ESID Working Paper No. 173

*Political settlement dynamics and the emergence and decline of bureaucratic pockets of effectiveness in Ghana*

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July 2021

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* This paper was produced for the ESRC-FCDO project, ‘Investigating Pockets of Effectiveness in Developing Countries: A New Route to Building State Capacity for Development’.
Abstract

This paper explores the factors that shape the performance trajectories of three relatively effective public organisations in Ghana, namely, the Ministry of Finance, the Bank of Ghana and the Ghana Revenue Authority. Drawing on an original investigation of organisational performance under the various political settlements that Ghana has experienced in the past few decades, it argues that although ‘pockets of effectiveness’ can emerge under different political settlement types and dynamics, such agencies are more likely to endure in concentrated political settlements than in contexts characterised by dispersed configurations of power. The main mechanism that links Ghana’s shifting political settlement and organisational performance is the quality of organisational leadership and its relationship to the political leadership of the day. Much depends on whether organisational leaders are (a) sufficiently politically loyal to be awarded the protection required to deliver on their mandate and (b) possess the political management skills required to navigate difficult political conditions. High levels of support (both technical and financial) from international development organisations and their privileged status as key nodes of economic governance have undoubtedly helped these organisations attain high levels of performance vis-à-vis the wider public bureaucracy. Nevertheless, the fact that the performance of these agencies has waxed and waned over time, despite international support and mandates being largely constant, suggests that the key to understanding their performance lies with political economy factors, with their effectiveness regularly undermined by the increasingly dispersed nature of power within Ghana’s political settlement and the resultant vulnerability of ruling elites.

Keywords: politics, political settlements, pockets of effectiveness, bureaucracies, Africa, Ghana
1. Introduction

Although Ghana is justifiably hailed as a democratic success story in Africa, it is widely perceived that the country’s public organisations are generally ineffective in performing their mandated functions (Ansu, 2013; Resnick, 2016). Observers have characterised public administration in Ghana as a system which ‘does not work’ (Whitfield, 2010: 735), and which severely reduces governments’ ability to implement reforms and programmes (Killick, 2008; IMANI, 2018). However, amidst this broader image of a dysfunctional public sector, there is recognition that ‘Ghana possesses a range of state agencies that work far more effectively than the stereotypical image of a “third world” civil service’ (McDonnell, 2017: 483).

Studies on these bureaucratic pockets of effectiveness (PoEs) in Ghana are scarce, as most scholars remain heavily focused on identifying constraints to strengthening the capacity of public organisations (Ayee, 2013; Ohemeng and Ayee, 2016; Appiah and Abdulai, 2017). The few existing studies on PoEs have focused mainly on identifying broad characteristics that separate relatively effective public organisations from dysfunctional ones, with a particular focus on organisational sociology and culture (Owusu, 2006a; 2006b; McDonnell, 2017). Whilst important, these studies have generally overlooked the political economy conditions that shape the emergence and persistence of PoEs in Ghana, and there is virtually no research that explains variations in the performance of such agencies over time.

This paper contributes to filling these gaps by explaining the performance trajectories of three PoEs in Ghana, namely, the Ministry of Finance, the Bank of Ghana and the Ghana Revenue Authority. Drawing on the conceptual framework for exploring the politics of PoEs elaborated in Hickey (2019), particular attention is paid to exploring the roles of political settlement dynamics in shaping the performance trajectories of these organisations, as well as organisational-level factors and the role of international support. Briefly, our framework hypothesises that the capacity and commitment of ruling elites to invest in high-performing public sector organisations will be strongly shaped by the degree to which power is either concentrated or dispersed in a given polity. Where a political settlement is characterised by a high degree of contestation for power, ruling elites will most likely focus on holding the ruling coalition together and accommodating powerful factions by redistributing resources and creating opportunities for rent-seeking. In contrast, ‘a low degree of contestation means that ruling elites have greater control over factional and individual demands within the ruling coalition, which in turn means they are better able to fend off distributional demands … that could undermine economic objectives’ (Whitfield et al., 2015: 100).

This implies that in political settlements where power is relatively ‘concentrated’, the probability for the emergence of PoEs is high, not least as this renders ruling elites less vulnerable in ways that may enable them to have longer-term horizons. In contrast, higher levels of power dispersion will reduce the possibility of PoEs being formed, as this would tend to incentivise rulers to
undertake more short-term actions and multiply the number of principals involved in directing bureaucratic behaviour (Hickey, 2019).

Ghana is a particularly suitable case for testing the analytical capacity of this framework, given the extent to which the configuration of power has changed between different types of political settlement over its post-colonial period. Although power has been widely dispersed during much of Ghana’s post-colonial history, particularly since the return to multiparty democracy in 1992, the 1980s witnessed substantially different political settlement dynamics, as power was concentrated largely around the head of state (Hutchful, 1997; Whitfield et al., 2015; Bebbington et al., 2018). Our findings show that although PoEs can emerge under different political settlement types and dynamics, such agencies are more likely to endure in concentrated political settlements than in contexts characterised by dispersed configurations of power. The main mechanism that links Ghana’s shifting political settlement and organisational performance is the quality of organisational leadership and their relationship to the political leadership of the day. Much depends on whether organisational leaders are (a) sufficiently politically loyal to be awarded the protection required to deliver on their mandate and (b) possess the political management skills required to navigate difficult political conditions. High levels of support (both technical and financial) from international development organisations and their privileged status as key nodes of economic governance have undoubtedly helped these organisations attain high levels of performance vis-à-vis the wider public bureaucracy. Nevertheless, the fact that the performance of these agencies has waxed and waned over time, despite international support and mandates being largely constant, suggests that the key to understanding their performance lies with political economy factors, with their effectiveness regularly undermined by the increasingly dispersed nature of power within Ghana’s political settlement and the resultant vulnerability of ruling elites.

The rest of the paper proceeds as follows. Section 2 offers a brief history of Ghana’s political settlements since independence and then explores the impact of contemporary political settlement dynamics on public-sector performance. Section 3 draws from the extant literature and an original mini expert survey to identify PoEs within Ghana’s public sector. Section 4 presents summarised versions of the case study findings, while Section 5 discusses the factors that explain the performance of these organisations over time. Section 6 concludes and highlights policy implications.

2. Political settlement dynamics and public sector performance in Ghana

At the heart of the political settlement framework is the question of how power is distributed in society and how this in turn shapes the developmental strategies of ruling elites. This framework suggests that whether PoEs emerge and endure in any given context depends substantially on the degree to which power is either concentrated or dispersed; and the degree of cohesion within ruling elites. This section offers a brief history of Ghana’s political settlements since the attainment of independence in 1957, but with particular emphasis on how contemporary dynamics have shaped the performance of public organisations.
In the early post-colonial period, Ghana’s political history was characterised by constant power struggles between factions of political elites for control over the state. Following the emergence of ethno-regional political parties and the growing strength of excluded elite factions, the initial concentration of power around Kwame Nkrumah, Ghana’s first president, soon dissipated, with problematic implications for public financial management. In the elections held in 1956, for example, the various ethnic- and regional-based parties demonstrated their growing electoral strength, with the largely Asante-based National Liberation Movement winning ‘nearly two-thirds of the vote in the “true Ashanti” states’ (Austin, 1964: 353).

However, it was in the 1970s that power became even more dispersed, due mainly to frequent military coups. With each military takeover, state power shifted from one ethno-regional group to the other (Chazan, 1982), but with no ruling coalition able to maintain power for long in the face of mounting pressures from powerful excluded political elites (Whitfield et al., 2015). The widely dispersed nature of power meant that most ruling coalitions were very short-lived, and the performance of each ruling coalition was undermined by significant internal rivalries and the pursuit of personal ambition (Berry, 2008: 39).

