessed privatisation programme is underway. This involves detailed enterprise studies leading to informed decision-making as to the best mode and form of divestiture. Several approaches are being examined and they include: a) strengthening the management of PMEs, together with the introduction of performance monitoring systems and the establishment of a proper public accounting system; b) embarking on long and short term management contracting of operational facilities with the state being a major shareholder of assets; c) pursuing joint ventures with other state-owned institutions with complementary resources, or with national investors with proven managerial, financial or raw material base, or with foreign partners where financial, technological and market considerations justify; d) encouraging mergers with other similarly composed enterprises for increased resource use and management efficiency; e) equity swapping for proportional debt; f) floating shares for selective private placement and/or public subscription; g) clear-cut sale of enterprise assets; and h) liquidation where the above options fail"[7]. Indeed, presently, 20 (twenty) such public manufacturing enterprises "have been identified for restructuring-cum-divestment or eventual privatisation"[8].

Presentation

The Report is divided into six main parts. Part I deals with the "Introduction" and discusses, *inter alia*, the background to the case study. Part II has its focus on "The Public and Private Sectors and the Economy" and analyses, inter alia, the relative positions of both public and private sectors in the Ghanaian economy. Part III deals with the "Public/Private Sector Balance: The Rationale", whereas Part IV discusses "Implementation of Rebalancing Policy: Modalities and Procedures" and throws a searchlight on, inter alia, the Privatisation Programme in Ghana. Part V is devoted to "Rebalancing Policy: Assessment and Future Prospects". Finally, in Part VI an attempt is made to draw some lessons and "Conclusions" from the case analysis.

PART II: THE PUBLIC AND PRIVATE SECTORS AND THE ECONOMY

Introduction

In a recent paper the writer drew attention to the view that public enterprises may be used for the following purposes: firstly, to stimulate private enterprise, either directly or indirectly; secondly, to displace private enterprise, either through nationalisation or through the pre-emption of certain branches of the economy as their exclusive domain; thirdly, to supplement private enterprise by filling gaps which private enterprise may leave open; and lastly, to participate with private enterprise in undertaking certain projects - in the form of joint state-private enterprises[9]. Consequently, it has been observed that: "... the policies adopted in different countries in the development of public enterprises reflect these various roles in varying proportions. Some Governments look upon public enterprises mainly as a stimulant to the development of private enterprise by means of development corporations, development banks, the provision of public utility services at low prices and a variety of other institutions and measures"[10]. Indeed, it is widely acknowledged that a given Government "may choose to pioneer the development of certain branches of the economy by setting up new enterprises, which are destined to be turned over to the private sector as they begin to show commercial results, sufficiently favourable to attract private investors (or entrepreneurs)"[11].

It is noteworthy, however, that in given political systems (especially during the 1950s and 1960s) Governments "inspired by a different policy (may) use public enterprise as the principal machinery of their development strategy. They regard public enterprise as the leading sector of the economy; in some cases, indeed, as the sector which will ultimately embrace the whole, or at least the greater part of the nation's productive activity. In this instance, public enterprise is used to displace private enterprise, either wholly or in part, and most new enterprises of any importance are automatically located in the public sector. This policy has been manifested by the nationalisation of certain branches of economic activity, and in reserving other branches to enterprises owned and operated by Government (or State)"[12]. Until recently, it may be observed, this approach to the promotion of rapid socio-economic development seemed to have been given priority in many developing countries - including Ghana.

Most developing countries, it has been argued, have "mixed economies, combining public and private enterprise in varying complementary roles"[13]; yet recent studies indicate that in some developing countries (including Ghana) the role of the "state as an entrepreneur" is gradually being de-emphasized. This emergent phenomenon, undoubtedly, demonstrates the extent to which the concept of "privatisation" has been embraced by Government of some developing countries. Indeed, in the World Bank's World Development Report 1985, it has been observed that: "Many developing countries have recently made policy reforms that, among other things, give more scope for private sector activities. They have also become more receptive to foreign direct investment as lending by banks has declined"[14]. In its 1985 Annual Report, the International Finance Corporation (IFC) has also observed: "Development through the private sector is being given increased priority in a number of developing countries. Unsatisfactory results of some public interventions, combined with inability to continue to finance them are leading some Governments to tilt the public-private mix in their economies toward the private sector. The adjustments variously include some liberalisation of controls on prices, private investment, and foreign trade; a stronger welcome for foreign investment; and in some cases transfer of state-owned enterprises to private operation"[15].

The International Finance Corporation, with particular reference to sub-saharan Africa, further noted: "Many of the region's countries see that their private sectors can make an increasing contribution to the success of their structural adjustment programmes"[16]. But more significantly, one conclusion the African Development Bank (ADB) has drawn from a recent study is that: "There seems to be a growing consensus in (its) member states that (ADB) need(s) to pay more attention to the private sector. This consensus is emerging for different reasons in different countries. There are some countries which find themselves under the burden of very heavy external debt: in cases where the Government of some of these countries have been previously involved in the promotion of industrial enterprises (for example), they now find that they have to step back; they are simply operating under such financial stress that they are more or less forced to abdicate their previous role as industrial promoters. Thus, these countries which at some point in time created a string of para-statals or state-owned enterprises to manufacture everything in their economies are the ones which are now stepping back - more or less by default; and a vacuum is thereby created which can only be filled by the private sector. This is one phenomenon in Africa today"[17].

Another significant phenomenon identified by the African Development Bank is that: "There are countries in Africa which have always believed, for more or less ideological reasons, that the private sector is more efficient; and the economic crisis on the continent has merely proven them to be right. These are the countries which are laying stronger emphasis than before on the private sector"[18]. In a similar vein, the Overseas Development Institute (London), in its Briefing Paper on "Privatisation: The Developing Country Experience" (September, 1986), has also observed: "Recently, under pressure from donor agencies and in the face of mounting budgetary deficits, developing countries (including those in sub-saharan Africa) have increasingly begun to implement economic reforms designed to change the balance between the public and private sectors in economic activity. The experience of privatisation in the developed countries has undoubtedly encouraged this process, and privatisation has been held up by most donor agencies as a policy of universal applicability"[19].

In Ghana it has been observed that the Government "... decided upon privatisation as a means to revamp, revitalise and recapitalise (the country's) ailing SOEs and thereby enabling them to operate more purposefully, contribute to the national budget and also generate employment"[20]. In this regard, it has been pointed that "there are public enterprises which were established for reasons other than economic or financial and considering that they continue to constitute a drain on the national budget, it should be prudent for their ownership to change from public to private - where the private sector can bring a turn-around in these enterprises"[21]. Another factor that influenced the Government's decision to privatise SOEs "is the limited financial resources of the State, constraining Government's ability to reinvest in these enterprises. The capital structures of these SOEs have been seriously eroded and their plant and equipment outmoded and needing replacement"[22]. In the view of the Government, therefore, "the continued retention of such enterprises on purely emotional considerations will not be in the interest of the State, the enterprises and the workers"[23].

The Government of Ghana, however, recognises that in implementing its privatisation policy certain basic considerations have to be addressed. These include the following: Firstly, how beneficial would privatisation of SOEs be for the State; would the envisaged new investors be able to recapitalise the enterprises to make them viable concerns and thereby removing the financial burden the SOEs imposes on the State? Secondly, would the privatised enterprises benefit from more modern technology and management to be introduced by the new investors leading to higher levels of production of goods and delivery of service at reasonable prices? Thirdly, would privatisation of the SOEs lead to higher corporate profits and the subsequent payments of higher corporate taxes for national development? And lastly, would privatisation of the SOEs lead to the generation of more employment eventually and thereby assist the Government in solving the country's employment problem? In the view of the Government, these considerations are important; because it is only when positive answers could be found to them that the Government could be assured that its privatisation programme, as part of its Structural Adjustment Programme, was on the right track. Therefore, as part of the negotiations for the privatisation of SOEs, the prospective investors would be required to demonstrate, inter alia, their ability not only to fund rehabilitation of the enterprises and provide adequate working capital but also to show evidence of relevant managerial experience and provide medium term work plan[24].

The observable gradual shift away from the public sector and towards the private sector in the economies of Ghana and other developing countries is, undoubtedly, a reflection of the poor performance of public enterprises in such economies. This phenomenon was recently underlined by the President of the African Development Bank (ADB) when he stated: "It is now generally accepted that over time the majority of public sector enterprises or entities have not performed efficiently. Instead of accumulating surpluses or supplying services efficiently, a good number of these enterprises have become a drain on the national treasuries. Due to this poor performance, coupled with the growing recognition of the costs of ineffective public enterprises in terms of foregone economic development and the scarcity of domestic and external resources for public sector expenditure, reappraisal of the strategy of heavy reliance on the public sector has become imperative. From this reappraisal, a view has emerged - the need for enhancement of the role of the private sector in development"[25]. But more significantly, the ADB President added: "We in Africa are facing a challenge. We believe that the creation of a conducive environment for the growth of the private sector, an important agent of growth, is essential"[26].

In its current search for a balance between the public and private sectors in the Ghanaian economy, the Government has evidently demonstrated its commitment to the creation of an enabling or "a conducive" environment capable of promoting "efficient private enterprise and competitive markets". Indeed, the Government recognises that the enabling environment gradually being created in Ghana with a view to enabling private sector enterprises of all types to make an effective contribution towards Ghana's socio-economic development would eventually be expected to have, *inter alia*, the following generally recognised key characteristics: a) Unrestricted entry into any economic activity; b) Assured access to inputs and markets; c) Well educated and motivated labour force; d) A considerable autonomy given to entrepreneurs in their investment and managerial decisions; e) Minimization of market distortions and rigidities to ensure that the prices of capital, labour and foreign exchange reflect their relative scarcity; f) Provision of economic incentives that are neither repressed by an excessive burden of taxes nor feather-bedded by undue subsidies and protection from competition; g) Availability of adequate infrastructure (roads, ports, power, telecommunications, etc.); and h) Provision of Government services that are supportive, efficient and administered with integrity[27]. The need to create these essential conditions in Ghana and other African countries demonstrates the challenge faced in Africa in the process of rebalancing the public and private sectors of its economies.

In the light of the foregoing, therefore, the primary focus of this section of the case analysis is on the examination of the relative positions of both public and private sectors in the Ghanaian economy. In the process, the following issues will be addressed: firstly, the extent to which the economic policies of the Government over the past three decades have shaped the development of both the public and private sectors of the economy; and secondly, an account of the growth of public and private enterprises in the country - including an analysis of their present state, organisation and functioning.

Economic Policy Framework

Available evidence demonstrates the extent to which the economic policy framework of each Government that has emerged in Ghana over the past three decades has shaped the development of both the public and private sectors of the economy and, as a result, determined the level of their contribution towards the country's social and economic development. During the 1950s, the economic policy of the Government - headed by Dr. Kwame Nkrumah - attempted to promote the development of both the public and private sectors of the economy. Indeed, contrary to popular belief, it has been observed, "Nkrumah ... did not, at any rate in the early years, have any strong ideological attachment to state enterprises ... State intervention appeared to be giving expression to national pride and desire. But in those early years there was no firm commitment to direct state intervention. Indirect methods such as tariff policy and tax incentives for pioneer industries were employed side by side with indirect interventionist measures such as the establishment of the Industrial Development Corporation (in 1951)"[28]. In March, 1959 the Government launched its Five-Year Development Plan and in an address to the National Assembly Nkrumah stated that the Plan was designed to provide the "solid foundation to build the welfare state" and by "encouraging investment" to raise the "standard of living" of the people[29]. Thus, by positively encouraging investment, including private investment, the economic policy of the Government had sought to promote private enterprise as an important instrument in the building of the envisaged welfare state and in improving the living conditions of the people[30].

Admittedly, however, by the time that the Government launched its Seven-Year Development Plan in 1963 a marked change in its development strategy was observable. At the beginning of the 1960s, it has been observed, "Nkrumah broke out of the 'colonial' mould and switched decisively to a socialist strategy, rejecting an open, market-oriented economy and instituting a planned, regulated and centralised economy, in which the state was to become the predominant economic agent and the pursuit of development was to be given priority"[31]. But it has been pointed out that the Government's development strategy was determined not primarily by ideology but by pragmatism. Hence, the 1965 Annual Plan, under the Seven-Year Development Plan, confidently stated: "The policy of encouraging foreign private investors will be prosecuted with increased vigour"[32]. In reality, therefore, the economic policy of the Government sought to encourage the development of both the public and private sectors of the economy. For instance, whereas the Government "established state farms not to give expression to an ideology but to promote farming on a large scale ... to secure rapid results from the use of new advances in agricultural science, which individual farmers are usually more slow to adopt, and to make useful contributions to the targets of agricultural production", it also encouraged "private farmers to join together in cooperatives to enable them to have access to modern machinery and techniques which would be beyond their individual resources"[33]. Thus, the establishment of state-owned enterprises by the Government during the First Republic (1960-1966) ought to be viewed in the context of the need to promote economic growth rather than to serve an ideology[34].

