ECONOMY OF GHANA II

ECONOMIC (DEVELOPMENT) PLANNING
ECONOMIC (DEVELOPMENT) PLANNING

Introduction

- Economic (Development) planning is central to many development experiences in developing countries.

- In the 1960s most of the newly independent African states, diverse as they are, adopted a planning approach to effect deep-seated changes in their economies and societies.
Introduction

- This was not surprising, given the major theoretical and policy propositions of the pioneers of development economics.

- Indeed, the models of development strategy envisaged by the pioneers of development economics were aimed at effecting structural transformation within these economies, with a central role assigned to the government in planning and programming development.
Introduction

The policy content of these models was informed by the observation that a less-developed economy was characterized by pervasive market failures. And to correct or avoid market failure, they advocated central coordination and allocation of resources.

Consequently, this involves governments and politics!
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Introduction

- In addition to pervasive market failures, the role of the government was justified on the belief that the supply of entrepreneurs was limited in these countries, and that major structural changes, rather than marginal adjustments, were needed to effect development.
- Development could not take place on its own!
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Introduction

- In the light of these, the government was to promote capital accumulation, utilize reserves of surplus labour, undertake policies of deliberate industrialization, relax the foreign exchange constraint through import substitution, and coordinate the allocation of resources through programming and planning!
What Then Is Involved In Planning?

While the exact meaning of “planning” may vary depending on context and circumstance, the process of planning always implies the following:

- A desire to increase control over events
- To reduce the realm of chance, and
- To steer the economy onto a desired path
What Then Is Involved In Planning?

- What’s more, the planning process implies **normative choices** and **centralised action**.
- As Killick (2010) summarises, development planning came to stand for the preparation and implementation of a planning document seeking to determine the pace and pattern of an economy’s development in the medium-term, and the economic policies to secure these results.
Planning in Ghana

The history of economic planning in pre-dates independence in 1957. In many ways one can see the various development plans from independence as predicated on earlier plans, such as Guggisberg’s 10-year Development Plan (1920-1930), which was the first outline of an integrated development plan in modern times was designed to provide the Gold Coast with an advanced physical and social infrastructure.
Planning in Ghana

Subsequent to this there was another 10-year development plan proposed for the period 1946-56 that was aimed at improving on the existing physical infrastructure and extending the provision of social services.

However, this plan was caught up in the political developments of the Gold Coast, such that it had to be amended after the C.P.P. won the general elections in 1951.
Planning in Ghana

Thus, the **10-Year Development Plan (1951-1961)** became the first of several plans initiated by Dr. Kwame Nkrumah.

This plan had as its central objective the **mobilisation of resources** for the development of economic and productive resources in order to ensure a higher standard of living for Ghanaians.
Planning in Ghana

- With the attainment of independence in 1957, planning for growth and development was given a renewed emphasis and the preparation of a five year plan begun.

- This became known as the **Second Five Year Plan (1959-1963)**, whilst the earlier plan began in 1951 became known as the **First Plan**.
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Planning in Ghana

In launching the plan on March 4, 1959, Prime Minister Nkrumah set out the objective: “to give us a standard of living which will abolish disease, poverty, and illiteracy, give all people ample food and good housing, and let us advance confidently as a nation.”
Planning in Ghana

Perhaps the most significant development plan in Ghana’s history is the Seven-Year Development Plan. The Seven Year Plan (1963/64-1966/70), designed within the guidelines of the socialist Program of Work and Happiness of the Convention People's Party.

The plan was designed to “assure Ghana a rapid rate of economic progress without destroying that social justice, that freedom and equality, which is a central feature of our traditional way of life.”
Planning in Ghana

- In effect, the plan was aimed at restructuring the Ghanaian economy as well as tackling some of the major inequalities in Ghanaian society.

- Specific issues that were to be addressed in the Seven-Year Plan were as follows:
  - Accelerated rate of economic growth
  - Modernisation of agriculture
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Planning in Ghana

- A shift away from agricultural employment to manufacturing employment
- Reducing reliance on raw materials and primary products in favour of industrial products
- Use of modern technology across all spheres of production
- Promotion of private sector participation and partnership with public sector
- Achieve full employment and worker security
Planning in Ghana

The plan resulted in massive infrastructural developments across the country, notably the construction of the Tema Harbour and Township, the Tema Motorway, the Akosombo Hydroelectric Dam and VALCO Aluminium Smelter and a whole host of heavy industries in the Tema Industrial Zone. Several other factories were set up across the country as part of the industrialisation processes.
Planning in Ghana

- Besides the expansion in industrial capacity, many educational institutions were established. These range for Tertiary Institutions, such as KNUST and UCC as well as many secondary level institutions set up under the Ghana Education Trust Fund.
Planning in Ghana

- After the overthrow of President Nkrumah the National Liberation Council's Two Year Development Plan: From Stabilization to Development (Mid-1968 to Mid-1970).

- The Plan included both the short-term objective of providing the foundations of self-generating growth and the long-term objective of an improved rate of growth of national income through a sustained high rate of development...
Planning in Ghana

However, midway through this plan there was a transition to civilian government, and the Progress Party that formed the government introduced a One Year Development Plan from July 1970 to June 1971.
Planning in Ghana

The Acheampong Government’s Five-Year Development Plan (1975/76 – 1979/80) had to wait till 1977 before it could be launched.

The central purpose of this plan was to build an economy that was independent in several respects from the rest of the world; in other words one that was self-reliant.
Planning in Ghana

Other development plans that have graced Ghana’s history include the Five-Year Development Plan 1982-1986 and National Programme for Economic Development (1987) all of which were initiated by the PNDC government.
Planning in Ghana

Subsequent to the NLC’s Two-Year Development Plan, it became fashionable for every new government to announce its own development plan.

In many cases the plans of the previous government are discarded and the implementation consequently derailed.
Planning in Ghana

- In the last two decades or so, there have been national policy frameworks that cannot be strictly termed development plans.
- These include the Ghana Vision 2020 with the objective of ensuring that Ghana achieved middle income status by the year 2020.
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Planning in Ghana

- And the Ghana Vision 2012 with a similar aim to that of the Ghana Vision 2020 albeit with a shorter time period by which Ghana should attain a middle income status.

- Others have been the Poverty Reduction and Growth Strategies, and the Ghana Shared Growth and Development Agenda
The overall objectives of these development plans and economic policy documents are to achieve sustained economic growth, improved export competitiveness, diversify and modernise agriculture, enhance industrial capacity and productivity, increase the role of the private sector in the economy, expand and improve on social services – education, health, housing, sanitation, water, etc. – throughout the country, the utilisation of advanced technologies in economic and social spheres of the country, improved infrastructure, and good governance.
Planning in Ghana

- Despite these laudable objectives or goals, it is apparent from Ghana socio-economic history that not all of these have been achieved, and where progress has been made in some, these have been inadequate.

- Several factors account for performance or poor plan implementation.
Planning in Ghana

- Some reasons for negative/poor performance include:
  - over-ambitious formulation of targets;
  - limited success in meeting planned targets;
  - failure to modify the impact of market forces; and
  - failure to put development plans into effect.
Planning in Ghana

- The sources of weaknesses in plan implementation include:
- deficiencies in the plan documents (due to absence of financial programming and technical flaws);
- institutional and bureaucratic weaknesses (including inadequate planning resources, shortages of trained and experienced local personnel and the paucity of required data);
- exogenous shocks (in form of changes in world economic conditions and the vagaries of weather);
- and political factors.