These dynamics changed significantly in the 1980s, which was characterised by a high degree of elite cohesion and power concentration around the Jerry Rawlings-led Provisional National Defence Council (PNDC). Under the PNDC ruling coalition, power was centralised around Rawlings and a few economic technocrats, most of whom had no independent power base of their own, and instead owed their positions to the president. The ruling coalition faced excluded political factions that had been weakened by a legitimacy crisis because the previously established political elites, organised around the Nkrumah and Danquah political traditions, were seen as the major cause of the country’s economic decline in the past, and thus they had little legitimacy with which to challenge the PNDC (Whitfield, 2018).

Several scholars observed that the state’s autonomy from interest group pressures was a key feature of the PNDC ruling coalition (Rothchild 1991), as a combination of factors enabled the head of state ‘to centralize power progressively around himself and to establish his personal pre-eminence and his autonomy vis-à-vis social movements, state institutions and the PNDC itself’ (Hutchful, 1997: 26). As Callaghy (1990: 277) put it:

‘A key characteristic of the Rawlings regime was its relatively narrow organizational base … Insulation from important sociopolitical veto groups, themselves weakened by the shredding of the previous fifteen years, allowed the PNDC to do more than other more constrained regimes.’

As we will see in subsequent sections, this relatively cohesive nature of the PNDC ruling coalition, along with the regime’s insulation from key socio-political veto groups and support from international actors, provided it with the stability required to undertake long-term reforms that facilitated the effectiveness of all our three case study organisations during the 1980s.
However, the PNDC could not keep rival political elites excluded from competing for power forever, especially after rival political groupings joined together to lobby for the return to multiparty elections (Abdulai, 2011; Whitfield, 2018). In March 1992, Jerry Rawlings announced a timetable for a transition to multiparty democracy, which included organising presidential and parliamentary elections in November and December 1992, respectively. Rawlings converted the PNDC into a political party, the National Democratic Congress (NDC), by including a larger group of political elites and creating a political machine with patronage networks at the constituency level (Whitfield, 2018: 100). In this context, power became more dispersed. Since December 1992, Ghana has conducted eight rounds of competitive presidential elections, three of which resulted in power alternations between two dominant political parties, the New Patriotic Party (NPP) and the NDC. Competition between these parties has become so intense that any particular ruling coalition faces a powerful excluded coalition that is always mobilising to remove them from power at the next opportunity (Abdulai and Hickey, 2016).

In addition, both the NDC and NPP are characterised by a high degree of internal elite factionalism and strong lower-level groups who render those in power vulnerable through various distributional demands (Whitfield, 2018). Whitfield et al. (2015) identify three key dynamics that drive the increasing fragmentation among both NDC and NPP elites: contestations among elite factions; the need to build support within the party to win presidential and parliamentary elections; and a focus on individual election and reelection (ibid:155). Within both parties, political elites form factions, which are organised around key leaders but also embody personality conflicts and reflect historical struggles among political elites (Bob-Miliar, 2012a; Whitfield et al., 2015). In this environment, winning and maintaining political power is an expensive endeavour and party financing is typically done through kickbacks on state contracts and awarding state contracts to party members. Key party members who act as financiers expect to be rewarded with political appointments or business contracts (Bob-Miliar 2012b).

How have these political settlement dynamics shaped the capacity of the Ghanaian bureaucracy to deliver on its mandated functions? Evidence from the World Governance Indicators (WGI) suggests that within the context of sub-Saharan Africa, Ghana has long remained an above-average performer across most dimensions of governance, ranging from the quality of regulatory institutions to overall government effectiveness (see Figures 1-5). However, this comparative picture masks significant weaknesses within the Ghanaian state bureaucracy. Between 2007 and 2017, Ghana’s average score on overall Government Effectiveness was just 51 percent. During this period, marginal improvements were recorded only in the indicators relating to the Rule of Law, and Voice and Accountability, but then deteriorated in relation to overall Government Effectiveness, Regulatory Quality, and Control of Corruption. In all of these indicators, Ghana now lags behind Rwanda but still performs better than the other case-study countries for this project (Figures 6-8).

Observers have increasingly attributed the difficulties Ghana has faced in achieving improvements across all dimensions of governance to the political settlement dynamics described.
above. First, the extreme dispersion of power means that ruling elites are perennially vulnerable to being removed from power. Consequently, there are ‘strong incentives for ruling elites across both parties to focus on short-term objectives of political survival’ (Whitfield et al., 2015: 157). Thus, and irrespective of which of the two dominant parties is in power, there is often ‘a premium on visible, quick-fix actions’, as opposed to investing in the long-term task of building bureaucratic capability (Killick, 2008: 29). Here, short-term political survival strategies involve several actions that undermine the capacity of the state bureaucracy, including politically-motivated changes in senior bureaucrats during electoral turnovers. As Yaw Ansu observes:

‘State capacity in Ghana is weak. The main reason for this is not the lack of competent Ghanaians or poor remuneration. In large part, it is due to a partisan political environment that produces a large turnover of senior staff and technocrats whenever governments change, as they do in Ghana. This undermines professionalism, continuity, long-term planning orientation, learning and innovation in the public service’ (Ansu 2013: 512).

As a result of excessive partisanship, each ruling party tends to govern mainly on the basis of its election campaign promises, rather than on the basis of a broad national development agenda. The result has been ‘a perpetual discontinuity in plans, policy direction, and projects following party turnovers in government’ (Gyimah-Boadi and Prempeh, 2012: 102; see also Mills, 2018). Thus, as Kaye-Essien (2020: 1) has recently put it, ‘any time a new government comes to power, programs set by predecessors are abandoned and replaced with new ones, sometimes without regard for the wider national implications’. Opportunities for party financing have also given rise to a ‘tradition of Ghanaian presidents asserting control over strategic state agencies’ (Gyimah-Boadi and Prempeh, 2012: 100) and undermining the operational autonomy of bureaucrats in the performance of their functions.
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Figure 1: Government Effectiveness, 1996-2017

Figure 2: Voice and Accountability, 1996-2017

Figure 3: Regulatory Quality, 1996-2017

Figure 4: Rule of Law, 1996-2017
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Source: World Governance Indicators.
3. Pockets of effective organisations in Ghana

Drawing from extant literature and an original mini expert survey, this section moves beyond the aggregate public sector performance trends discussed above, to examine the role of specific public sector organisations in Ghana’s development processes. Even states regarded as uniformly ineffectual often exhibit great internal variations, with agencies spanning a continuum from ineffectual quagmires to those competently achieving organisational mandates in the public interest (McDonnell, 2017).

At the beginning of the comparative research project that this study forms part of, we conducted a mini-survey with 24 experts in Ghana\(^1\) with the aims of assessing the general functionality or effectiveness of public sector organisations and identifying the most effective government ministries, departments and agencies for further in-depth research. In a reflection of the generally weak state of bureaucratic capacity in Ghana, nearly half of the survey respondents reported that only a few government ministries are able to deliver their mandated functions effectively, whilst the majority generally fail to do so (Figure 9).

![Figure 9: Views about public sector performance](image)

When respondents were further asked to specify the ministries that they considered to be more effective in the Ghanaian context, the Finance Ministry topped the list, followed by the Ministry of Foreign Affairs (Figure 10). The Bank of Ghana (BoG) emerged as the most effective regulatory authority (Figure 11), while the Ghana Revenue Authority (GRA) topped the list of government agencies perceived to be relatively effective in the performance of its core function. Importantly, all of these three organisations, or at least some specific units within them, have long been identified as high-performing public organisations in previous studies (see Owusu, 2006a; 2006b;

\(^{1}\) These were drawn from academia, the public sector, civil society, donors and an independent consultant.
Joshi and Ayee, 2009; McDonnell, 2017), and we were able to identify independent sources of objective performance data to support this view. We therefore selected these organisations for further in-depth investigation.

**Figure 10: Ratings on high-performing ministries in Ghana**

![Graph showing ratings on high-performing ministries in Ghana]

Source: Author’s survey results, January 2018.