It has, however, been argued that the fall of the First Republic under the leadership of Dr. Nkrumah in February, 1966 "brought into power military and civilian governments which were reactionary in the literal sense of rejecting what Nkrumah had sought to do and systematically reversing his policies". Spurning socialism, planning and controls, the argument continued, the National Liberation Council (NLC) and the Progress Party (led by Dr. K.A. Busia) Governments of 1966-1969 and 1969-1972 respectively "turned to a strategy which put stability above growth, re-opened the economy, and returned to a private enterprise, market-oriented and decentralised system. The state was increasingly disengaged from direct participation and control, and instead regulated the economy indirectly through the medium of the market. Finally, the argument concludes, the experiment with a so-called 'free market economy' failed, leading the second military Government (viz., National Redemption Council (NRC)/Supreme Military Council (SMC) of 1972-1979) to return to the instrumentalities of a command economy"[35]. Indeed, the economic policy of the NLC Government was one of stabilisation. In a foreword to the Government's Two-Year Development Plan launched in July, 1968, the Chairman of NLC observed: "The Ghana economy is essentially a private enterprise economy. The Government must, nevertheless, assume considerable responsibility for the results of the economic process. While, therefore, it is the Government's policy to rely on private enterprise where this will lead to the desired objectives, the Government will not hesitate to use general policy measures, including direct intervention, where necessary in the public interest"[36]. Thus, the NLC Government, it has been noted, "was prepared to intervene in the economy through the promotion of specific projects, including joint ventures with the private sector"[37]. In effect, therefore, to view the economic policies of the NLC and Busia Governments "as replacing Nkrumah's command economy by the reinstatement of the market (economy) is essentially a misleading one and that continuity (with a mixed economy) rather than change was the outstanding characteristic of policies from 1966 onwards"[38].

The thesis that there was continuity rather than change in economic policies after the overthrow of Dr. Nkrumah, nonetheless, admits that there were some significant departures from his economic policies after 1966[39]. The most significant of these changes, in the context of this case study, occurred in respect of policies relating to public enterprises and foreign companies in the Ghanaian economy, the promotion of small and medium-size indigenous private enterprises, and foreign investment. But more significantly, it may be argued, the period immediately after the overthrow of the First Republic marked the beginning of the process of "privatisation" in Ghana; the military Government of the National Liberation Council (1966-1969) actually sold off a relatively small number of state-owned enterprises to private entrepreneurs. Indeed, the military Government put twenty (20) state-owned entreprises out of fifty-three (53) on the "sell" list; out of the 20 earmarked for divestiture, 7 were listed for outright sale and 13 were expected to become joint ventures. However, in the event only four (4) of the enterprises were actually sold; these were relatively "minor ones involving laundry, furniture, bakery and tyre service". The problem faced by the NLC Government in the implementation phase of its "privatisation programme" was the persistent strong negative public reaction to what would have been the first major state-owned enterprise to be sold to private entrepreneurs, namely, the State Pharmaceutical Factory. The sale offer to the privately-owned enterprise, Abbot Laboratories Ltd. had to be withdrawn and that effectively marked the end of the short-lived experiment in privatisation in Ghana[40]. Thus, what appeared to be Ghana's first serious attempt to address the issue of rebalancing the public and private sectors of the economy had to be halted as a result of a strong public outcry over "privatisation" of public enterprises. But the fact that few enterprises were actually "privatised" was in itself significant: for it marked Ghana out as one of the first few developed and developing countries to embark on a "privatisation programme" long before it became a universally recognised strategy for the promotion of economic growth and development.

It is significant to note, however, that the economic policies of the "Busia Administration (1969-1972) were basically a continuation of those of NLC (1966-1969); but the fundamental objectives did not differ much from those of Nkrumah"[41]. For instance, in the Government's One-Year Development Plan of 1970, Dr. Busia stated: "The Government recognises and accepts its primary responsibility for improving the living standards and the quality of life of Ghanaians". The approach adopted by the Government to achieve this objective was to "welcome foreign private capital where appropriate or establish joint state/private enterprises". Besides, the Busia regime continued "to foster the growth of private industry" and was determined "not to set up new Government-owned factories for products which private enterprises can successfully manufacture". But more significantly, it has been observed, economic nationalism was actively promoted by Busia by taking measures to facilitate the implementation of NLC Government's Ghanaian Enterprises Decree of 1968 which sought to stimulate and promote "the participation of Ghanaians in the modern sector of the economy"[42]. The resultant Ghanaian Business Promotion Act (334) of 1970 actually sought "to increase the participation of Ghanaian businessmen in the economic activities of the country, by restricting certain sectors of the economy for Ghanaians". This policy has, indeed, been maintained by all subsequent Governments of varying political complexion; and that the development of private entrepreneurship in Ghana was, to a large extent, accelerated by not only the Ghanaian Business Promotion Act but also the Aliens Compliance Order of 1969. In the latter case, the expulsion from Ghana of a number of aliens by the Busia Administration created opportunities for indigenous entrepreneurs to enter sectors of the economy previously dominated by alien entrepreneurs[43]. The economic policies pursued by the National Redemption Council (NRC)/Supreme Military Council (SMC) Government (1972-1979) evidently sought to strengthen private sector contribution to Ghana's social and economic development. Nonetheless, a marked increase in the role of the state as an entrepreneur was also observable: this was demonstrated by the Government's acquisition of 55 per cent shares in a number of foreign-owned companies in several sectors of the economy. In an attempt to promote a better balance between the public and private sectors of the economy, the NRC/SMC Government enunciated policies aimed at "healthy competition between the private and public enterprises". Indeed, while the Government's role in creating an enabling environment "which could stimulate individual initiative and private enterprise was maintained, Government reserved the right to intervene directly in production to stimulate rapid economic development"[44]. Thus, the NRC/SMC Government recognised that the private sector was capable of playing a most vital role in Ghana's socio-economic development efforts. As a result, during the 1975/76 - 1979/80 Five-Year Development Plan period, the Government not only expected the role of the private sector to "increase to a much faster pace so that its contribution to both national output and employment (would) be greater" but also sought to "strengthen the facilities offered by various institutions set up to aid private investors in the economy". These institutions included the Bank of Ghana, National Investment Bank, Agricultural Development Bank, Capital Investment Board, Office of Business Promotion and the Ghanaian Business Bureau of the Management Development and Productivity Institute. In reality, therefore, the Government sought to promote the development of private enterprises in the country. Towards this end, the Government stated that: "To ensure the achievement of the targeted amount of (C1,480.2 million) investment by the private sector, the required infrastructural and fiscal and regulatory services (would) continue to be provided"[45].

It is noteworthy, however, that the Government's declared policy of "capturing the commanding heights of the economy" led to the creation of a number of joint ventures and joint state-private enterprises with foreign, as well as indigenous entrepreneurs in which both the state and Ghanaians had substantial shareholdings. The unfolding economic policies of the NRC/SMC Government were largely maintained by the succeeding civilian People's National Party (PNP) Government led by Dr. Hilla Limann (1979-1981). However, it has been argued that: "Despite the claims of the PNP Government to be the successor to Nkrumah's (Government - in terms of ideological orientation), the attitude of the Limann Administration to state-owned enterprises got closer to that of Busia Administration"[46]. The significance of this observed attitude of the Limann Administration being that it marked the beginning of a national consensus on the expected role of both the public and private sectors in the Ghanaian economy. In this regard, it may be argued that the Limann Administration's Investment Code of 1981, "designed to open up the economy to uninhibited foreign investment and to guarantee the investor the (necessary) incentives"[47], provided the economic policy framework for the enactment of the PNDC Government's Investment Code of 1985 (PNDCL 116) which has, evidently, made a significant positive impact on Ghana's attempt at rebalancing the public and private sectors of her economy.

Indeed, the PNDC Government has, "as part of (its) Economic Recovery Programme (ERP), taken realistic steps to make Ghana's economic environment more competitive for investment"[48]. Hence, a positive improvement of the private sector environment remains one of the key features of the Government's economic rehabilitation programme. This development, it may be argued, is in harmony with the PNDC Government's policy which states: "... the private sector will be encouraged to play an important role in the productive process and in undertaking its potential role in improving the efficient and accountable use of resources in the economy, in complementarity with the public sector's role"[49]. Thus, as a demonstration of its commitment to the search for a better balance between the public and private sectors in the Ghanaian economy, the PNDC Government also recognises that: "The public sector will by necessity continue to play a pivotal role in the economy. However, this role will be restructured through a reform of wages and employment policies, and the state enterprises sector. Institutional restructuring (including performance monitoring), management reforms, rehabilitation of some enterprises, increased financial and social profitability of the commercially oriented enterprises, and improved efficiency of the rest are goals that must be infused throughout the public sector"[50].

Role and Performance

The development of public enterprises in Ghana, it may be argued, is essentially a post-Second World War phenomenon - initially influenced by the post-1945 British Labour Party Government's policy on nationalisation, as well as the development strategies of the 1950s and early 1960s. During this period, as already alluded to, some distinct phases of the development of public enterprises could be identified. As Table 1 clearly shows, there have been periods of rapid development of public enterprises and periods during which state participation in enterprises was at a relatively low key level[51]. Indeed, the process of state entrepreneurship started in Ghana (formerly Gold Coast) during the period of British colonial administration. For example, the Ghana Cocoa Marketing Board (now Ghana Cocoa Board) was established in 1947, whereas the Industrial Development Corporation (new defunct) was set up in 1951 to facilitate the development of industry in the country. By 1961, the Industrial Development Corporation had 22 subsidiary companies and 9 joint ventures and thus, in a sense operated as the first "holding corporation" in Ghana. However, the "holding corporation" had to be abandoned in 1962 when only about 36.4 per cent of its 22 subsidiaries were shown to be profitable concerns[52].

Available evidence also shows that the present relatively dominant position of public enterprises in the Ghanaian economy "has its roots in the strong expansion of (state entrepreneurship) in the early 1960s ..." under Dr. Nkrumah's Government[53]. In this regard, it has been observed that Dr. Nkrumah's "... development strategy, based on a combination of nationalism and socialism, and supported by the economic development theories of his time, pointed towards the need for a leading role of the state in all sectors of the economy and led to the creation of a large number of state-owned enterprises covering most areas of economic activity"[54]. Although there seemed to be an element of ideological justification for state ownership of enterprises, it could be maintained that the Government's development strategy was determined primarily by pragmatism rather than ideology. Dr. Nkrumah, it has been argued, "believed that the private sector was unable, and often unwilling, to initiate the modernisation (mechanisation) of agriculture, and the rapid industrialisation that he saw as essential elements of Ghana's development"[55]. This explains why it was largely during the First Republic (1960-1966) that many of Ghana's present public enterprises were actually established: these include major ones such as the Volta River Authority, Ghana Airways Corporation, State Fishing Corporation, State Farms Corporation, Ghana National Trading Corporation, State Gold Mining Corporation, and more significantly, a large number of state enterprises in the manufacturing sector that subsequently became Divisions of the Ghana Industrial Holding Corporation (GIHOC) - whose future, incidentally, is now uncertain, following the dismissal of its entire top management and the close down of its Head Office by the PNDC Government in March, 1989. Also, it has been pointed out that: "While some of these enterprises were set up to achieve certain political or social objectives, on the whole, resource mobilisation was considered to be a primary aim of their creation. Indeed, state enterprises were expected to make a contribution to government revenue"[56].

In terms of economic efficiency of the public enterprise, especially manufacturing state enterprises vis-à-vis private enterprises, a study of industrial labour productivity covering the 1960s found that productivities tended to be well below average in state-owned enterprises during the period[57]. The findings of the study are summarized in Table 2. It is noteworthy that during the period 1969-1970, labour productivity in public enterprises remained not only well below that in private enterprises but also even further below the figure for joint state/private enterprises.

The overthrow of the Government of the First Republic in February, 1966 marked the beginning of a significant phase in the development of both public and private enterprises in the Ghanaian economy. It has been observed that: "A more pragmatic approach, as well as a more liberal economic policy, characterised the Government that followed Nkrumah in 1966"[58]. During this phase which covered both the regimes of the National Liberation Council (NLC) (1966-1969) and Progress Party - led by Dr. Busia (1969-1972), as already noted - "more emphasis was put on the role of private enterprise, and on the need for efficiency in the (state-owned enterprises) sector, less importance was attached to non-commercial objectives, and some state enterprises were returned to the private sector"[59]. Hence, as indicated in Table 1, the relatively low key state participation in enterprises. It is, therefore, not surprising that the period, as noted earlier, effectively marked the beginning of the process of "privatisation" in Ghana. In spite of the observable marked shift away from the public sector and towards the private sector, a few state-owned enterprises were set up during this period of an experiment in "privatisation" - albeit a short-lived one; the new state-owned enterprises included the Electricity Corporation of Ghana and Ghana Food Distribution Corporation. This development, however, was in itself significant; for it clearly underlines the inevitability of state-owned enterprises in given economies for strategic, political, social or economic reasons. But more significantly, the period also marked the beginnings of active promotion of the application of the concept of joint state/private entrepreneurship in Ghana. The momentum generated in this approach to state participation in all sectors of the economy has since been maintained by all successive governments in Ghana.

In January, 1972 the military in Ghana intervened in the administration of the country for the second time within a decade: the civilian Government of Dr. Busia was overthrown and the National Redemption Council (NRC), which in 1975 was transformed into the Supreme Military Council (SMC), assumed power. The rule of the NRC/SMC, it has been observed, "signalled a return to development strategies and policies of the Nkrumah period, including a renewed drive towards greater direct participation of the Government in the economy. In that year, in a move to gain control of all vital economic activities, or to 'occupy the commanding heights of the economy', the Government took a majority interest in all large mining and timber companies which, after cocoa, were the principal source of export earnings. This was followed in 1975 by the Government's Investment Policy Decree which required all foreign enterprises to become joint ventures, with either private Ghanaians or the State as partners"[60]. Examples of enterprises with state participation are given in Table 3. Indeed, among the 23 ventures with foreign partners the Government has a controlling interest, directly or indirectly in 15 of them.

The overthrow of the Supreme Military Council Government in June, 1979 by the short-lived Armed Forces Revolutionary Council (AFRC), led by Flt-Lt J.J. Rawlings, marked the beginnings of the current phase of state participation in enterprises. By October, 1979 when the AFRC handed over power to an elected civilian Government led by Dr. Hilla Limann, a large number of private enterprises, accused of financial malpractices, had been confiscated by the state. Similar actions were taken in subsequent years. However, with the notable exception of Achimota Brewery Company Ltd. (formerly Tata Brewery Company Ltd.), most of these confiscated private enterprises were relatively small manufacturing enterprises which belonged, for example, to the National Industrial Company Limited and Ghamot Company Limited (formerly Fattal Brothers Ltd.). It is interesting to note, however, that the return to power of Flt-Lt J.J. Rawlings on 31st December, 1981 (when the military overthrew the civilian regime of Dr. Limann) brought about radical political, administrative and economic reforms resulting in the "re-introduction" of the privatisation policy in Ghana in June, 1988 after being virtually abandoned for over two decades. Among the thirty-two (32) enterprises that were earmarked in 1988 for privatisation were some of the enterprises which were confiscated by the state in 1979.

By the beginning of the second phase of Ghana's Economic Recovery Programme (1987-1989), the Government had shareholdings in at least 235 enterprises - as illustrated in Table 4. The Government's holding in 181 (77 per cent) of these enterprises represented a majority of the share capital. In effect, there were 54 (23 per cent) enterprises in which the Government had minority interests and that the control of these enterprises were in the hands of the private sector[61].

Out of the 181 enterprises in which the Government had majority shareholdings, in 93 of them (representing about 39.6 per cent of the total number of public enterprises) the Government had direct majority holding. Also, the Government had indirect control over another 83 (35.3 per cent) which were in the hands of financial, and some non-financial, state-owned enterprises. The financial institutions holding shares included the National Investment Bank, Agricultural Development Bank, Bank for Housing and Construction and the Bank of Ghana: and that the non-financial state-owned enterprises holding shares in other enterprises included the Ghana Industrial Holding Corporation, Cocoa Board and State Gold Mining Corporation[62].

The question, however, is: What has been the macro-economic impact of the public sector vis-à-vis the private sector in the Ghanaian economy? In this regard, it is noteworthy that the public sector as a whole has been characterised by heavy losses; as a result, there is an inherent tendency for its share in Gross Domestic Product (GDP), for example, to under-estimate its economic impact in terms of scarce resources used. Also, observable inconsistencies in the value added data for state-owned enterprises make a calculation of their contribution to GDP less meaningful[63]. However, available evidence, as presented in Table 5, clearly underlines the dominant position of public enterprises in virtually all sectors. Indeed, if one makes allowance for the number of enterprises for which no data is readily available, it could be argued that all state-owned enterprises "together probably account for close to half of the wage earners in all except small establishments, and for twice the number employed by private enterprise"[64].

From the available statistics, the public sector's presence is particularly strong not only in public utilities but also in mining, while the private sector wage employment is widespread in the manufacturing sector. These data, however, "exclude the self-employed, as well as wage earners in small enterprises which are dominant in sectors such as agriculture, trade and transport"[65]. Investment activity in Ghana over the past decade had been relatively low: for example, between 1979 and 1983, investment dropped sharply from 6.7 per cent to only 3.8 per cent of GDP. Of this, it has been estimated that about 25 per cent was accounted for by a sample of state-owned enterprises that made information available; thus the actual share should have been higher. Table 6 provides information on new fixed investment by selected state-owned enterprises. The data includes the following number of enterprises for each year of the period: 43 (1979); 84 (1980); 99 (1981); 95 (1982); and 63 (1983)[66].

On the basis of available data, it is generally recognised that in addition to public utilities and the export industries, "many key areas of economic activity are in state hands". In the case of export industries, "virtually all of Ghana's exports are produced by, or marketed by, state-owned enterprises. The bulk of them, cocoa beans and cocoa products, through the Ghana Cocoa Board and its subsidiaries, gold and other minerals through the five state-owned or state-controlled mining companies, and part of the timber exports through four major SOEs in the timber sector, although a large number of private enterprises also operate in the latter"[67]. Among the other economic activities in which the public sector enterprises are in relatively dominant position are "the supply of agricultural inputs (including fertilizers), rail and air transport, all bulk imports, the oil refinery, and a large chain of retail outlets (through the Ghana National Trading Corporation). In the manufacturing sector also, the production of many essential commodities is controlled by the State, through a controlling interest in major production units"[68]. Indeed, it has been estimated that in 1982, for example, the "Government had a controlling interest in 86 (or 22 per cent) of all large and medium-scale manufacturing enterprises; but these accounted for more than half of total employment and output by those firms, although for only around 40 per cent of their value added"[69].

It has been pointed out, however, that "it is not the actual size, in economic terms, of the state enterprise sector that is important. Rather, the question is whether these firms, whatever their size, operate efficiently, whether they achieve their objectives in a cost effective way, what the causes of inefficiency are, and how these can be removed". In this regard, it has been observed that: "The financial performance of the (state-owned enterprises) sector over the period 1979-1983 has been dismal"[70].

Indeed, altogether, about 43 per cent of state-owned enterprises in the economy have been shown to operate at net loss in each year of the period 1979-1983. For instance, "the loss, before tax and excluding subventions, amounted to C 92 million in 1979, and rose to C 2 894 million in 1982, or 9 times the 1979 loss after allowing for inflation"[71], as illustrated in Table 7.

It is noteworthy, however, that: "While the SOEs in most economic sectors incurred a loss during (the 1979-1983) period, the trade and hotels sector was profitable throughout (the period), and the mining and electricity and water sectors from 1979-1981. The largest losses occurred in the cocoa sector (the Cocoa Marketing Board and its subsidiaries). In each of the years except 1983, its deficit exceeded that of all other sectors together"[72] (see Table 8). Indeed, it has been estimated that in 1982, 51 out of 90 state-owned enterprises lost money. The major losers included the State Gold Mining Corporation, Ghana Water and Sewerage Corporation, Food Production Corporation, and Ghana Railways Corporation.

However, in the same year, a few state-owned enterprises were reported to have been quite profitable - including the Electricity Corporation of Ghana, Volta River Authority, and Ghana National Procurement Agency[73] (see Table 9). Also, Table 10 presents the profitability of state-owned enterprises, the ratio of profits to sales (profit margin). It had been shown that for all state-owned enterprises together, "the profit margin was negative, and (ranged) from -1.2 per cent in 1980 to -49 per cent in 1982. The profit margins (varied) widely between sectors, and (had) been extremely volatile within sectors, showing large fluctuations, upwards as well as downwards, from year to year. High negative profit margins occurred in 1981 and 1982 in agriculture (Food Production Corporation, where losses in 1981 amounted to 16 times the value of sales), in cocoa marketing, and in the construction sector (the State Housing Corporation lost the equivalent of about five times the value of sales in 1981 and 1982"[74].

It has been observed that apart from the apparent poor profitability record of state-owned enterprises, one major cause for concern about their performance had been their solvency and liquidity. Available data shows that the "ratio of current assets to current liabilities (current ratio) for all SOEs combined fell to only 0.74 in 1982 from 1.48 in 1979, indicating a sharp downward trend"[75] - as illustrated in Table 11. Indeed, it has been shown that: "Among the individual sectors, cocoa marketing, mining, manufacturing and construction were particularly vulnerable, with the Cocoa Board (and its subsidiaries) showing a current ratio of only 0.23 in 1982, which led to the subsequent debt write-off"[76]. It is noteworthy, however, that a marked improvement in the ratios for the mining companies which occurred in 1983 was largely an outcome of a devaluation resulting in better cash flows for the enterprises. Similarly, agriculture, electricity and water, and trade and hotels sectors generally had satisfactory ratios. But more significantly, it has been pointed out that: "The true picture of the financial position of the SOE sector is obscured by the incorrect valuation of assets. According to their balance sheets, many SOEs have a negative net worth and are technically bankrupt". For example, the liabilities of the State Construction Corporation, the State Housing Corporation and State Gold Mining Corporation were reported to be well in excess of their assets. But a revaluation of assets that was undertaken by a few state-owned enterprises in 1983 actually raised their asset value to a multiple of their previous level; as a result the net worth of these enterprises was radically changed. It has been observed, however, that "even after such dramatic adjustments, the assets of some SOEs (were) still insufficient to cover their liabilities, and that these enterprises (were) in fact broke .... The financial results of the SOEs are in reality worse than presented so far. Operating costs have generally been understated in two important respects. First, ... assets are undervalued, and provisions for depreciation have therefore been too low... In 1984, the loss as a result of insufficient depreciation for only five SOEs is estimated at C455 million (Ghana Airways Corporation, Ghana National Trading Corporation, State Fishing Corporation, State Hotels Corporation, and Tema Food Complex Corporation). Secondly, SOEs receive government loans at interest rates that are far below the prevailing rates in the economy. In 1984, Government received an average interest rate of 0.12 per cent on its outstanding loans to state enterprises, while the commercial rate on secured loans at that time was 19 per cent. The implicit subsidy for that year was about C250 million"[77].

In the context, it is noteworthy that a general comparison of the performance of state-owned enterprises with that of private enterprises in Ghana has not been possible because of non-availability of the required data. Indeed, as a recent study demonstrated: "Only in the manufacturing sector can a rough assessment be made of the relative profitability and value added per worker in the two types of enterprise"[78]. For example, it has been shown that over the period 1980-1982, "the profit margin of SOEs was substantially lower than that of all enterprises together, and thus also for those operating in the private sector (as illustrated in Table 12). There also was a marked difference in value added per worker, with labour productivity in the private sector about 30 per cent higher than in SOEs"[79]. In effect, as it has been observed: "Far from making a positive contribution to government revenue, which is one of the original objectives of state participation (in enterprises), the SOEs have been a drain on the (national) budget, and have made demands on the banking system to cover their deficits, thereby reducing the private sector's access to bank credit .... However, these financial indicators provide only in part a measure of the performance of SOEs, first because of the distortions in the system of incentives, and secondly because non-financial benefits and costs have not been taken into account"[80].

Amongst the factors that impinge on the performance of public enterprises in Ghana are lack of competent management, low pay, and lack of accountability. Available evidence shows that lack of competent management, for example, "manifests itself in all aspects of an enterprise's activity: commercial technical, operational and financial. This deficiency of management is in the first place due to a lack of capable and motivated people, and secondly, to poor accounting practices and an almost total absence of management information"[81]. On the issue of lack of accountability, it has been observed that: "The performance of management is affected by the absence of clear objectives and performance criteria. The respective responsibilities of managers and of the supervising ministries are often not well defined. Because of the consequent inability to make them accountable for an enterprise's results, managers have tended to blame poor results on external constraints, such as the lack of foreign exchange or ministerial interference in decision-making"[82]. Indeed, the effect of the latter constraint is that the relatively complex decision-making process in the public sector undermines the ability of state-owned enterprises to compete effectively with private enterprises. It is, therefore, generally recognised that conditions should be created for public or state-owned enterprises to operate in a kind of environment which would make them more efficient and competitive. Having acknowledged that the existing relatively large number of public enterprises (about 235 altogether) are not functioning effectively and efficiently, the PNDC Government has committed itself not only to reducing the size of the public enterprise sector of the Ghanaian economy but also to ensuring that the remaining state-owned enterprises would operate in accordance with generally accepted commercial principles. The implicit questioning by the PNDC Government of the present balance between the public and private sectors of the Ghanaian economy will be the focus of our discussion in Part III of this case analysis.

PART III: PUBLIC/PRIVATE SECTOR BALANCE: THE RATIONALE

Introduction

The questioning of the balance between the public and private sectors of the Ghanaian economy, it may be argued, has been an underlying factor in the economic policies of regimes of varying political complexion since the early 1950s. As already noted in Part II of this study whereas the economic policies of Dr. Nkrumah during the First Republic (1960-1966) led to the establishment of a relatively large number of public enterprises for political and socio-economic reasons, the economic policies of the succeeding military National Liberation Council (1966-1969) and the civilian Progress Party (1969-1972) regimes created conditions for the effective development of private enterprises in the economy. In the latter case, the Government's development strategy was evidently oriented towards the private sector - as demonstrated by the short-lived experiment in "privatisation" in the latter part of the 1960s. The search for a balance between the public and private sectors in the economy during the 1970s manifested itself in at least three significant ways: firstly, the economic policies of the National Redemption Council/Supreme Military Council (1972-1979) led to an increase in state participation in enterprises - as demonstrated by the Government's acquisition of 55 per cent shares in a number of foreign-owned enterprises in the economy; secondly, the confiscation by the short-lived Armed Forces Revolutionary Council Government (June-October, 1979) of a number of private enterprises to the state; and thirdly, the economic policy framework created by the civilian People's National Party Government (1979-1981) to facilitate the effective contribution of the private sector to Ghana's socio-economic development.