**Figure 11: Ratings on the performance of regulatory agencies in Ghana**

![Graph showing ratings on the performance of regulatory agencies in Ghana]

In terms of the other literature on PoEs in Ghana, Owusu (2006a; 2006b) utilised survey data to identify good and poor-performing public organisations in Ghana and found that higher-performing organisations were observed to be paying higher salaries and using merit-based recruitment strategies, while their poor-performing counterparts were more likely to hire employees based on their personal connections and pay them
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less. Following Grindle (1997), McDonnell goes past a focus on salaries to emphasise the significance of ‘organisational culture’ in shaping higher levels of performance in Ghana’s public service, including within the MoF and BoG. Whitfield et al.’s (2015) in-depth account of the state-run Cocoa Board (Cocobod) applies a political economy perspective in explaining why and how Cocobod emerged and remained a PoE for a prolonged period of time. Following reforms that started in the 1980s, Cocobod is widely noted to have consistently ‘performed impressively’, as evidenced by high and growing levels of cocoa production, the efficient marketing of cocoa abroad, and the relatively effective management of internal marketing (Williams, 2009: 3). In the context of growing electoral competition, political elites consider the 800,000 plus cocoa farm households in Ghana as an important voting bloc that they strive to win over (Whitfield et al., 2015). Kolavalli and Vigneri (2017: 61) note that the fear of losing competitive elections ‘is the key reason for governments to portray themselves as friendly to cocoa producers’. Cocobod has thus remained relatively effective, in part because of the political weight of cocoa interests in Ghana’s highly dispersed political settlement. In this research, we followed mainly Whitfield et al.’s (2015) political economy approach, whilst also taking due account of organizational-level factors in explaining the varied performance of our case study organisations over time.

4. The political economy of PoEs within Ghana’s economic technocracy

This section summarises in turn how each of the three case-study organisations have performed, relative to their mandates and related performance indicators, since the 1970s. The summaries represent condensed versions of the full case-study papers (Abdulai and Mohan, 2019; Abdulai, 2021a, 2021b). Each section draws on secondary and grey literature, quantitative performance indicators, and qualitative data generated through a total of 64 in-depth key informant interviews with those directly acquainted with the workings of our case study organisations.

4.1 Ministry of Finance

The main mission of Ghana’s Ministry of Finance (MoF) is to ensure macroeconomic stability and promote sustainable economic growth. Its core objectives are to formulate and implement sound macroeconomic policies; prepare and implement the annual budget; reduce and restructure the domestic debt and ensure the sustainability of public debt; and improve public expenditure management. Three broad trends can be discerned in the MoF’s performance of these core functions in Ghana’s post-colonial history (see Figures 12-14). The first is the weak and declining performance from the 1960s to the early 1980s. Second, the 1980s and the first half of the 2000s witnessed an almost across-the-board improvement in performance, including in the more difficult task of budget controls (Figure 14). Third, the MoF is relatively inefficient in the tasks of public expenditure management and budget controls. Here, performance tends to follow an electoral business cycle with relatively high budget deficits in election years (Figure 14).2

2 Relative to the immediate preceding year, budget deficits were especially high in the 1992, 1996, 2000, 2008 and 2012 election years (see Figure 14).
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Figure 12: Annual GDP per capita growth (%), 1966-2016

Source: World Development Indicators.

Figure 13: Debt to GDP ratio, 1987-2018
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The weak and declining performance of the MoF in the early post-colonial period was principally the result of the power initially concentrated around the Nkrumah presidency becoming dispersed and the strategies adopted by various ruling coalitions thereafter to manage their vulnerability in the face of strong excluded elite factions. Beginning with the first post-colonial government under Nkrumah, various rulers manipulated the ministry and other economic institutions in order to consolidate their hold on power. This undermined attempts at development planning, as budgets and technocratic advice were routinely ignored (Killick, 2010). High-ranking members of government who opposed these practices, such as Ghana’s first finance minister, Komla Gbedemah, were eventually forced out of office. Nkrumah first took over responsibility for preparing the national budget himself, before appointing a series of more amenable finance ministers (Killick, 2010: 167). Nkrumah’s chief economic adviser and eminent development economist, Arthur Lewis, advised against these practices, to the point that ‘the prime minister now rarely sought his advice’ (Tignor, 2006: 172). Ultimately, Lewis resigned from his advisory position over concerns about Nkrumah’s politically expedient spending, with the tendency for political considerations to outweigh economic concerns becoming ‘stronger after Lewis’s departure’ (Tignor, 2006: 192). Not surprisingly, in the last three years of Nkrumah’s rule, annual per capita growth rates were consistently negative, reaching minus 6.4 percent in 1966 (Figure 12).

Following the military overthrow of Nkrumah in 1966, none of the seven short-lived military and civilian regimes that governed in the next decade-and-a-half was able to turn the economy around, as macroeconomic reforms continued to be undermined by political imperatives. During much of this period, bureaucratic autonomy was curtailed and technocratic advice largely ignored. This political instability resulted in macroeconomic chaos, as each successive regime reversed its predecessors’ policies and attempted to chart a new economic course (Resnick, 2016). Between 1974 and
1981, GDP dropped by 15 percentage points (Tsikata, 2001). As with the Nkrumah era, the adverse relationship between macroeconomic bureaucrats and the executive had a central role to play in this declining performance. During this period, the economic technocracy and the bureaucracy in general were characterised by:

‘betrayal, disappointments and lack of backbone by politicians. Macroeconomic reforms had been designed and many hours of manpower expended only to see politicians balk at implementing them or gut them to appease public opinion and special interests’ (Hutchful, 1997: 7).

The coups mounted by Flight Lieutenant Jerry Rawlings in 1979, and more decisively in 1981, enabled a consolidation of power that would eventually see MoF succeed in reversing the decades-long experience of economic instability. The severity of the twin economic and political crises of the 1970s created a window of opportunity for changing the political settlement and the emergence of a new group of ruling elites led by Rawlings under the PNDC (Whitfield, 2018). Unlike previous regimes, the PNDC ruling coalition not only faced excluded political factions that had been weakened by a legitimacy crisis, but was characterised by a large degree of cohesion among the higher-level factions of the ruling coalition. Partly because of the regime’s break with the established post-colonial elites and partly because of the ‘fragmented and dispersed’ (Chazan, 1991: 30) nature of social groups at the time, both excluded elites and lower-level factions of the ruling coalition were weakened, providing the PNDC the opportunity to undertake difficult macroeconomic reforms with the longer-term national interest in mind. Importantly, Ghana’s parlous economic condition meant that it had little choice but to accept the implementation of the donor-led structural adjustment reforms during this period, reforms that included high levels of support for economic governance institutions, most notably the MoF.

The design and implementation of macroeconomic policies was left in the hands of a technocratically competent set of political appointees who enjoyed greater bureaucratic autonomy and received the protection of the head of state (Chazan, 1991). These political appointees were Kwesi Botchwey, then Minister of Finance and Economic Planning (MoFEP), his deputy, Amisaph-Arthur, and Joseph Abbey – an economist by training who had served as Finance and Planning Minister in three previous regimes (Hutchful, 1997: 7). Whitfield (2011: 15) refers to these three technocratic managers as ‘technopols’, to capture the sense in which they combined technical expertise with wielded political influence within the PNDC ruling coalition, enabling them to enjoy significant autonomy in defining and implementing their work. Indeed, as Hutchful (1997) comments, ‘it was rare for the PNDC to contradict the Ministry of Finance and Economic Planning position on policy’ (pp.9-10), a significant departure from previous practice.

3 For Heny Bienen and Mark Gersovitz, it is this fragmented nature of social groups that explains why difficult economic reforms such as subsidy cuts did not create any undue turmoil during the PNDC regime (see Bienen and Gersovitz, 1986).