By the early 1980s, therefore, a pattern of the direction of shifting the balance between the public and private sectors was beginning to emerge in the Ghanaian economy. This was underlined by the economic policies of the Provincial National Defence Council (PNDC) Government which assumed power on 31st December, 1981. Indeed, under its Economic Recovery Programme (1984-1986) launched in 1983, the PNDC Government sought, *inter alia*, to improve the financial position of the public sector and also to encourage an expansion in private investment in the economy. In the latter case, the Government recognized that "the private sector has a distinct role to play in successfully implementing the Economic Recovery Programme"[83]. Accordingly, the Government set in motion a process finalizing a revision of the previous regime's Investment Code of 1981 with a view to attracting more private investment into the country. In this regard, the Government stated: "We are mindful of the need to adopt a system of incentives which reduces the discretionary power of officials to a minimum once an investment proposal has been approved. The freedom to remit profits, repatriate capital and security of the investment will constitute an integral element of the new investment code. Besides, several of the Government's economic policies (being unfolded) are also supportive of the private sector"[84]. But more significantly, the Government added: "Admittedly, a credibility gap exists vis-à-vis the private sector; but we intend to fully restore mutual confidence"[85].

The PNDC Government's commitment to the promotion of the private sector in the economy is underlined by the provisions made in its Investment Code of 1985 (PNDCL 116). Under this Code the Ghana Investment Centre has been established as "an agency of Government for the encouragement, promotion and coordination of investments in the Ghanaian economy". The Centre has been empowered to carry out, *inter alia*, the following functions: a) to collect, collate, analyse and disseminate information about investment opportunities and sources of investment capital, and advise upon request, on the availability, choice or suitability of partners in joint-venture projects; b) to identify specific projects and invite interested investors for the implementation of such projects; and c) to initiate and organise promotional activities such as exhibitions, seminars and conferences for the stimulation of investments. Under this Investment Code, the Government has identified priority areas or sectors of the economy which could benefit from foreign investment and provided the required incentives and benefits for foreign investors. Some of the identified sectors are agriculture, manufacturing industries, and construction and building industries - including real estate development and road construction. The incentives and benefits in all cases include the following: a) requisite permission for importing essential plant, machinery, equipment and accessories required for the enterprise; and b) exemption from payment of customs import duties on plant, machinery, equipment and accessories imported specially and exclusively to establish the enterprise once approved. Additional benefits include "immigrant quota for expatriate personnel from any tax imposed by an exactment on the transfer of external currency out of Ghana". Also, "no enterprise approved under (the Investment) Code shall be "expropriated by the Government" and that "no person who owns, whether wholly or in part, the capital of an enterprise approved under this Code shall be compelled by law to cede his interest in the capital to any other person". But more significantly, in granting approval for investments, the Ghana Investment Centre is required to "have due regard to the need to generate constructive competition among enterprises and .... avoid a tendency to establish monopolies".

In effect, the PNDC Government, as part of its Economic Recovery Programme, has evidently " ... taken realistic steps to make Ghana's economic environment more competitive for investment"[86]. But, as already noted, in attempting to shift the balance between the public and private sectors of the economy, the Government recognises that: "The public sector will by necessity continue to play a pivotal role in the economy". It is envisaged, nonetheless, that the private sector will also play an equally "important role in the productive process and in undertaking its potential role in improving the efficient and accountable use of resources in the economy, in complementarity with the public sector's role"[87].

The question now is: What is the rationale behind the PNDC Government's attempt to shift the balance between the public and private sectors of the Ghanaian economy? Also, are there any ideological reasons for the Government's questioning of the public/private sector balance? Besides, has the Government's policy on the subject been prompted by pressures from the World Bank, the International Monetary Fund etc. or from the major capital-dispensing countries (bilateral aid, bank credits, etc.). Furthermore, what are the aims of the Government's rebalancing policy? An attempt will be made in this Part of the study to throw more light on the issues raised.

Rebalancing Policy: Underlying Variables

The rebalancing policy of the PNDC Government ought to be viewed in the context of the efforts being made in Ghana to promote rapid social and economic development; and as such the policy is guided more by pragmatism than ideology. In other words, the fundamental reason for shifting the balance between the public and private sectors is to promote the development of the Ghanaian economy. The reality of the Ghanaian situation in recent years has, undoubtedly, made the pursuit of such an economic policy inevitable. The Ghanaian economy, needless to say, has generally been characterised by decline for over two decades. Indeed, during "the 1970s and the early 1980s the Ghanaian economy experienced steady deterioration. Real income per capita in 1982 was estimated to be 75 per cent of its 1970 level. Production in most sectors of the economy fell sharply due to a weakening of incentives. The production and export earnings of the main export crop, cocoa, dropped drastically which, coupled with increasing dissatisfaction with the performance of the Ghanaian economy by aid donors, greatly reduced the country's capacity to import. Poor fiscal management, compounded by the erosion in the resource base, generated large budgetary deficits that fuelled inflation. The country's infrastructure suffered severe neglect, causing a marked deterioration in the volume and quality of economic and social services"[88].

But more significantly, the observable negative trend in the Ghanaian economy put a severe strain on the human infrastructure - "with over two million Ghanaians (including professionals) leaving the country in search of better opportunities elsewhere. This exacerbated shortages of trained manpower and contributed to a contraction in the acreage under cultivation in the labour-intensive agricultural sector. The neglect of health and education infrastructure compounded the difficulties of those who stayed behind, sharply reversing the high levels attained by Ghana in the early days after Independence (in March, 1957)"[89]. Besides, the country's "external terms of trade sharply deteriorated following the increase in petroleum prices and a softening in prices of Ghana's major exports (cocoa and gold). The cumulative effect of the downward economic spiral can be seen in the trends in key economic indicators between 1970 and 1982: per capita real income declined by 30 per cent; import volumes fell by a third; real export earnings fell 52 per cent; domestic savings and investment declined from 12 per cent and 14 per cent of GDP respectively in 1970 to almost insignificant levels; and inflation averaged 44 per cent per annum over the period"[90].

It was against this economically depressing background that the PNDC Government launched its Economic Recovery Programme (ERP) in 1983. The first phase of the ERP (1983-1986), as already noted elsewhere, concentrated on stabilization of the Ghanaian economy: the Government's efforts were supported not only by two successive International Monetary Fund's standby arrangements but also by considerable assistance from other bilateral and multilateral agencies[91]. As noted earlier, the main objectives of the ERP I were "to halt, and where possible reverse the decline in productive sectors, establish fiscal and monetary discipline, initiate programmes to rehabilitate the country's economic and social infrastructure, and establish a proper climate for private savings and investment. This entailed substantial progress towards a realistic exchange rate accompanied by a significant liberalization of the trade regime"[92].

In the context of the Government's rebalancing policy, however, the second phase of the Economic Recovery Programme (1987-1989) would appear to be more significant. The main aim of the ERP II, as pointed out earlier, was "to consolidate the gains from the stabilization of the economy through a programme of structural adjustment and development. This programme aims at a further strengthening of the incentive framework with a view to stimulating growth, encouraging savings and investment and strengthening the balance of payments. This would involve further liberalization of the exchange and trade regime, improvements in cocoa producer incentives, additional domestic resource mobilization efforts, increased and better structured public expenditure (particularly in areas of health and education), reforms in the state enterprises with special focus on the Cocoa Board, financial sector reforms, and strengthening of public sector management"[93]. It is envisaged that ERP II will "result in a modest increase in per capita income and consumption over the medium term and hence generate gains for the large majority of Ghanaians. The increase in per capita incomes between 1984 and 1986 and the anticipated increases over the next three years will begin to reverse the decline in per capita income and consumption experienced over the previous decade .... Employment gains are expected on account of the growth in the productive sectors, higher levels of investment in both public and private sectors, and because capital and foreign exchange are progressively being priced at their scarcity value"[94].

It is apparent from the foregoing that the efforts being made in Ghana to improve the economy, in the face of severe economic difficulties, have been largely instrumental in creating conditions conducive to a change in the balance between the public and private sectors in economic activity. Indeed, the PNDC Government's decision to "re-introduce" privatisation policy in Ghana is a direct outcome of its commitment to reforms in the state enterprises and the strengthening of public sector management under the second phase of its Economic Recovery Programme (1987-1989). This has been underlined by a statement noted earlier that the Government "... decided upon privatisation as a means to revamp, revitalise and recapitalise (the country's) ailing SOEs and thereby enabling them to operate more purposely, contribute to the national budget and also generate employment"[95]. In undertaking a major programme of state-owned enterprises reform, the Government expects that a major part of the required "new investment (would) come from the private sector and ... that by 1991 private investment (would) be slightly more than half of total investment, compared with less than 40 per cent in 1986"[96]. Also, it has been observed, as a result of the ERP II, the Government's "current financial, fiscal, trade and industry policies have set the pace for the development of a stable and competitive environment through phased liberalisation. Ailing public enterprises would consequently be candidates for divestiture"[97].

The Government's commitment to shifting the public/private sector balance, under the ERP II or Structural Adjustment Programme, could be discerned from the following statement by the PNDC Secretary (Minister) for Industries, Science and Technology: "Where there is a strong case for divestiture the exercise will proceed promptly and judiciously. The cases for privatisation will naturally take some time since the necessary prospective instruments and promotional work will be necessary to attract the right investor at the most agreeable price. The absence of a fully functioning stock exchange market in Ghana (Government's approval for the establishment of this market being announced only in April, 1989), or the effective operation of other parallel capital market facilities will also create some delay in the actual transfer of assets and ownership. Enterprises that are to continue under state ownership will be forced to operate for efficiency with provision for their autonomy, accountability, market responsiveness and profitability. Ministry of Industries, Science and Technology has prepared SOE management performance report forms to be completed by enterprises for effective monitoring and adjustment of their operations. Finally, as we move the economy toward the private sector ... the state will continue to have an important role (not necessarily competitive, but complementary) in those areas and activities that are not sufficiently attractive (to the private sector) but nationally desirable and justifiable on environmental, health, security and other similar grounds"[98].

Aims of Rebalancing Policy

In consonance with the development strategy of the period, Ghana set out to establish a number of public enterprises in the late 1950s and early 1960s to produce goods and services. However, most of these public enterprises were set up without detailed feasibility studies to determine their economic viability. Consequently, some of these enterprises have become a burden on the national budget - as they had to depend on Government subsidy and loans. Given this pattern of operation of a relatively large number of public enterprises, the decline of the economy naturally had adverse effects on their performance. Indeed, the state-owned enterprises sector not only grew relatively large and unwieldy but also became "drain pipes instead of developing the national economy". It is against this background that the PNDC Government's rebalancing efforts, through major reforms of the state enterprises and stimulation of private sector development, should be appreciated. Thus, the aims of the Government's rebalancing policy, under ERP II, include an improvement of the climate for undertaking private initiative; reduction of the size of public sector; and rehabilitation of the public sector. It is in pursuit of these aims that the Government has embarked upon a privatisation programme.

In attempting to reduce the size of the public sector in the Ghanaian economy, the Government is, undoubtedly, faced with a herculean task. This could be discerned from the fact that there are about 235 public enterprises in the country and that by May 1989 only 37 of them had been positively earmarked for divestiture, whereas "21 core state-owned enterprises" are not expected to be divested by virtue of their strategic importance to the economy. In effect, the fate of about 177 state-owned enterprises is yet to be decided by the Government: some are likely to be rehabilitated, whereas others are expected to be privatised if the initial constraints faced by the Government in the implementation phase of its privatisation programme could be overcome. The effects of these constraints on the privatisation process, as well as on the rebalancing process in the Ghanaian economy and other related issues will be subject of our discussion in Part IV of this case study.

In the light of the foregoing analysis, therefore, it could be said that the observable gradual shift in the public/private balance in the Ghanaian economy is a manifestation of the economic policies being pursued by the Government in response to a serious deterioration in the economy. The presence in the economy of a relatively large number of state-owned enterprises, which over the years have become a burden on the national budget, has contributed to the country's economic decline; therefore, a substantial reduction of the size of the public sector, combined with the rehabilitation of some public enterprises would bring about the kind of public/private sector balance that would have a more positive impact on the socio-economic development of the country. Also, it is noteworthy that, in spite of the substantial support that Ghana continues to enjoy from the World Bank, IMF, etc. and from the major capital-dispensing countries, pressures from these external sources in relation to the rebalancing policy of the Government, under the country's Structural Adjustment Programme or ERP II, appear to be of more positive value than otherwise.