4 MoFEP was renamed Ministry of Finance (MoF) following the regime change the accompanied the 2016 elections.
With the return to multiparty electoral competition in the early 1990s, most of the MoFEP’s performance indicators either stagnated (e.g. economic growth) or worsened, especially with regards to debt management and fiscal balance (Figures 13 and 14). MoF’s capacity to ensure fiscal discipline was undermined by the growing vulnerability of the ruling coalition, resulting not only from the emergence of powerful excluded political factions that accompanied the return to competitive elections, but also from growing fragmentations among political elites within the ruling coalition (Abdulai and Mohan, 2019). One example of the latter was the ministry’s dispute with the state-owned oil company, the Ghana National Petroleum Corporation (GNPC), whose borrowing imbalanced the government’s money supply. Botchwey’s efforts to control GNPC’s budget generated a dispute with its chief executive, Tsatsu Tsikata, himself a key member of the PNDC, and a close personal ally of Jerry Rawlings. Partly as a result of this, relations between Botchwey and Rawlings deteriorated (Green, 1995: 583). In August 1995, Botchwey consequently resigned from his position, primarily in protest against his inability to restrain the excessive budgetary demands of the public sector (Jeong, 1998; Hutchful, 2002), including ‘a plan for a spending splurge to win the 1996 elections’ (Africa Confidential, 2016). Immediately after his resignation, a purge of the Ministry of Finance swept away much of the technical team that had underpinned this period of macroeconomic stability (Hutchful, 1997: 39).

The widely dispersed nature of power has meant that ‘from day one, politicians here are trying to figure out how they win the next election, not how to get growth going – that is a second order thing’. With increased electoral competition, political business cycles became a permanent feature of the Ghanaian economy (see Mosely and Chiripanhura, 2016), and the MoF’s performance has fluctuated along the electoral cycle. The only notable exception was in 2004, when a combination of HIPC loan conditionalities, effective leadership at the Finance Ministry, and fairly benign economic conditions contributed to fiscal discipline and macroeconomic stability more generally (see Figures 12-14). Under Osafo Maafo, whose achievements were recognised internationally, even the Office of Government Machinery (OGM), of which the presidency is part, rarely spent more than its budgeted sum, underscoring the relative fiscal discipline during this period (Abdulai and Mohan, 2019).

However, and similar to the cases Komla Gbedemah in the 1960s and Kwesi Botchwey in the mid-1990s, such stringent technocracy was to partly cost Osafo Marfo his job. Immediately after the December 2004 elections, Osafo Marfo was reshuffled out of the Finance Ministry – a decision that observers noted resulted in ‘weakening the administrative capacity of the Kufuor government to delivery’ (Ayee, 2008: 32). Not surprisingly, government’s budget deficit, which stood at a moderate 3.2 percent in 2004 (an election year) had more than quadrupled to reach 14.9 percent in the 2008 election year (see Figure 13). Commentators expressed shock that President Kufuor had replaced someone who, ‘for the first time … was able to resolve the cyclical

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5 Donor official, 18 November 2017.
6 Along with the finance minister of Canada, he was also named Finance Minister of the Year in November 2001 by the World Economic Forum in Davos.
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problem of loose fiscal and monetary policies, characteristic of election years’. Some accounts suggest that the removal of Osafo Maafo as minister of finance was informed by his refusal to pursue lax fiscal policies ahead of the 2004 elections in ways that denied the ruling NPP campaign funds.

Despite reforms aimed at enhancing budget credibility, most notably through implementation of the Ghana Integrated Financial Management System (GIFMIS) since 2013, large in-year budget deviations have continued to occur, leading to higher budget deficits around election years. In 2016, the Ministry of Roads and Highways exceeded its originally approved budget by an extraordinary 2,167 percent. By the close of 2016, an unplanned $1.6 billion budget gap emerged, due to ‘significant public spending commitments that bypassed public financial management systems’.

This led to an increase in the fiscal deficit to 9.1 percent GDP. Overall, this case study shows that the capacity of MoF bureaucrats to deliver on their mandate has remained limited, not because of insufficient technocratic expertise within the ministry, but because of politicians’ limited commitment to heeding technocratic advice in the context of mounting electoral pressures.

4.2 Bank of Ghana

Formed at independence in 1957, the core mandate of Ghana’s central bank centres on the maintenance of price and financial sector stability (BoG, 2018). The Bank of Ghana (BoG) has long been recognised among Ghana’s topmost public sector organisations (Owusu, 2006a/b; Mensah et al., 2018; Jones 2020; McDonnell, 2017), although its performance has varied substantially over time. In the period prior to the SAP reforms of the 1980s, the BoG performed poorly in maintaining both price and financial stability. In particular, the period from the mid-1970s to the early 1980s was characterised by high and growing levels of inflation, which peaked at 123 percent in 1983 (Figure 15). Performance in maintaining financial sector stability was also poor (Figure 16), with the financial system characterised by large non-performing bank loans, excessive intermediation costs, and inefficient credit allocation (World Bank 1997: 9-10).

From the mid-1980s, however, indicators for both price and financial-sector stability began to improve steadily, until major spikes in inflation were recorded in 1995 and 1996. Following the adoption of an inflation targeting regime in the early 2000s, further improvements in price stability were recorded from 2004 onwards. As the BoG was granted more formal autonomy in 2002, financial sector stability also witnessed further improvements in the early 2000s, especially with regards to the proportion of non-

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7 Ibid.
8 Ibid.
performing loans (Figures 16 and 17). The BoG entered its third performance period from around 2008 til date, during which inflation remained more stable while financial stability deteriorated somewhat, especially between 2011 and 2017.

Figure 15: Trends in inflation, 1965-2017

Source: Word Development Indicators.

Figure 16: Financial sector development, 1980-2016

Source: https://www.imf.org/external/datamapper/datasets
In the period from independence up to 1983, the BoG’s poor performance in ensuring price stability was caused largely by growing political interference in its operations and the near complete erosion of the bank’s operational autonomy. In 1963, the first post-colonial Nkrumah-led CPP ruling coalition passed a new BoG Act, which vested the power to determine both interest and exchange rates in the government through the Minister of Finance. The new law empowered President Nkrumah himself to determine how much the government could borrow from the central bank in any given year, and the governor now required the prior approval of the finance minister in deciding monetary policies (Abdulai, 2021a).

As power became more widely dispersed and ruling political elites rendered more vulnerable by the frequent military coup d’états that characterised the 1970s, the BoG’s struggle in maintaining stability further deepened, leading to unprecedented inflation rates of above 100 percent in 1977, 1981 and 1983. This deterioration in performance was driven primarily by the continuous erosion of the central bank’s autonomy, as BoG governors ‘constantly had to look over their shoulders (sometimes literally at the barrel of a gun) with concern with regard to the reaction of political authorities’ (Bawumia, 2015: 330). These factors, together with the BoG’s weak regulatory capacity, also undermined the central bank’s capacity in maintaining financial sector stability. During much of this period, the formal financial system was dominated by government-owned banks,11 whose lending practices were driven more by ‘the development objectives of the government’ than by commercial reasons (World Bank, 1994: 63).

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11 In 1988, the state-owned Ghana Commercial Bank alone controlled about 44 percent of the banking system’s deposits and assets.
For the period from 1984 onwards, the BoG’s improved performance is explained by greater political commitment to monetary and fiscal discipline. In part, this commitment resulted from Ghana’s shift to a more concentrated political settlement that provided the PNDC ruling coalition a significant degree of stability. Greater political commitment and international support translated into increased levels of autonomy to the BoG, which enabled it to implement several difficult but important monetary policies. Notably, the central bank kept tight reins on the supply of money, both by refusing to print new money and by increasing the rate of interest on commercial lending. It even went to the extreme of withdrawing GHC50 notes – an arbitrary measure that proved extremely harmful to the interests of the middle class but which had the overall effect of improving price stability by reducing the amount of money in circulation (Rothchild and Gyimah-Boadi, 1986; Ayensu, 2007).

However, with the political pressures that accompanied the return to multiparty democracy in 1992, the 1990s witnessed more erratic and worsening trends in price stability, especially during the 1996 elections. Here, election-driven expenditures led to high fiscal deficits, and governments’ recourse to the BoG’s financing of the deficits led to an increase in broad money supply, which in turn contributed to undermining price stability around election years (Abdulai 2021a). In the early 2000s, and following significant donor pressures and support, attempts were made to address the recurring problem of fiscal dominance through the passage of a new BoG Act in 2002. The new Act confirmed the pursuit of price stability as the primary objective of the central bank, and strengthened its operational autonomy by requiring it to operate ‘independent of instructions from the Government or any other authority’. Under the law, government’s borrowing from the central bank and other banking institutions was capped at 10 percent of the total revenue for the fiscal year in which the advances were made. Despite these rules, the BoG’s financing of the budget deficits continued to follow a clear political business cycle, with borrowing levels often far exceeding the 10 percent cap during election years. This was especially the case in 2008, when the BoG’s financing of the fiscal deficit amounted to 38.7 percent of the previous year’s tax revenue, compared to 0 percent financing in the three previous consecutive years (Abdulai 2021a).

The BoG entered its third performance period from around 2007 til date, during which inflation remained fairly stable while financial stability deteriorated, due primarily to growing levels of non-performing loans (NPLs). The deterioration in financial stability resulted from a combination of the impact of the global financial crisis, which contributed to a deterioration in the quality of banks’ assets (IMF, 2011); and growing deficiencies in banking supervision, driven in large part by compromises between political elites and leadership of the central bank. BoG officials felt incapacitated to deal with the emerging threats in the banking sector, due to government’s role in creating the conditions that undermined financial stability and the domineering role of political elites in deciding on bank closures. As government’s fiscal situation deteriorated, state-owned and politically connected banks were used to finance extra budgetary expenditures and the poor performance of these banks created contingent liabilities for the government. High and growing fiscal deficits compounded the NPL
situation, as government arrears undermined the capacity of contractors to service their obligations to banks, resulting in substantial impairment of banks’ asset quality (Akosah et al., 2018; IMF, 2011). At the end of March 2010, 46 percent of Ghana’s NPLs ‘were directly or indirectly linked to government arrears’ (IMF, 2011: 9).

Moreover, the stability of the financial sector was undermined by a nationwide power crisis that began in 2012 and persisted until the end of 2015. Amidst the crisis, government was unable to pay for the supply of gas from Nigeria, and a number of banks, including politically connected ones like uniBank, stepped in to fund the importation of crude oil, gas and the procurement of power plants on behalf of government. The ruling NDC political elites were apparently unwilling to close down the struggling banks and the BoG instead resorted to providing them with liquidity support. Leading members of the BoG’s banking supervision department indicated that their work ended with the submission of reports, and that whether to act or not on these reports was determined by the minister of finance and the president (Abdulai, 2021a). Thus, supervisory reports were not sufficiently acted upon and when problems were detected, supervisors were often reluctant to initiate any action, particularly given the politically connected nature of some of the affected banks. It was not until major changes in the BoG’s leadership that accompanied the transfer of political power to the NPP in January 2017 that decisive measures were taken to restore financial stability by, among others, revoking the licences of some nine local banks deemed to be insolvent. These observations underscore the influence of political elites on the operations of the supposedly independent central bank.

4.3 Ghana Revenue Authority
The GRA started operations in 2010, following the amalgamation of the then three existing revenue agencies under the leadership of one commissioner general. Prior to this, Ghana had experimented with the semi-autonomous revenue authorities model in the 1980s, with a significant degree of success. In the period from 1970 to 1983, the overall performance of revenue agencies was poor, as tax revenues took a downward trend, both in absolute terms and in relation to GDP (Figure 18). Following reforms in both tax policy and administration, significant and sustained improvements were recorded during 1984-1991. With a loss of the reformist zeal from the mid-1990s onwards, however, overall performance became highly erratic, as reflected in the tax-GDP ratio and in Ghana’s tax effort scores (Figure 19). However, and as reflected in data on tax-GDP-ratios, the period from 2001 to 2004 witnessed unprecedented levels of improvements in revenue mobilisation, and remains the period of Ghana’s most impressive performance in domestic revenue mobilisation to date. Performance began to decline from 2005, and has stagnated somewhat since the formation of the GRA in 2010.
In the period 1970-1983, an increasingly overvalued exchange rate led to reduced prices for exporters and sharply declining exports, depriving governments not only of large foreign exchange earnings, but also revenue in the form of export duty as well as income and sales taxes (Kusi, 1991: 184). Yet, various ruling coalitions were reluctant to adjust the exchange rate to realistic levels because of what Kusi (1991: 184) calls...
188) refers to as ‘the fragile political base of all … governments’ during the period. Direct weaknesses in tax administration also contributed to poor performance during this period (Chand and Moene, 1999). Widespread tax evasion and low tax effort meant that government failed to collect more than 5 percent of taxable GDP in income taxes in 1978, compared with a 15 percent average in countries at similar levels of development at the time. The decline in tax revenues was also associated with an increasingly disorganised tax administration system. The central revenue department was grossly understaffed, while the salary of tax officials ‘hardly sufficed for a minimal standard of living’ (IMF, 1986). Poor salary and work conditions made it difficult for top management to establish control and in turn created an environment that encouraged malfeasance among tax officials (IMF, 1986: 37).

Similar to the case of budgetary control within the Finance Ministry, the period from 1984 to 1991 marked significant improvements in tax revenue mobilization, due to improvements in both tax policy and administration. Major reforms were introduced to ensure that the exchange rate was periodically adjusted to maintain its real purchasing power, so that by 1986, the cedi had been devalued by some 990 percent (Kraus, 1991). Unlike previous ruling coalitions, the PNDC ‘intentionally used devaluations to raise government revenue during 1983-1986’ (Kapur et al., 1991: 27). These reforms reflect the extent to which the PNDC ruling coalition felt powerful enough to implement new tax-raising measures that previously vulnerable regimes were unable to consider.

The concentrated nature of power that characterised the political settlement during this period enabled the PNDC ruling elites to broaden the tax base and improve tax compliance. While the latter was achieved mainly through improved taxation of the largely untaxed informal sector, tax compliance was enhanced through the establishment of a Citizens Vetting Committee (CVC) that investigated and penalised tax evaders. Taxable Ghanaians who had hitherto ignored their tax obligations began to pay taxes, for fear of being ‘severely dealt with’ by the CVC (Asibuo, 1991: 258), implying that the improved tax compliance was more of a product of the state’s coercive capacities, rather than a matter of citizens’ willingness to pay.

In terms of tax administration, a number of measures were adopted to help create and sustain a performance-based organisational culture within revenue agencies. This included the adoption and monitoring of performance targets and linking them to staff incentives, improved conditions of service, and the dismissal of corrupt and non-performing staff. At the beginning of the reforms, staff who were found to be irredeemably corrupt were dismissed, while those who had engaged in other forms of behaviour that undermined organisational performance were retired (Dia, 1996; Chand and Moene, 1999). Consequently, some 28 revenue officials were dismissed, while an additional 230 personnel were retired (Dia, 1996: 89). To improve the conditions of service, the basic salaries of all tax and customs officials were raised to

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12 This included those who had thrived on giving unauthorised credit, aiding and abetting smugglers, and accepting postdated checks that were subsequently dishonoured, as well as known heavy drinkers (Dia, 1996).
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comparable levels in the private and banking sectors. Generous annual bonuses were paid to staff who exceeded agreed revenue targets. These measures not only enabled revenue agencies to attract more qualified professionals, but also contributed to boosting staff morale and esprit de corps among them (Terkper, 1994; Chand and Moene, 1999; Hutchful, 1995). For the first time, the Internal Revenue Service (IRS) and the Customs Exercise and Preventive Services (CEPS) were allowed to meet their own operational expenses by withholding 3.5 percent and 2.5 percent of the revenues collected, respectively (Dia, 1996). This incentive-based mechanism allowed them to provide more training for staff, both locally and overseas, as well as contributing to supervising and monitoring both tax officials and corporate bodies. Together, these initiatives helped to create a performance-based organisational culture that contributed to improved revenue performance. In part, all of these reforms succeeded because of the ‘dynamic leadership’ of Ato Ahwoi, a technopol who had the full backing the head of state:

‘The key to the success of this experience is that in Ghana the political leadership gave its full backing to the new venture, and the head of the NRS (Ahwoi) had the right blend of personal leadership characteristics: charisma, a flair for innovation, ability to motivate, and organizational acumen’ (Dia, 1996: 90).