PART IV: IMPLEMENTATION OF REBALANCING POLICY: MODALITIES AND PROCEDURES

Introduction

The observable gradual shift away from the public sector and towards the private sector in the Ghanaian economy is, undoubtedly, a reflection of the poor performance of public enterprises in the country. By their nature, public enterprises are expected to combine the efficiency and innovation of private enterprises with the accountability and sensitivity of public agencies[99]. In practice, however, as the Ghanaian experience clearly demonstrates, public or state-owned enterprises "may combine public sector inefficiency and stagnation with private sector insensitivity to the public interest. They may drain rather than develop national resources"[100]. Indeed, Ghana's experience over the past two decades underlines the view that too often public enterprises perform poorly in terms of financial results, operating efficiency, responsiveness to market needs, organisational morale, innovations, etc. Some of the factors contributing to the poor performance of public enterprises include government intervention in the management of such enterprises, price controls, the absence of competitive forces in the economy, and inadequate systems for Governments not only to guide and control but also to reward and staff public enterprises[101].

In general, however, two sets of factors that impinge on the performance of public enterprises can be identified: firstly, what has been described as country-specific cultural, social, political, macro-economic and institutional characteristics, that explain inter-country differences in enterprise performance[102]; and secondly, enterprise-specific variables, such as degree of autonomy, extent of both domestic and foreign competition, and the corporate and managerial environment, that explain intra-country differences in enterprise management - though the overlap between the two sets of factors is recognised[103]. Given the apparent complexity of the factors that affect the operation of public enterprises, it is not surprising that no developed or developing country (including Ghana) has yet been able to devise what has been described as "a perfect way" to manage public enterprises. Moreover, it is recognised that even if a perfect way were to be found, the existing socio-cultural differences would, inevitably, make its "blind replication almost meaningless". However, it is noteworthy that "there are clearly better and worse ways of managing public enterprises" in both developed and developing countries[104]. In this regard, it could be argued that the value of a successful rebalancing of the public and private sectors in a given economy lies in its potential to create an environment capable of enhancing the efficient and effective performance of both public and private enterprises. Thus, the transformation of the economic environment constitutes a major variable in the rebalancing process; the other underlying key variable being privatisation of public enterprises.

Economic Environment

In Ghana, the PNDC Government's rebalancing policy, under its Economic Recovery Programme, has its focus (as already noted elsewhere), *inter alia*, on the following broad areas: firstly, progressive liberalisation of trade and exchange rate policies by expanding the official foreign exchange market to include banks and authorised dealers (known as Forex Bureaux) and by rationalising the structure of trade and taxes and tariffs; secondly, an improvement in public resources management through further improvement in tax policy and administration on the public expenditure planning process; and thirdly, reform of the state-owned enterprises sector, including policy changes to enhance public sector efficiency and encourage the commercial operations (in a competitive market environment) of state-owned enterprises, rehabilitation of priority state-owned enterprises, and more significantly a divestiture or privatisation programme for public enterprises through liquidation or outright sale to the public, including workers in the affected enterprises.

In pursuance of the rebalancing policy, under the Economic Recovery Programme, the PNDC Government "has decided to undertake a major reform and restructuring of the state enterprises sector. Towards this end, the Government has introduced a comprehensive reform programme with the overall objective of having in place a more efficient and productive state enterprises sector which is well-managed, commercially-oriented, financially self-sufficient and which contributes to sustained economic growth"[105]. Also, the Government "has taken steps to establish the appropriate policy, legal and institutional environment which will make it possible for commercially-oriented state enterprises to operate in a fully commercial manner with a view not only to making them contribute to State revenue required for development but also ultimately enabling them achieve optimum enterprise autonomy thereby making it unnecessary for them to rely on direct or indirect government subsidy"[106]. Indeed, public enterprises are expected not only to cover their operating costs (including depreciation of revalued assets), all deferred payments, *i.e.*, pensions and end-of-service benefits, etc., but also to service their debts and make a reasonable contribution to new investments[107]. Besides, the "Government has established criteria for determining ceilings for direct Government financing, through loans and equity, for state enterprise capital expenditures. Furthermore, Government intends to put in place a system to ensure that future inter-enterprise financial obligations or cross-debts as well as those between enterprises, Government agencies and local authorities are paid in a timely manner"[108].

But more significantly, under the Economic Recovery Programme, "the Government will continue the process of determining prices based on economic cost factors. State enterprises in competitive markets will be permitted pricing autonomy subject only to general regulations on pricing. For SOEs in regulated industries (e.g., utilities) or operating in markets which are not yet subject to sufficient competition, there will be a review process under which the Government will permit those enterprises to set price for their goods and services to reflect the economic value of these items and allow the enterprises to meet their targets for financial self-sufficiency. State enterprises will be subjected to increased competition and market discipline; and Government will seek to discourage the creation of new monopolies or the strengthening of existing ones in both the public and private sectors"[109]. Besides, the Government "will ensure, through appropriate administrative directives, that the indiscriminate establishment of new state enterprises is avoided as far as expedient. New SOEs may be created only to the extent that they are consistent with the spirit and letter of the Economic Recovery Programme, as well as with the principle behind the rationalisation of state-owned enterprises"[110].

To ensure the success of the rebalancing process in Ghana, the country's State Enterprises Commission (SEC) "has already been restructured to strengthen its ability to monitor and evaluate enterprise performance and advise Government on state enterprise issues. To ensure accountability, a performance monitoring and evaluation system (including management information system) and corporate planning are being introduced to be administered by the restructured State Enterprises Commission. Annual performance targets will also be determined by the Boards of the SOEs in consultation with supervisory sector Ministries and the SEC, while appropriate mechanisms shall be established by Government for rewarding or penalising SOEs on the basis of actual performance. Already a Performance Agreement has been signed between the Government and the Ghana Cocoa Board to regulate the performance of both Government and the Board in the cultivation, purchasing, evacuation and export of cocoa and arrangements are far advanced to sign such agreements with four other state-owned enterprises - mainly in the utility services... It is (the Government's) hope that these measures will succeed in turning (the) enterprises around, as the Government expects that the successful experimentation of the Performance Agreement System in the selected SOEs will encourage it to extend the system to cover the operations of all SOEs eventually. The Government has also taken a hard look at the present management and ownership structures of the SOEs pursuant to possible modification thereof and has settled on a number of divestiture or privatisation options"[111].

In the light of the foregoing, therefore, it is apparent that the modalities and procedures adopted for the implementation of the rebalancing process in Ghana include liberalisation of the economy and privatisation of public enterprises. In the former case, deregulation within industrial and financial sectors, as well as within the general service sector is a key variable in the rebalancing process; its main aim is to re-establish the rules of competition or encourage competition in the Ghanaian economy. Also, deregulation is expected to have the effect of reducing to a minimum not only the existing regulatory and legislative mechanisms for Government intervention but also the existing monopolistic public and private enterprises. Another procedure used in Ghana with a view to liberalising the economy and stimulating market mechanisms and individual initiative is "Government disengagement"; this has manifested itself particularly in respect of the Government policy on rationalisation of state-owned enterprises (including staff reductions), deregulation of the banking sector; decontrol of exchange rates and convertibility, and development of stock exchange market.

Privatisation Programme

It has been observed that the "privatisation of public corporations is the most absolute form of rebalancing as it involves transferring to the private sector ownership of the capital of public corporation. However, privatisation is not the totality of a rebalancing process, although it clearly occupies a key position from both the economic and the symbolic standpoint"[112]. It has been pointed out, however, that the "relative importance of privatisation in the rebalancing process is, in any case, largely determined by the country concerned"[113]. In this regard, it is noteworthy that the "observed shortcomings of public enterprises, resulting in their relatively low efficiency, have importantly motivated the movement towards privatisation"[114] in given developing economies. The relevance of this phenomenon to the case analysis has been underlined in a recent review of the performance of public enterprises in thirteen countries which identified three factors relating to the business and managerial environment that distinguish successful public enterprises from poorly performing ones: firstly, the degree of financial autonomy and accountability under which public enterprises operate; secondly, the extent and manner in which managerial autonomy and accountability are ensured; and thirdly and more importantly, the degree of competition that public enterprises are exposed to[115]. It has been argued that: "If these factors can be managed appropriately, the performance gap between public and private enterprises can be reduced significantly, and to levels that in many cases can be justified by the infrastructural, strategic or social reasons that motivated the creation of many public enterprises in the first place"[116]. Thus, the effective and efficient management of the identified variables in given economies would have the desired impact of narrowing the performance gap between the public and private enterprises and thereby shape the direction of the rebalancing process in such economies accordingly.

The observed relationship between poor performance of public enterprises and the decision by a given Government to embark upon privatisation programme (as it is the case in Ghana), however, raises at least two fundamental questions: firstly, why the sudden change in attitude leading to the adoption of privatisation policy; and secondly, has information not been available for a sufficiently long period on the performance of public enterprises vis-à-vis private enterprises? Undoubtedly, "... evidence on the relative inefficiency of public enterprises has accumulated over time, increasing in weight and hence its effect on decision makers. Also, the increasing losses of public enterprises, which occurred parallel to the growing budgetary stringency associated with the debt crisis, have made Governments recognize the cost of public enterprises to the budget and the national economy"[117]. But it has been pointed out that the principal reason for given Governments to embark upon privatisation programme "may lie in changes in development strategies"[118]. Thus, the observable phenomenon of the privatisation process in Ghana and elsewhere "should be seen as part and parcel of the shift in development strategies initiated in (these) countries, involving outward orientation. This shift, necessitating improvements in efficiency, has led to proposals for privatisation as private enterprise is considered to be better able to respond to the stick and carrot of competition, which is seen as a criterion of improved efficiency"[119].

In the case of Ghana, as already noted, it has been stated: "... considering that (public enterprises) continue to constitute a drain on the national budget, it should be prudent for their ownership to change from public to private, where the private sector can bring a turn-around in these enterprises"[120]. As alluded to earlier, for a given enterprise to be considered as having turned around, it should, *inter alia*, show positive financial results, improvements in operating efficiency, in the quality of its products and services, in its responsiveness to market needs, in organisational morale, and in entrepreneurship. The pertinent question, however, is: Would privatisation lead to increased efficiency? In this regard, it is noteworthy that: "While the shift from public to private ownership can increase productive efficiency (*i.e.*, to lower production costs) ... such increases may only be modest. Significant gains in efficiency are most likely (however) if certain major public monopolies are privatised, but only if they are thereby exposed to competition and their monopoly power reduced"[121]. In economic terms, therefore, "the scope for effective privatisation of public enterprises depends upon a number of considerations: whether private sector managers have a greater incentive than public sector managers to improve efficiency; the number of public enterprises facing national or international competition; the extent to which public enterprises are "natural monopolies"; and the importance of social and other non-commercial (e.g., macro-economic) objectives. Such considerations suggest that successful privatisation is unlikely to be extensive, relative to the size of public enterprise sectors in either industrial or developing countries"[122]. Given this reality, therefore, it has been observed that: "improving the efficiency of public enterprises, as well as seeking alternatives to privatisation will need to given a high priority"[123]. Besides, it has been argued that: "... changes in ownership alone will provide few lasting budgetary benefits unless privatisation is associated with increased efficiency"[124].

In spite of its inherent limitations, privatisation has been recognised in Ghana as a viable development strategy under the country's Economic Recovery Programme. However, the Government has also recognised, as noted earlier, that in the process of "... executing the privatisation of Ghana's enterprises, certain basic considerations are required to be addressed. For example: how beneficial is the privatisation going to be for the State; will the new investor(s) be able to recapitalise the enterprise to make it a viable concern thereby removing the financial burden the enterprise imposes on the State? Will the privatised enterprise benefit from more modern technology and management to be introduced by the new investor(s) leading to higher levels of production of goods and delivery of services at reasonable prices? Will privatisation of the enterprise lead to higher corporate profits and the subsequent payments of higher corporate taxes for national development? Will privatisation of the enterprises lead to the generation of more employment eventually and thereby assist Government in solving the employment problem? These considerations are important for Government because it is only when (Government) can find positive answers to these that (it) can be sure that (its) privatisation programme, as part of the Structural Adjustment Programme (*i.e.*, phase two of the Economic Recovery Programme) is on the right track"[125]. The need for the Government to ensure that its privatisation policy would have the desired impact on Ghana's economy has partly contributed to the delay in implementing the policy to its logical conclusion. The potential danger, however, is that further delay in effectively implementing the privatisation programme would not only adversely affect the process of shifting the balance between the public and private sectors of the economy but also effectively reduce the kind of external support that Ghana should be getting under its Structural Adjustment Programme.

The question now is: What has been the approach to privatisation in Ghana? In response to this question, it could be said that Ghana's privatisation programme could be better understood in the context of the Government's approach to carrying out the rebalancing policy in Ghana. Indeed, under the rebalancing policy it has been necessary for the Government to examine at least three policy options or measures: firstly, the "organisation option" which covers several basic changes in the structure within which a given public enterprise operates, so as to introduce market disciplines and the forces of competition (an option which does not imply ownership changes); secondly, the "operational/management option" which refers to many major managerial and operational innovations, such as memorandum of understanding, ancilliarisation, target setting, etc., which will have the impact of taking the enterprise a step further in the process of re-marketisation (an option under which neither organisation change nor ownership changes are implicit); and thirdly, the "ownership option" which broadly includes denationalisation or sale of enterprise assets, wholly or partial, to private investors - an option usually thought of as privatisation or divestiture. To date, the "organisation" and "ownership" options have been given priority attention under the rebalancing policy of the Government: this twin approach to shifting the balance between the public and private sectors of the economy has manifested itself under the reform of the state-owned entreprises sector, including policy changes to enhance public sector efficiency and encourage the commercial operations of state-owned enterprises, rehabilitation of priority state-owned enterprises, and privatisation or divestiture programme for public enterprises through liquidation or outright sale of enterprise assets to the public. Hence, the liberalization of the economy to facilitate the efficient and effective performance of both public and private enterprises and privatisation are considered to be the two major variables of the rebalancing process in Ghana. The other variable in the rebalancing process manifests itself under the "operational/management option" which is under active consideration by the Government - as underlined by the Government's decision to examine the possibility of

"... embarking on long and short term management contracting of operational facilities with the state being the major holder of assets"[126].