The erratic performance during much of the 1990s is explained mainly by the power dispersals that accompanied the return to multiparty electoral competition in 1992. Tax policy became increasingly lax, with major tax reductions announced during election years, in order to entice voters. Tax exemptions for politically connected individuals and businesses became much more widespread, as competitive elections increased the financing requirements for winning presidential and parliamentary elections. An initial attempt to introduce a Value Added Tax failed, due to widespread opposition from organised labour and leading political opponents. Meanwhile, tax administration also began to encounter significant problems, due mainly to ‘bureaucratic frictions’ and ‘turf wars’ among the various tax agencies and between the Finance Ministry and the National Revenue Secretariat (NRS) that championed revenue reforms in the 1980s (Chand and Moene, 1999; Dia 1996). Consequently, the NRS was abolished and the bonus system that allowed the revenue agencies to retain part of their collections was discontinued at the beginning of 1993.

The improved performance recorded during the early 2000s is explained mainly by substantial donor support to a political leader who had formed a strong relationship with citizens and highly capable bureaucrats to (re)build high-performing organisations in the realm of tax administration. Donor support took the form of both technical and financial resources, the influence of HIPC conditions and the temporal waivers of conditions by the IMF around the 2004 elections. Citizens’ unprecedented ‘good will’ to the new ruling political elites who assumed office in January 2001 translated into minimal/no resistance to taxes and enabled government to adjust existing taxes and raise new ones without fears of a political backlash. Political commitment to tax administration took the form of the appointment of Janet Opoku-Akyeampong – a
technopol and a close relative of President Kuffour, who had worked with the country’s revenue agencies for over 30 years – as commissioner of the IRS. Under her leadership, the IRS implemented several administrative reforms that contributed to improved revenue generation. These included the introduction of quarterly Vehicle Income Tax payments for commercial vehicle operators and the establishment of a Large Taxpayer Unit to target the largest 350 taxpayers in the country. In order to widen the tax net, a mandatory tax stamp for all small-scale self-employed businesses was introduced, and taskforces to take a campaign of voluntary tax compliance to the informal sector were set up. However, most of these reforms materialised because of the Finance Ministry’s credible commitment to the revenue mobilisation agenda of the government. Credible commitment was reflected in the restoration of the revenue retention scheme that was abolished in the early 1990s, and in the establishment of a National Tax Audit Team to conduct tax audits on companies and individuals.¹³ The ‘vigorous monitoring by the Ministry of Finance … encouraged the corporate sector, particularly large companies and the public sector institutions, to meet its tax obligations’.¹⁴

However, by 2005, these reforms had begun to falter, due partly to leadership changes both within the IRS and the Ministry of Finance, where internal party struggles led to the replacement of the minister (see above). At the same time, the IRS commissioner (Opoku-Akyeampong) who had championed most of the revenue administration reforms retired in March 2005 and was replaced with a pure technocrat with no direct working experience with any of the three revenue agencies at the time.¹⁵ Meanwhile, donor pressure for reforms also appeared to have eased as Ghana reached the HIPC Completion Point in 2005. The politicisation of electioneering debates around taxation deepened, as the main opposition NDC criticised the ruling NPP for subjecting Ghanaians to ‘excessive taxation’ (NDC, 2008: 42).

Since its formation a decade ago, the GRA’s performance has been, at best, very modest, due to persistent weaknesses in both tax policy and administration. This includes the increasingly politicised debates that characterise tax policies during election campaigns, and collusive forms of state-business relations that are manifest in the growing use of tax exemptions in support of politically connected businesses and individuals (Abdulai, 2021b). Running successful election campaigns has become increasingly costly and so the need to reward entrepreneurs who provide financial support to ruling coalitions has heightened. In this context, the GRA’s efforts to mobilise domestic revenues are undermined by ruling political elites, as the two dominant parties both resort to discretionary tax exemptions to businesses linked to them in return for campaign financing (Abdulai 2021b). Moreover, reflecting the widely dispersed nature of power that underpins the political settlement, several state

¹³ 2001 budget statement, pp.87-88.
¹⁵ At this point, Major Daniel Ablorh-Quarcoo (Rtd) became the IRS commissioner. Much of his prior work experience was with the Ghana Cocoa Board, where he worked for 16 years, first as a management accountant and subsequently as director of finance from 1994 to 2004. See https://www.ashongbenjamin.com/consultants
agencies are able to grant tax exemptions, and coordination among these agencies remains weak (Prichard and Bentum, 2009: 23). Tax administration also remains heavily politicised, evidenced in the almost automatic changes that occur in the top management of the GRA during political transitions, and by a deliberate decision of keeping commissioner generals in acting positions in order to keep their actions in check.

5. Analysing the political economy of PoEs in Ghana

Four broad performance periods have been identified across Ghana’s key agencies of economic governance during the past five decades: a period of poor and deteriorating performance during 1970-1983; a period of improved performance during 1984-2000 but with performance much more consistent in the 1980s; a period of mostly improved performance during 2001-2006; and a period of average and often stagnated performance since 2008. This section discusses the three most crucial drivers of the performance trajectories of the case study organisations, namely, political settlement dynamics, organisational-level factors, and the role of international organisations.

5.1 Political settlement types and dynamics

Ghana’s political settlements have changed significantly over time. While power has been widely dispersed during much of the country’s post-colonial history, the 1980s witnessed substantially different political settlement dynamics, as power was concentrated largely around the head of state. These shifting power configurations have played a central role in shaping the performance trajectories of all the three organisations under study. In particular, our overall findings provide support for the hypothesis that PoEs are more likely to emerge and endure in political settlements where power is ‘concentrated’ than under dispersed power configurations. This is because power concentration allows leaders to pursue state-building projects under longer time horizons and also makes it relatively ‘easier for state leaders to insulate particular state agencies from political pressures’ (Kelsall and vom Hau, 2020: 19).

During much of the 1980s, when Ghana’s political settlement was characterised by power being concentrated around Jerry Rawlings and a high degree of elite cohesion within the PNDC ruling coalition, all the three case study organisations performed their mandated functions exceedingly well. The PNDC ruling coalition governed in a context where both excluded elites and lower-level factions of the ruling coalition were weakened, providing the regime the needed stability to undertake a series of long-term reforms in the national interest. In this context, the MoF succeeded in reversing the decades-long economic decline because the design and implementation of macroeconomic policies were left in the hands of a small set of competent technopols who enjoyed significant operational autonomy and received the protection of the head of state. Similar political protection and autonomy granted to the central bank enabled Governor Agama to implement several difficult but important monetary policies that contributed to both price and financial stability. The concentrated nature of power that characterised the political settlement also enabled the PNDC ruling elites to broaden
the tax base to previously untaxed informal sector operators, while improved tax compliance was achieved through the deployment of the coercive powers of the state. With the power dispersion that accompanied the return to multiparty democratic competition, the performance of the BoG, and MoF in particular, now fluctuated in line with the electoral cycle. Under multiparty democratic competition, power became increasingly dispersed, due primarily to the emergence of two strong political parties that, from the late 1990s, came to have fairly equal chances of securing power and which are also characterised by internal factionalism. This shifting configuration of power marked a decline in the capacity of the MoF in keeping public expenditures within budget ceilings, and of the central bank’s commitment in adhering to statutory requirements regarding its financing of governments’ budget deficits. The declining capacity of the MoF resulted from a combination of intra-party factionalism within the new NDC ruling coalition and the perceived need to use public spending to offset electoral challenges from powerful political opponents.

Moreover, the widely dispersed nature that now characterised the current political settlement means that the administrative capacity and performance of the organisations under discussion here (particularly the BoG and GRA) have been regularly undermined by the rapid turnover of organisational leaders during political transitions. In principle, the BoG is supposed to be independent of the government, with the term of governors designed to operate independently of electoral terms. Yet, in practice, it has become a norm for BoG governors and their deputies to be pressured by incoming governments to ‘resign’ from their positions, in order to pave the way for incoming presidents to appoint a new set of leaders.

The widely dispersed nature of power and the resultant shorter time horizons of rulers has also led to higher levels of political interference in the operations of the GRA; not only is the top management of the organisation often replaced during political transitions, but also its commissioner generals are deliberately kept in ‘acting positions’, in order to facilitate their control and manipulation by politicians. Importantly, the leadership changes that often accompany political transitions are not directed at dealing with incompetence on the part of technocrats, but are instead part of wider strategies aimed at attaining the twin objectives of providing jobs for the party supporters of incoming regimes, and opportunities for incoming presidents to appoint those whose political loyalty they can guarantee.

One period in which difficult political settlement dynamics did little to undermine the effectiveness of the BoG and MoF was during the first term of John Kuffour’s presidency (2001-2004) – a period which marked the second episode of high performance amongst all our three case-study organisations. Operating within relatively benign economic conditions, and with strong support from international financial institutions, President Kuffour was able to put in place and protect a highly capable economic governance team that managed to maintain both fiscal and monetary discipline over a period that spanned a competitive election in 2004. However, this technocratic coalition was short-lived, with intra-party factional politics
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leading to the removal of the finance minister in ways that undermined the performance of both the MoF and revenue mobilisation agencies (Abdulai, 2021a; 2021b).

Although the Finance Ministry was again led by a renowned technopol, in the person of Seth Terkper (2013-2016), who managed to implement several politically difficult reforms,\(^\text{16}\) this period did not witness significant improvements in macroeconomic stability – in part because of the debilitating energy crisis of the time but also because the minister did not stay long enough in office. Within two years of his appointment, political pressures mounted on President Mahama to remove Terkper from office, as party footsoldiers and leading ruling party members became concerned about the potential adverse implications of the minister’s fiscal discipline measures for the retention of their party in power. In the end, Terkper was removed from office following the NDC’s defeat at the December 2016 elections. Political settlement dynamics can, then, explain why the main shifts in organisational performance have taken place in Ghana.

5.2 Organisational factors

Organisational-level factors have also been important for understanding the performance trajectories of our case study organisations. However, the key organisational factors, such as the longevity with which leaders are allowed to stay in office and operate with little political interference, are themselves subject to political settlement dynamics. Across all our case study organisations, all periods of good performance involved leaders who combined technocratic expertise with political loyalty that earned them political protection. Such ‘technopols’ are often better able to push through important but difficult reforms because of the trust invested in them by ruling elites.

Overall, the evidence from the case study findings shows that in developing country contexts like Ghana, where personalised forms of governance remain pervasive, technocratic expertise alone will remain insufficient in driving up organisational performance. What is also required is for organisational leaders to possess sufficient trust from political elites to gain opportunities for the exercise of various forms of discretion that may allow them to push for unconventional organisational practices (see also McDonnell, 2017: 498). Importantly, political elites are likely to tolerate greater organisational discretion when they have interpersonal ties with organisational leaders.

Perhaps because of the trust they wield within ruling coalitions, the technopols identified within our case study organisations were often allowed to stay in office for relatively longer periods of time, enabling them to perform their mandated functions more effectively. This was especially the case during the PNDC ruling coalition, when Kwesi Botchwey remained finance minister for a ten-year period, while Dr. G.K Agama served as governor for approximately nine years. In contrast, between independence

\(^{16}\) Such reforms included the removal of fuel and energy subsidies that contributed to mounting debts, and the passage of a new Public Financial Management Act in 2016.
in 1957 and 1982, finance ministers in Ghana served for an average of less than three years, while BoG governors had very short tenures in office, some serving for less than a year before being displaced by new political regimes. The longevity with which Botchwey and Agama remained in office contributed to the effectiveness of the MoF and the BoG, by allowing for continuity, credibility with donors, and a consolidated process of organisational learning during their tenures.

Technopols are also often able to build more effective organisational cultures because their influence within ruling coalitions enables them to negotiate and gain greater access to budgetary resources that facilitate the capacity-building efforts of their organisations. This helped facilitate the good performance of revenue agencies in the 1980s under the leadership of Ato Ahwoi, one of the leading members of the PNDC ruling coalition. Ahwoi's influence within the ruling coalition enabled him to push through several politically difficult reforms (e.g. the retrenchment of a significant number of corrupt and non-performing staff), and also attracted extra budgetary resources that enabled him to build and sustain a performance-based organisational culture across revenue agencies (Abdulai, 2021b).

The relative effectiveness of technopols is also strongly illustrated by the good performance of the MoF under the leadership of Kwesi Botchwey and Osafo Marfo; and the BoG under governors Frimpong-Ansah and G. K. Agama. Under Governor Frimpong-Ansah, for example, the BoG was able to negotiate for the central bank's autonomy by directly convincing the head of state that only through an autonomous central bank could the regime’s economic philosophy of self-reliance be attained. Thus, even in the context of limited formal autonomy, the governor’s successful alignment of the central bank’s mission with the broader strategic goals of the head of state (Roll, 2014: 210) resulted in a self-imposed fiscal and monetary discipline within the ruling coalition, and allowed the central bank to operate with limited political interference. These findings also confirm recent observations that relatively effective public sector agencies try to gain organisational autonomy not by isolating themselves from politics, but instead by cultivating ‘strong political relations’ and engaging in ‘political bargaining’ (Roll, 2014: 213) with ruling elites – a point also underscored by Leonard (2010).

Finally, although many scholars have highlighted the importance of a good remuneration system for facilitating the emergence and persistence of PoEs (Roll, 2014; Owusu, 2012), our findings suggest that improved salaries are neither a necessary nor a sufficient condition for building effective public sector organisations. Of the three case study organisations, only at the BoG did staff incentives in the form of high salaries play a major role in driving up performance. In contrast, despite being one of the highest paid institutions in Ghana, the GRA remains characterised by a poor organisational culture and its overall performance remains average, at best. Whilst salaries remain relatively attractive, staff morale is low, due in large part to a promotions system that remains opaque. Here, promotions and opportunities for

17 To date, Botchwey and Agama remain the longest-serving minister of finance and BoG governor, respectively, in Ghana’s history.
training appear to be driven more by one’s access to ‘a godfather’ than to exceptional performance. The GRA’s experience is in sharp contrast to that of the MoF, which has been able to build and maintain a more positive organisational culture that drives up staff performance in a context where salaries are relatively low. Here, most staff remain motivated, due to the prestige associated with working with the ministry and some indirect benefits like training and international networking opportunities. Together, these experiences suggest that creating capable public organisations may have little to do with higher remunerations, and ‘more to do with establishing social and moral reward systems that make it possible for government agencies to tap the creativity, sense of duty, and public-spiritedness of their workers’ (Dilulio, 1994: 315; see also McDonnel, 2017).