In order to facilitate the implementation of the "ownership option" or the privatisation policy, in June, 1988 the Government set up a Divestiture Implementation Committee at the State Enterprises Commission when it announced its decision, as noted earlier, to privatise or divest itself of thirty-two (later increased to thirty-seven) public enterprises (see Table 13). It is noteworthy, however, that the Government has also identified twenty-one "core" state-owned enterprises which are expected to remain "untouched" by the privatisation process but would be expected to be affected by the implementation of the "organisation option" under its rebalancing policy (see Table 14). The problem with regard to the implementation of the privatisation policy in Ghana has been that, after nearly one year's effort (including sustained local and international media advertisements) the divestiture programme, as envisaged under the Structural Adjustment Programme, is seriously behind schedule. Indeed, it had been anticipated that by the end of 1989 the public sector enterprises would have been substantially reduced from about two hundred and thirty-five to only twenty-one "core" state-owned enterprises. But to date, the thirty-seven enterprises so far earmarked for divestiture are yet to be actually privatised. Within the past year enterprise profile documents or dossiers have been prepared on about 70 per cent of the enterprises earmarked for privatisation and that a number of enquiries from potential local and foreign investors have been made in response to advertisements by the Divestiture Implementation Committee. The delay in implementing the privatisation programme could be attributed to at least three main factors: firstly, the State Enterprises Commission and its Divestiture Implementation Committee have not had the benefit of the service of the required team of experts in good time to carry out their task; secondly, preparation of enterprise profile documents for the enterprises earmarked for divestiture had been delayed by lack of up-to-date information and data on the financial position of the affected enterprises and thereby making accurate evaluation reports on them impossible; and thirdly, the inability of the Divestiture Implementation Committee to establish the market values of the enterprises to facilitate their sale - a problem arising from the absence of stock exchange market, well-developed private sector and capital market. In addition, the limitations on the extent of participation in the privatisation programme by foreigners and non-national residents in Ghana vis-à-vis indigenous investors (including enterprises workers) have had adverse effects on the implementation of the privatisation programme, especially in respect of the marketing and financing of the enterprises earmarked for divestiture. The solution of the above-mentioned problems, including the establishment of stock exchange market and further review of the policy limiting the participation of non-indigenous investors in the privatisation programme would, undoubtedly, have the desired positive outcome on the rebalancing process in the country.

In reality, therefore, Ghana is yet to register the effective privatisation of an enterprise - the recent sale of some inconsequential cocoa plantations belonging to the Ghana Cocoa Board being relatively insignificant in the context of the case analysis. It is envisaged, however, that the privatisation process in the country, as it is the case in other countries, would take the form of either the change of ownership status and transfer of decision-making authority from the public to the private sector (complete divestiture) or only the transfer of decision-making to the private sector (partial divestiture and contracting-out). In the case of complete divestiture or privatisation, state-owned enterprises in Ghana, as elsewhere, are expected to be either sold, operationally intact, to private sector entities (for example, private firms, individual investors, the enterprises' own managers or workers, as well as the general public through a stock offering or auction), or the enterprises are operationally closed and liquidated with its business operations halted and its assets sold off piecemeal. Also, under partial divestiture, the Government is expected to enter into joint ventures with either other state-owned institutions with the complimentary resources or with national investors with proven managerial, financial or raw material base, or with foreign partners where financial, technological and market considerations justify (with the Government retaining only a minority equity position that allows actual control to pass to private hands and the enterprises to operate as private entities). Besides, under the contracting-out arrangement, it is envisaged that the responsibility to provide certain services would be retained by the Government, whereas the implementation of certain functions would be delivered by private sector entities. In effect, by contracting-out or leasing, the Government would be in a position to finance enterprises while allowing private sector firms to run them or alternatively, private interests would be given the opportunity to finance enterprises with the approval of the Government - an arrangement which does not imply a complete break with Government control of enterprises[127].

One of the state-owned enterprises earmarked for divestiture is the Tema Shipyard and Drydock Corporation (TSDC). In an enterprise profile document or dossier prepared by the Divestiture Implementation Committee in June, 1988 it has been stated: "In the concrete case of TSDC one basic divestiture option, namely, participation, *i.e.*, the Joint Venture recommends itself as the best suitable alternative even though there are other options such as outright sale, total liquidation or lease. It would be more appropriate to establish a joint partnership with owners of Shipyards and Drydocks for the benefit of Ghana. Due to the importance of the (TSDC) to the national economy, its potential to earn and save foreign exchange, the shareholding structure recommended for the Joint Venture is 51 per cent of the share for the foreign partner(s) and 49 per cent for the Government of Ghana. Part of the foreign investor(s)' contribution should be advanced to the company as interest bearing loan for rehabilitation, expansion, for foreign inputs and as working capital. The magnitude of the loan and the conditions for its release and disbursement will have to be worked out between Government and the partner(s). The majority shareholder, (in this case the foreign investor) should be entrusted with the management of (TSDC). But management should not be on the basis of Technical Assistance ..... After concluding the Joint Venture deal, *i.e.*, having distributed the shares in the agreed numbers and each having paid for, the TSDC automatically loses its legal and corporate identity. A new (Limited Liability) company would be formed whose operational activities will be governed by the Companies Code".

The partial divestiture envisaged for the Tema Shipyard and Drydock Corporation may be contrasted with the complete divestiture of the State Fishing Corporation. In another enterprise profile document or dossier prepared by the Divestiture Implementation Committee in November, 1988 it has been stressed that: "It is Government's present intention to dispose of the business of State Fishing Corporation to private sector interests who are judged capable of carrying on efficiently the main elements of the entire business or logical segments thereof for the benefit of the economy, who are willing to acquire the undertaking on equitable terms, who can demonstrate that they have access to financial resources and who are able to provide appropriate guarantees in connection with the completion of the transaction and the future conduct of the business ..... Whilst it is Government's intention to sell the asset or assets described in an expeditious manner, the right is reserved: a) to reject any or all offers made; b) not necessarily to limit consideration to only those offers received prior to any date; and c) to negotiate with offerers .... Offers, which must be submitted by 15 December, 1988 should include a business plan, including a financial forecast for at least 5 years with a statement of the assumptions made in the forecast, and include evidence supporting rehabilitation expenditure estimates. The sources of funding for the investment should be indicated. The amount offered and terms of payment for the entire enterprise or segment requested by the applicant should be described fully and in all respects, along with optional structures for the proposed acquisition".

A relatively small-size and inconsequential state-owned enterprise earmarked for complete divestiture is Metalico Limited. As pointed out in the Divestiture Implementation's enterprise profile document or dossier prepared in May, 1988: "Metalico Limited, by its volume of products, intensity of operations, level of employment and nature of business (production of roofing sheets, hinges and locks for the building industry) is a typical small-scale manufacturing concern. Its mode of production and production processes are incommensurate with modern government big business and these do not warrant Government's participation (in the enterprise). Most importantly, the company can at best be managed by private Ghanaians who (as originators of the company) may have easy access to financial resources or can better arrange for financial coverage from the financial sector. In addition, full private ownership can also enhance a more efficient management. This will also be in the right direction of Government's policy of encouraging the small-scale production sector. It is suggested, in short, that Government should sell its assets in the company to the private sector subject to accepted negotiated terms ..... It is, therefore, recommended that in line with the existing provisions in the Companies Code Government should offer its (60 per cent) shares in Metalico Limited to the local (*i.e.*, Ghanaian) minority shareholders for purchase based on a percentage (say 25 per cent) mark-up on the value attached to the assets by the Report of the Lands Valuation Board". Another example of an enterprise earmarked for outright sale is the GIHOC Mosquito Coil Company Limited; this option has been recommended because the company has been making losses since it was taken over by the Government in 1983. The sale of the company should, however, be subject to negotiations.

In August, 1988 the Divestiture Implementation Committee's enterprise profile document or dossier on the National Industrial Company (NIC) Farms recommended that it "should go on outright sale to private investors, in order to reduce the burden on the public sector in operating in areas where the private sector could operate more efficiently and effectively .... In so doing, however, it is suggested that the remaining workers .... on the farms be given the first offer over and above others to bid for and operate the farms on cooperative basis, provided they affirm their interest and have the resources in so doing .... This suggestion needs to be given the required consideration in view of the economic desire to resettle the personnel that would be affected in the divestiture or privatisation exercise so as to ensure that they do not become economic and social liability within the communities and thereby create political embarrassment to the Government". In the case of Ghamot Textiles Limited, however, the Divestiture Implementation Committee's recommendation in its enterprise profile document or dossier prepared in August, 1988 was that "the most likely option for divestiture would be liquidation. Since the company has no known assets/liabilities application should be made to the Registrar-General for its name to be struck off the register of companies".

The foregoing examples of the forms of privatisation or divestiture adopted in Ghana underline the efforts being made in the country to operationalise the Government's privatisation programme in pursuance of its rebalancing policy. But to date, as already noted elsewhere, no enterprise of any significance has been privatised. Thus, the case study on Ghana is essentially concerned with an "experiment in progress" and that a follow-up study would be required after a number of enterprises have actually been privatised. Our task in Part V of this study, therefore, is to attempt to make a preliminary assessment of the Government's rebalancing policy and its future prospects. Given the difficulty of arriving at final conclusions on a study of this nature, our primary aim is to throw further light on "those conditions which are conducive and those which may hamper the implementation of the rebalancing policy of the

Government. In the final analysis, the question is whether the rebalancing can or cannot trigger a long-term dynamic process of economic transformation which goes beyond the simple shifting of the frontier between the public and private sectors"[128] of the Ghanaian economy.

PART V: REBALANCING POLICY: ASSESSMENT AND FUTURE PROSPECTS

Introduction

It has been observed that: "At the level of the government power, the pursuit of the rebalancing policy becomes more uncertain when it is closely dependent on radical political change. It is therefore conditional on the general political balance of forces and more particularly on the strength of those groups seeking to maintain a large public sector"[129]. Thus, in assessing the rebalancing policy of the Ghana Government and its future prospects it will be necessary to examine the role of the key actors in the rebalancing process. These actors have been classified into two: firstly, what has been described as positive forces - including national level policy or public decision-makers (politicians and technocrats); and secondly, what has also been described as negative forces that may resist the rebalancing process - including the bureaucracy and public sector workers' trade unions.

In the context of the dynamics of transformation or change it has been observed that: "... rebalancing in developing countries (including Ghana) is influenced by the fact that the private sector is very often in the embryo stage. The rebalancing exercise is therefore called upon to create a new reality and cannot be reduced to a mere shifting of the boundaries as in industrialised countries. The future outlook for a rebalancing policy (in Ghana, for example) is therefore dependent on the success with which the economy can be transformed in the medium to long terms (as illustrated in Ghana by the Government's Economic Recovery Programme). In other words, the success of the process will be assured as soon as the reasons underpinning the substitution of public for private initiative have disappeared. This means that the impact of a rebalancing process must be sufficiently durable and not limited to short-term economic factors (e.g., a temporary swelling of government funds)"[130].

The Role of the Actors

The key actors in the rebalancing process, as already noted, have been classified into two, namely, positive and negative forces. In the former case, the main variables are the following: a) determination of the State or Government - as measured by the degree of commitment or involvement of national level policy or public decision-makers (politicians and technocrats); b) the entrepreneurial shift - as expressed by the degree or extent of private sector initiative in the economy - which could be provoked by local or foreign (regional or multinational) entrepreneurs; c) the savers, currently employees, who are potential shareholders; and d) pressure from international bodies (e.g., the World Bank and the International Monetary Fund). On the other hand, under negative forces the following variables have been identified: a) public sector clients - as demonstrated by strong resistance from the public sector's private suppliers who fear the loss of a major source of orders; b) the bureaucracy - as illustrated by the role and impact of the controlling bodies (e.g., supervisory ministries and parastatal organisations like the State Enterprises Commission in Ghana); and c) public sector workers' trade unions.

The question now is: To what extent have the negative and positive forces influenced the direction of the rebalancing process in the Ghanaian economy? Ghana's relatively limited experiment with the rebalancing process notwithstanding, available evidence does underline the need for the twin forces to be properly managed to achieve the desired outcome. Indeed, the Ghana Government, under its Structural Adjustment Programme or phase two of its Economic Recovery Programme, has evidently demonstrated its determination to implement its rebalancing policy - with its privatisation programme and liberalisation of the economy as the key variables in the ongoing experiment. Undoubtedly, the transformation of the country's economic environment has the potential of stimulating private sector initiative in the economy and that the value of Ghana's contribution to the current search for a balance between the public and private sectors in developing economies may be attributed to the fact that the PNDC Government "has provided exemplary leadership in spearheading economic policy changes which are now being emulated throughout Africa"[131]. The observable marked improvement in the economy, under the country's Structural Adjustment Programme, is in itself an indication of the impact of the positive forces vis-à-vis the negative forces on the rebalancing process in the country. In this regard, the role of the World Bank and the International Monetary Fund is noteworthy; the degree of pressure emanating from these external sources, therefore, ought to be viewed in its positive rather than negative context.

The Government's commitment to the successful implementation of its Structural Adjustment Programme and, implicitly, its policy on shifting the balance between the public and private sectors of the economy could also be demonstrated by its decision to embark on privatisation programme. The response of the private sector investors (both local and foreign) to the opportunities created by the liberalisation of the economy and the divestiture or privatisation programme has been positive - though the limitation imposed by the absence, for example, of stock exchange market has evidently had an adverse effect on the privatisation process in the country. Similarly, in spite of the enthusiasm of workers or employees to become shareholders of their enterprises earmarked for divestiture, lack of capital has so far made it impossible for them to participate effectively in the privatisation process in the country. In this regard, it is noteworthy that the initial suspicion of the public sector workers' trade unions to the Government's rebalancing policy appears to have subsided.

In the initial stages, the view of the Ghana Trades Union Congress was that the "right of the people to work will be curtailed if the public enterprises are privatised" and that "the removal of the constraints or factors which militate against efficiency in the public enterprises would be a major intervention in the direction of making the public enterprises work. Privatisation can never solve the problems of public good; it can only aggravate them. Privatisation will mean that public needs will give way to private greed"[132]. However, the Ghana Trades Union Congress now recognises that to ensure the efficiency of public enterprises in the country, the Government should take the following actions: firstly, the removal of all constraints that hinder the operations of public enterprises; secondly, the injection of a new sense of probity and accountability on the part of personnel who run those organisations; thirdly, re-organisation or restructuring of state-owned enterprises from time to time with a view to eliminating waste; fourthly, the introduction of the concept of "co-determination" with a view to achieving active participation of the workers in the decision-making process at enterprises level; fifthly, the encouragement of competition in the environment in which public enterprises operate; and lastly and more significantly, the promotion of joint ventures for enterprises where there are chronic management problems[133]. These views of the Ghana Trades Union Congress underline the degree of consensus in the country on the Government's approach to shifting the balance between the public and private sectors. Although the Ghana Trades Union Congress recognises that "the time for privatisation has come", it nonetheless maintains that "the time for public ownership has not come to an end"[134]. Thus, instead of being a negative force resisting the rebalancing process in Ghana, public sector workers' trade unions are evidently playing a positive role in the experiment currently taking place in the country. Also, it may be argued that to date there is no evidence of strong resistance from public sector's private suppliers who fear the loss of a major source of orders. This situation may, however, become much clearer after the effective privatisation of a substantial number of state-owned enterprises in the economy.

The relatively low visibility of resistance to the Ghana Government's rebalancing policy could be attributed to the relative success of its Structural Adjustment Programme. In this context, the strategy adopted by the Government towards the implementation of its privatisation policy is, in itself, noteworthy - the slow progress so far made in that regard notwithstanding. For instance, the Government did recognise the value of not only demonstrating its commitment to privatisation but also having clear objectives and drawing up a priority list of enterprises to be privatised. In selecting the thirty-seven enterprises to be privatised, the Government was evidently guided by the following factors: firstly, state-owned enterprises which could be turned around as a result of injection of a more efficient management or fresh capital; secondly, enterprises whose sale to the private sector might be relatively easier and thus facilitate the success of the privatisation programme; and thirdly, state-owned enterprises whose losses constitute a drain on the economy and could be liquidated. Also, it seems that the Government has succeeded in securing the commitment of not only the supervisory ministries but also the State Enterprises Commission to its rebalancing policy. For example, the Divestiture Implementing Committee is actually based at the State Enterprises Commission and that, as noted earlier, the Ministry of Industries, Science and Technology is actively involved not only in the restructuring but also in the privatisation of some of the manufacturing state-owned enterprises. It appears, therefore, that the Government has succeeded in neutralising the degree of resistance the bureaucracy, especially the technocrats of the controlling bodies, seemed to offer against the rebalancing process in the country. If the observable positive trend in the direction of the rebalancing process is maintained, it is likely that the Government would succeed not only in actually privatising more than the thirty-seven enterprises so far earmarked for divestiture but also in restructuring the state-owned enterprises which are expected to remain in the public sector with a view to making them more competitive and efficient.

The Dynamics of Transformation

Given the reality that the case analysis on Ghana is concerned with an ongoing experiment which is yet to take a definite shape, the assessment of the dynamics of transformation as envisaged in the Terms of Reference for the study seems to be premature. However, it may be argued that the rebalancing process has facilitated the gradual emergence of dynamic private sector entrepreneurs; this development could be attributed to Government's policy on promoting private sector development in the economy which has resulted in the establishment of a relatively large number of small and medium-size enterprises in the economy. Also, real market competitivity does not yet exist in the economy - though the indications are that such an environment is gradually being created under the Government's Structural Adjustment Programme. Besides, it is envisaged that the positive investment climate created by the Government would increase the number of foreign firms in the economy.

In attempting to assess the strength and extent of the transformation process in Ghana in this case analysis, therefore, it should be noted that much more positive responses to some pertinent questions would have to await a follow-up study. For instance, the question as to whether the privatised firms have gained access to the international market? And also whether there has been progress in the mobilisation of savings in favour of investment? Or whether revenue from sale of assets in the case of privatisation has been used for consumption, investment, tax reduction purposes, etc.? However, it could be said that under the Government's current Programme of Actions to Mitigate the Social Cost of Adjustment (PAMSCAD) efforts are being made to address, *inter alia*, the issue of compensation for the loss of social benefits linked to the envisaged shrinkage of the welfare state arising from the implementation of the Structural Adjustment Programme, including the retrenched workers from both the public and private sectors of the economy. In effect, Ghana's pragmatic approach to the rebalancing of the public and private sectors of the economy has been such that, other things being equal, the effective implementation of the rebalancing policy would have the desired impact on the economy.

PART VI: CONCLUSIONS

The case study on Ghana has shown that the process of adjusting the balance between the public and private sectors of the economy is not a recent phenomenon; indeed, the rebalancing process has been going on since the 1950s - as demonstrated by the economic policies of regimes of varying political complexion since that period. The direction of the rebalancing process under each Government, however, varied markedly and reflected the political and economic realities of each period. But in all cases, it may be argued, pragmatism rather ideology underpinned the rebalancing process. As a result, by the early 1980s there was an observable degree of consensus on the future direction of the policy of shifting the balance between the public and private sectors of the Ghanaian economy. The direction was given concrete expression in the Economic Recovery Programme launched by the PNDC Government in 1983.

The first phase of the Economic Recovery Programme (1983-1986) concentrated on the stabilisation of the economy - following a steady deterioration of the economy during the preceding decade. During that period per capita income had fallen by 30 per cent; import volume had fallen to one-third of its previous level; real export earnings had declined 52 per cent and exports had fallen from 21 per cent to 4 per cent of GDP; the domestic savings rate had fallen from 12 per cent to about 3 per cent; the rate of investment had fallen from 14 per cent to 2 per cent of GDP; petroleum imports had risen to about half of total exports; real wages had declined 80 per cent; Government revenue covered only 35 per cent of total expenditures; and the Government deficit had risen from 0.4 per cent to 14.6 per cent of GDP[135]. Consequently, the main objectives of the first phase of the Economic Recovery Programme "were to halt, and where possible reverse the decline in productive sectors, establish fiscal and monetary discipline, initiate programmes to rehabilitate the country's economic and social infrastructure, and establish a proper climate for private savings and investment. This entailed substantial progress towards a realistic exchange rate accompanied by a significant liberalization of the trade regime"[136].

A World Bank study undertaken in 1984 pointed out that: "After successful stabilization and rehabilitation, Ghana (had) to think seriously in terms of liberalizing the economy by relaxing the (existing) strict regime of trade and payments control, reducing the extent and coverage of domestic price controls, introducing competition to public sector monopolies and removing other rigidities. A careful study should be made to identify the kind of controls and regulations which (were) creating obstacles in the way of production and growth. The role of para-statals in the economy and their standards of performance (needed) to be carefully spelled out. While the management and technical efficiency of individual enterprises (could) be upgraded ..."[137]. The ideas generated in the study were given concrete expression in the second phase of the Economic Recovery Programme (1987-1989) - otherwise referred to as Structural Adjustment Programme - under which the Government's rebalancing policy is being implemented.

Following the success of the first phase of the Economic Recovery Programme the main aim of the second phase of the programme or Structural Adjustment

Programme has been "... to consolidate the gains from the stabilization of the economy through a programme of adjustment and development"[138]. Its principal objectives include the following: firstly, continued economic growth; secondly, sustained fiscal and monetary disciplines; thirdly, increased levels of domestic savings and investment; fourthly, improvement in public resources management; and fifthly, further development of the private sector. Towards this end, the policy of the PNDC Government has had its focus, inter alia, on the following: a) progressive liberalisation of trade and exchange rate policies by expanding the official foreign exchange market to include banks and authorised dealers and by rationalising the structure of trade taxes and tariffs; b) reform of the state-owned enterprises sector, including policy changes to enhance public sector efficiency and encourage the commercial operations of state-owned enterprises, rehabilitation of priority public enterprises, and a divestiture programme for state-owned enterprises through liquidation or outright sale to the public, including workers in the affected enterprises; and c) improvement by Government in the management of the public sector through a phased reduction in the size of the civil service, recruitment of skilled Ghanaians to strengthen policy planning co-ordination in the higher reaches of Government, and provision of logistical support for agencies responsible for implementing the Structural Adjustment Programme.

In effect, the ongoing rebalancing process in the Ghanaian economy ought to be viewed as part and parcel of the implementation of the Government's Structural Adjustment Programme. Thus, the main aims of the rebalancing policy in Ghana are to improve the climate or environment for undertaking private initiative, reduce the size of the public sector, and rehabilitate the public sector - especially priority public enterprises. The observed modalities and procedures for carrying out the Government's rebalancing policy manifest themselves not only by the Government's liberalisation of the economy or transformation of the economic environment but also by the adoption of a privatisation policy. Whereas significant progress has been made with regard to the implementation of the country's Structural Adjustment Programme in many respects, in the specific case of the rebalancing process, Ghana is yet to record her achievement of any significance. This is underlined by the fact that the envisaged reform of the state-owned enterprises sector, rehabilitation of priority state-owned enterprises, and privatisation or divestiture of public enterprises are evidently behind schedule. As a result, it seems premature to draw meaningful conclusions from a case analysis of this nature. This difficulty, however, is, in itself, significant. For it does demonstrate the problem faced by many developing countries in pursuing their rebalancing process to its logical conclusion, especially with regard to implementation of privatisation programmes.

The observed phenomenon in most developing countries where their Governments have adopted privatisation policy has led to the conclusion that: "Admittedly, there is more rhetoric than action. Only a tiny proportion of state-owned (enterprises) world-wide have been divested to the private sector since 1980. Government-owned firms still dominate large scale business in most developing countries. At the same time, countries such as Indonesia and Mexico have added to the state sector while the debate on privatisation has been under way"[139]. In a similar vein, it has been pointed out that: "In general, external support for privatisation seems to have contributed more to the formulation of policy than to implementation"[140] of privatisation programmes. However, it could be said that Ghana has evidently moved a step further away from "rhetoric" and towards "action". The delay in the implementation of the privatisation programme in the country is evidently not due to lack of political commitment on the part of the Government nor due to apparent resistance from vested interests (including public sector workers trades unions) but more to practical issues like limited availability of private capital, poor financial situation of some of the enterprises earmarked for privatisation, and the Divestiture Implementation Committee's lack of adequate number of experts to manage the privatisation programme. The problem posed by the poor financial situation of some of the enterprises earmarked for divestiture is noteworthy: for it underlines the value of the argument that for a public enterprise "to be privatised, first it must be seen to be a 'success' at least in the sense that it is capable of yielding an income flow to the purchasers of its stock"[141]. In this regard, the experience of the United Kingdom has something to offer to Ghana and other developing countries; because in the United Kingdom, "... the significant reforms (of targetted enterprises) have taken place before privatisation, while the enterprises still occupied the public sector"[142]. Hence the observation that: "For many other countries (including Ghana) it is the UK public enterprise reforms, and not the UK privatisation which are worth watching"[143].