5.3 Transnational factors

Although to varying degrees, all the three case study organisations emerged as PoEs in part because of the disproportionate support they receive from donors, both in terms of funding and technical assistance. This was especially so during the structural adjustment era in the 1980s and the period of HIPC debt relief during the first half of the 2000s. Since the 1980s, most major reforms that facilitated the effectiveness of the MoF and BoG in performing their mandated functions have been driven by donor conditions. Conditions associated with the HIPC completion point and the IMF ESAF programme played crucial roles in the passage of a new Banking Act that enhanced the operational autonomy of the BoG in 2002. The recent bank closures that enhanced the stability of the financial sector were also clearly triggered by the IMF’s loan condition that required the BoG to undertake asset quality reviews of all banks using a more stringent approach to loan classifications than had been done in the past.

However, our findings also reveal that it is neither the quantum of aid nor the strength of aid conditionalities per se that matters in shaping the impact of external development assistance, but instead the extent to which the interests, incentives and ideas of domestic and transnational elites are aligned. Not surprisingly, while domestic revenue mobilisation efforts have sometimes far ‘exceeded that required by conditionality’ (World Bank 1992: 20-21), apparently because of the importance of tax revenue for the maintenance of ruling coalitions, donors have continued to struggle to enhance the MoF’s capacity in preventing the recurrence of political budget cycles, given the role of elections-driven expenditures in winning and maintaining power in the context of Ghana’s highly dispersed political settlements. As the MoF case study showed, the significant off-budget expenditures that took place towards the 2012 elections, and which significantly undermined macroeconomic stability, occurred amidst an IMF Extended Credit Facility (ECF) that included conditions aimed at reducing budget deviations (Abdulai and Mohan, 2019). Since 2013, government, with support from donors, has been implementing the Ghana Integrated Financial Management System (GIFMIS) with the view to addressing weaknesses involving cash management, commitment controls, and budgetary credibility and coverage. Yet, as the IMF acknowledged, by the close of 2016, an election year, an unplanned $1.6 billion budget gap had been discovered, one which resulted largely from ‘“significant public spending...
commitments that bypassed public financial management systems’. These observations draw attention to how the imperative of winning elections has continued to undermine donor efforts in pushing for reforms that appear to be at variance with the interest of domestic political elites.

It is also precisely for these reasons that donor conditionalities have been unable to prevent the central bank’s financing of budget deficits, which remains a major source of inflationary pressures during election years. The BoG case study (see Abdulai 2021a) draws attention to how a bipartisan parliamentary committee successfully resisted IMF conditions that aimed at strengthening the autonomy of the central bank through eliminating central bank financing of budget deficits. While the IMF sought to use its US$918 million ECF to strengthen the functional autonomy of the BoG by setting a zero limit on monetary financing to government, MPs felt that this measure could tie the hands of governments during presidential elections and national crisis. By 2018, however, the IMF conceded that broad-based elite support for a zero central bank financing arrangement with the BoG was ‘not politically feasible at this juncture’ (IMF, 2018: 16). Together, these analyses provide support for recent observations that donor requirements can encourage African leaders to create and sustain PoEs only when donor incentives are congruent with domestic political calculations (Johnson, 2015:784).

6. Conclusions and implications

This paper set out to explore the conditions under which relatively effective public sector agencies may emerge and endure in Ghana, with particular emphasis on the potential roles of political settlement dynamics and organizational-level factors on this. The analysis focused on the experiences of the Ministry of Finance, the Bank of Ghana, and the Ghana Revenue Authority – three public sector organisations that have long been acknowledged to have maintained relatively good levels of performance for long enough to be classified as PoEs (Roll 2014), but which have also experienced significant dips in performance over time.

The findings show that PoEs can emerge under different political settlement types and dynamics, although such agencies are more likely to endure in concentrated political settlements than in contexts characterised by dispersed configurations of power. Despite the apparent differences in the nature of the political settlements during the 1980s and the first half of the 2000s, all the three case study organisations were able to maintain relatively high levels of performance during these periods. However, improvements in performance were sustained for longer in the 1980s than the 2000s, due to the concentrated nature of power and the relatively cohesive nature of the ruling elites during the 1980s. Overall, our findings show that not only are PoEs more difficult

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19 For similar observations within the specific Ghanaian context, see Abdulai and Hulme (2015).
to create under dispersed power configurations (Whitfield et al., 2015; Hickey, 2019), but also that, even when such agencies are eventually created, their endurance can be easily undermined by factional politics as different individuals and groups jostle for influence, both within and across ruling coalitions.

Paradoxically, while PoEs are more difficult to nurture in countries characterised by dispersed power configurations, it is in such contexts that a strategy of building PoEs represents a more realistic way of improving the performance of public sector organisations (see also Levy, 2014). This is because as ruling elites face a credible threat of losing power, both to excluded elite factions and to other powerful elites within the ruling coalition, the imperative of short-term political survival will always take precedence over the long-term task of building bureaucratic capability. In such contexts, reformers are likely to make a better impact if attention is focused on building PoEs within the state bureaucracy, rather than trying to engage in wholesale reforms of the public sector.

We identified two main mechanisms that mediate between Ghana's shifting political settlement and organisational performance. First, is the quality of organisational leadership and its relationship to the political leadership of the day. Here, much depends on whether organisational leaders possess a mix of technocratic skills and effective political management skills (Roll, 2014) that enable them to strike a good balance between the pursuit of organisational objectives and the political survival of ruling elites. Political management is especially important in developing country contexts, 'where so much happens informally' (Khan, 2012: 37) and where budgetary resources remain limited. In such contexts, organisations whose leaders are sufficiently embedded within the political networks of ruling elites are better placed in fending off undue political interferences and attracting needed resources for the effective delivery of their mandates. These findings provide support for recent observations that relatively effective public sector agencies try to gain organisational autonomy, not by isolating themselves from politics, but instead by cultivating 'strong political relations' and engaging in 'political bargaining' with influential ruling elites (Roll, 2014: 213; see also Leonard, 2010).

Beyond leadership, donor support has been the second key that links Ghana's shifting political settlements and organisational performance. All our three case study organisations (but particularly the MoF and BoG) emerged as PoEs in part because of the disproportionate attention they receive from donors vis-à-vis their counterparts elsewhere in the public sector. External support for these agencies has taken the form of the provision of technical and financial resources reinforced by aid conditionalities. Coordinated donor conditionalities are particularly crucial for understanding the bank closures that contributed to financial stability in 2000, as well as the formal autonomy granted to the BoG in 2002. However, our findings also point to the limits of external actors like donors, especially in contexts where such transnational elites have been unable to align their interests with domestic political calculations. Such misalignment of interests explains why external actors have continued to struggle to enhance the MoF's capacity in preventing the recurrence of political budget cycles, and in
eliminating the BoG’s financing of budget deficits which remains a major source of inflationary pressures around election years.

Much less prominent has been the role of a good remuneration system in shaping organisational performance. Contrary to recent research that identifies improved salaries as a prerequisite for improved organisational performance in Ghana (Owusu, 2012: 148), findings from this research suggests that higher salaries are neither a necessary nor a sufficient condition for building effective public sector organisations. On the contrary, improved staff incentives in contexts of poor organisational cultures may as well end up being counterproductive (Rasul et al., 2017), as the experience of the GRA suggests. Together, our findings suggest that even in contexts of poor working conditions, as in the case of the Ministry of Finance, a widely held sense of purpose within an organisation – what Grindle (1997) termed ‘organisational mystique’ – can result in staff commitment to the goals of the organisation and elicit hard and consistent effort that leads to higher levels of productivity.
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• Center for International Development, Harvard University, Boston
• Department of Political and Administrative Studies, University of Malawi, Zomba
• Graduate School of Development, Policy & Practice, Cape Town University
• Institute for Economic Growth, Delhi

In addition to its institutional partners, ESID has established a network of leading research collaborators and policy/uptake experts.