If the progress made under Ghana's Structural Adjustment Programme could be maintained, it may be argued that the prospects for successful adjustment of the balance between the public and private sectors may be guaranteed; the shift in the balance is more likely to tilt towards the private sector - with emphasis on competition and efficiency. For, under the Structural Adjustment Programme or the second phase of the Economic Recovery Programme, it is envisaged that "the Government will continue the process of determining prices based on economic cost factors. State enterprises in competitive markets will be permitted pricing autonomy subject only to general regulations on pricing. For SOEs in regulated industries (e.g., utilities) or operating in markets which are not yet subject to sufficient competition, there will be a review process under which the Government will permit those enterprises to set price for their goods and services to reflect the economic value of these items and allow the enterprises to meet their targets for financial self-sufficiency. State enterprises will be subjected to increased competition and market discipline; and Government will seek to discourage the creation of new monopolies or the strengthening of existing ones in both the public and private sectors"[144]. In the latter case, the Government recognises that significant gains in efficiency are most likely to be achieved if major public and private monopolies are exposed to competition and their monopoly power reduced. Thus, the promotion of competition and economic efficiency are key characteristic features of the policy of rebalancing the public and private sectors in the Ghanaian economy; the success of this policy would, therefore, be influenced to a large extent by the effective liberalisation of the economy and implementation of the privatisation programme in the country. This seemingly herculean task is a measure of the challenge that Ghana's widely acclaimed Structural Adjustment Programme is expected to overcome.

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TABLE 1: BREAKDOWN OF A SAMPLE OF PUBLIC ENTERPRISES BY YEAR OF STATE PARTICIPATION

Year of State Participation	% of Sample
Before 1960	10
1960 - 1966	25
1967 - 1971	11
1972 - 1975	24
1976 - 1978	7
1979 and after	23
TOTAL	100

Source: IBRD Report, 1985.

TABLE 2: COMPARATIVE LABOUR PRODUCTIVITIES AND COSTS IN MANUFACTURING ENTERPRISES BY TYPE OF OWNERSHIPS - SELECTED PERIODS

	1962-3	1965-6	1969-70
Value-added per person engaged (C)			
1. Private Enterprises	1,635	1,775	1,424
2. Joint State/Private Enterprises	4,503	4,415	2,871
3. State Enterprises	748	690	784
4. State as % of Private	45.7%	38.9%	55.1%
5. State as % of Joint Enterprises	16.6%	15.6%	27.3%
Total Wages and Salaries as % of Total Value-added (%)			
6. Private Enterprises	23.4%	23.4%	23.9%
7. Joint State/Private Enterprises	14.0%	13.5%	17.4%
8. State Enterprises	51.0%	46.1%	30.6%

Source: Industrial Statistics - Various Issues. See Tony Killick, op. cit., p. 223.

TABLE 3: SAMPLE OF STATE PARTICIPATION IN ENTERPRISES

Enterprises	% of State Holding	No. of Employees (December, 1984)
Ashanti Goldfields Corporation Ltd.	55	11,137
Ghana Bauxite Company Ltd.	55	500
Juapong Textiles Ltd.	55	1,314
Ghacem Ltd.	75	676
Overseas Knitwear Fabrics Ltd.	60	62
Two Worlds Manufacturing Co. Ltd.	60	16
Willowbrook (Ghana) Ltd.	55	203
Neoplan (Ghana) Ltd.	55	460
Gliksten (West Africa) Ltd.	55	1,068
African Timber and Plywood Ltd.	55	1,471
Ejura Farms (Ghana) Ltd.	91	100
Takoradi Veneer & Lumber Co. Ltd.	55	725
Tomos (Ghana) Ltd.	55	121
Bibiani Industrial Complex Ltd. (Metal)	80	14
Plant Pool Ltd.	60	240
Tema Textiles Ltd.	60	1,131

Source: IBRD Report, 1985.

TABLE 4: CLASSIFICATION OF ENTERPRISES BY EXTENT OF STATE OWNERSHIP

Nature and Extent of State Holding	No. of Enterprises
<u>Majority State Holding</u>:	
- Direct Majority Holding	95
- Direct/Indirect Majority Holding	5
- Indirect Majority Holding	83
Sub-Total	181
<u>Minority State Holding</u>:	
- Direct Minority Holding	12
- Indirect Minority Holding	42
Sub-Total	54
TOTAL	235

<u>Source</u>: IBRD Report, 1985.

TABLE 5: RECORDED EMPLOYMENT IN ESTABLISHMENTS AND IN SAMPLE OF STATE-OWNED ENTERPRISES, BY SECTOR (A) ('000)

	Recorded Employment in 1979		Employment in Sample SOEs in 1983
	Private Sector	Total	
Agriculture			7.7
Cocoa and Agriculture	2.9	73.9	60.0
Mining	13.3	24.0	24.6
Manufacturing	60.6	79.8	26.2
Electricity and Water		15.9	14.8
Construction	11.4	28.5	7.2
Trade and Hotels	15.5	31.6	10.2
Transport and Communications	1.9	18.8	27.4
Other	17.2	209.6	2.1
TOTAL	122.8	482.1	180.1

Source: Statistical Service, Quarterly Digest of Statistics. See IBRD (November, 1985), p. 94.

Note:

a. This table covers establishments employing 10 or more people. This includes public institutions of a non-commercial nature. Data for the private sector include joint state/private enterprises (see IBRD, November, 1985).

TABLE 6: NEW INVESTMENT BY A SAMPLE OF SOES, 1979-1983
(C MILLION OF CURRENT PRICES)

	1979	1980	1981	1982	1983
1. New Fixed Investment by selected SOEs	446	665	871	837	1,200
2. Total Gross Fixed Investment	1,889	2,613	3,430	3,053	7,283
1 as % of 2	23.5	25.4	25.4	27.4	16.5

Source: IBRD Report, 1985.

TABLE 7: OPERATING RESULTS OF A SAMPLE OF SOES, 1979-1983
(C MILLION)

	1979	1980	1981	1982	1983
Operating Results (before tax and including subventions)	194.6	285.5	-13.0	-2,165.0	8,000.3
<u>Less</u>: Subventions	286.4	371.8	618.5	728.9	8,551.2
Operating Results (excluding subventions)	-91.8	-86.3	-631.5	-2,893.9	-550.9
Operating Results in constant (1979) prices	-95.3	-57.5	-233.3	-831.8	-72.4
As a % of Sales	-4.4	-1.2	-12.0	-49.2	-7.4

<u>Source</u>: IBRD Report, 1985.

TABLE 8: OPERATING RESULTS OF A SAMPLE OF SOES BY SECTOR, 1979-1983 (C MILLION)

	1979	1980	1981	1982	1983
Agriculture	- 21.7	- 19.4	70.6	- 52.5	13.5
Cocoa	-141.0	-209.7	-493.6	-2,448.2	-541.3
Mining	67.0	200.1	23.0	-306.5	-346.0
Electricity and Water	19.6	- 13.4	- 99.0	- 44.4	-125.5
Manufacturing	17.5	- 47.2	- 7.3	- 28.9	110.8
Construction	- 1.0	- 7.6	- 58.1	- 81.2	1.6
Trade and Hotels	42.8	80.9	73.9	141.9	370.7
Transport and Communications	- 78.2	- 61.9	-186.9	- 65.0	- 43.5
Other	2.5	- 8.0	- 11.0	9.0	8.7
TOTAL	- 91.8	- 86.3	-631.5	-2,893.8	-550.9
No. of Reporting SOEs	81	98	99	95	63

Source: IBRD Report, 1985.

TABLE 9: SOES MAKING MAJOR LOSSES AND PROFITS IN 1982
(C MILLION)

SOEs Making a Loss:	Amount
State Gold Mining Corporation	204.0
Ghana Water and Sewerage Corporation	155.2
Food Production Corporation	73.4
Ghana Railways Corporation	73.3
State Housing Corporation	51.8
Post and Telecommunications Corporation	48.9
Ghana Consolidated Diamonds Ltd.	45.3
Ashanti Goldfields Corporation Ltd.	38.1
State Construction Corporation	29.4
Ghana National Trading Corporation	23.6
Omnibus Services Authority	21.2
West African Mills Ltd.	20.0
TOTAL	784.2

SOEs Making a Profit:	Amount
Ghana National Procurement Agency	122.3
Electricity Corporation of Ghana	87.3
Volta River Authority	48.0
State Transport Corporation	28.0
City Express Services	47.4
Ghacem Ltd.	17.3
Meat Marketing Board	16.3
Ghaip	15.0
State Hotels Corporation	12.4
State Fishing Corporation	10.7
Ghana Oil Company Ltd.	9.9
Ghana Food Distribution Corporation	9.3
TOTAL	423.9

Source: IBRD Report, 1983.

TABLE 10: PROFIT MARGINS OF A SAMPLE OF SOES BY SECTOR, 1979-1983 (%)

	1979	1980	1981	1982	1983
Agriculture	-157.2	- 25.8	- 82.2	- 34.2	3.1
Cocoa	-	- 14.5	- 35.0	-181.1	- 22.7
Mining	26.3	32.9	4.1	- 68.8	- 80.1
Manufacturing	1.8	- 5.4	- 0.6	- 3.1	8.2
Electricity and Water	9.8	- 5.2	- 19.5	- 7.9	- 52.2
Construction	- 1.7	- 12.6	- 67.3	- 73.9	1.8
Trade and Hotels	16.4	10.2	7.4	9.1	17.7
Transport and Communications	- 21.2	- 13.7	- 47.7	- 9.1	- 11.2
Other	15.0	- 21.1	- 24.3	- 15.4	43.5
TOTAL	- 4.4	- 1.2	- 12.0	- 49.2	- 7.4

Source: IBRD Report, 1985.

TABLE 11: CURRENT RATIOS IN A SAMPLE OF SOES BY SECTOR, 1979-1983

	1979	1980	1981	1982	1983	No. of SOEs
Agriculture	1.21	1.60	1.20	1.66	1.32	7
Cocoa	1.98	1.10	1.17	0.23	2.05	5
Mining	1.53	1.32	1.22	0.70	1.26	5
Manufacturing	1.52	1.22	1.05	0.95	1.12	46
Electricity and Water	1.43	1.26	1.45	1.22	1.19	3
Construction	1.34	1.36	1.07	0.81	1.08	2
Trade and Hotels	1.49	1.41	1.31	1.39	1.00	13
Transport and Communications	1.12	0.95	0.93	1.10	1.30	9
Other	1.18	0.95	0.80	0.66	1.09	4
TOTAL	1.48	1.16	1.16	0.74	1.55	94

Source: IBRD Report, 1985.

TABLE 12: INDICATORS OF RELATIVE PERFORMANCE OF SOES IN MANUFACTURING

	1980	1981	1982	Average 1980-1982
Profit Margin (%)				
State Enterprises	3.1	-1.2	-2.6	
All Enterprises	16.7	13.9	12.6	
Index of Value Added per Worker				
State Enterprises	100	100	100	100
Private Enterprises	118	124	150	130

Source: IBRD Report, 1985.

TABLE 13: STATE-OWNED ENTERPRISES FOR DIVESTITURE

1. Tema Food Complex Corporation
2. Achimota Brewery Company Ltd.
3. Abosso Glass Factory Ltd.
4. Gliksten (West Africa) Ltd.
5. Bibiani Industrial Complex Ltd. (Metal)
6. State Fishing Corporation
7. Ghana Sugar Estates Ltd.
8. Farms in the State Farms Corporation Group
9. Food Production Corporation
10. Bast Fibre Development Board
11. Some Hotels in the State Hotels Corporation Group
12. Tema Shipyard and Drydock Corporation
13. Two Worlds Manufacturing Company
14. Neoplan (Ghana) Ltd.
15. Willowbrook (Ghana) Ltd.
16. Victory Enterprises Ltd.
17. Ghamot Enterprises Ltd.
18. National Industrial Company (NIC) Soaps and Detergents
19. National Industrial Company (NIC) Metal Fabrication
20. National Industrial Company (NIC) Farms
21. GEA Packaging Ltd.
22. Kwahu Dairy Farms Ltd.
23. Ghamot Textiles Ltd.
24. Gava Farms Ltd.
25. Ghamot Motor Engineering Co. Ltd.
26. GEA and Associates Ltd.
27. GIHOC Mosquito Coil Company Ltd.
28. GIHOC Vegetable Oil Mills Company Ltd.
29. GIHOC Nzema Oil Mills Company Ltd.
30. GIHOC Paper Products and Printing Company Ltd.
31. GIHOC Motors and Machine Shop Ltd.
32. Overseas Knitwear Fabric Ltd.
33. Famakwa Trading Company Ltd.
34. Metalico Limited
35. DL Steel (Ghana) Ltd.
36. Labadi Pleasure Beach Complex
37. State Companies in the Mining Sector

Source: State Enterprises Commission.

TABLE 14: CORE STATE-OWNED ENTERPRISES

1. Volta River Authority
2. Electricity Corporation of Ghana
3. Ghana Water and Sewerage Corporation
4. State Transport Corporation
5. Omnibus Services Authority
6. City Express
7. Ghana Oil Company
8. GHAIP
9. Ghana Railways Corporation
10. Ghana Cocoa Board (COCOBOD)
11. Ghana Ports and Harbours Authority
12. State Shipping Corporation (Black Star Line)
13. State Gold Mining Corporation
14. Ghana National Petroleum Corporation
15. Architectural and Engineering Services Corporation (AESC)
16. Posts and Telecommunications Corporation
17. Ghana National Trading Corporation
18. Ghana National Procurement Agency
19. Cocoa Marketing Company Ltd.
20. Cocoa Products Company Ltd.
21. Cocoa Produce Inspection

Source: State Enterprises Commission.