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***The politics of regional inequality in Ghana:  
State elites, donors and PRSPs***

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## **Abstract**

Through an analysis of Ghana's *HIPC Fund*, which was established as part of the Poverty Reduction Strategy Papers (PRSP) process, this paper shows how aid-financed efforts to reduce regional inequality in Ghana have failed. Dominant political elites agreed to policies of regional inequality reduction to access aid funding, but, once approved, such funds were allocated on quite different criteria in ways that marginalised the poorest. Analyses here reinforce the growing recognition that developmental outcomes in most poor countries are not shaped so much by the design of 'good' policies *per se*, but more importantly by the power relationships within which policy-implementing institutions are embedded. Aid donors seem unable to fully grasp this important lesson, and so their capacity to contribute to reducing regional inequality remains limited.

**Keywords:** regional inequality, state elites, donors, PRSPs, Ghana

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## **1. Introduction**

As the Millennium Development Goals (MDGs) approach their sell-by date, the need to tackle growing inequalities has become a central feature in discussions on the post-2015 development agenda. There are concerns that the MDGs' focus on achieving poverty reduction targets may have led to a neglect of the poorest segments of society, and that this might partly explain why many types of inequalities have either persisted or even worsened since the adoption of the Millennium Declaration (Melamed, 2012; UN Task System Team, 2012). What seems to be overlooked in these arguments is the significant attention paid to a reduction of inequalities in the Poverty Reduction Strategy Papers (PRSPs) – the main policy instrument through which poor countries sought to achieve the MDGs.

A country's PRSP was required to set out a comprehensive national poverty reduction plan showing how donor funding (especially Enhanced Highly Indebted Poor Country [HIPC] debt relief) would be used to reduce poverty. Addressing inequalities by targeting public resources to excluded regions was therefore a central theme of most PRSPs. Higgins et al.'s (2010:7) content analysis of the PRSPs of 14 countries found spatial inequalities to have 'receive[d] significant attention in PRSPs', while Booth and Curran (2005:6) note how a large number of PRSPs 'make commitments to investing in particularly disadvantaged regions'. A better understanding of why very little, if anything, has been achieved in overcoming regional inequalities during the early 21st century therefore requires that we go beyond the MDGs' relative neglect of inequalities to an understanding of the actual implementation of PRSPs.

This paper seeks to contribute to the understanding of the extent to which PRSPs contributed to redressing or reinforcing regional inequalities in Ghana. Although Ghana has made significant progress in achieving many MDG targets (GoG and UNDP-Ghana, 2010), there is a strong regionalised character to this progress: the historically poorer Northern regions of Ghana (i.e. the Northern, Upper East and Upper West) have benefited very little from this progress. Whereas the absolute number of the poor declined by some 2.5 million people in Southern Ghana during 1991-2006, it increased by 0.9 million people in the North, such that Ghana's success story in poverty reduction has been 'the success story of its south' (World Bank, 2011: 5 and vii).

Non-income dimensions of inequality, such as access to education and healthcare facilities, literacy and infant mortality rates, are also evident along the North-South divide. For example, Southern women are over 3.5 times more likely to have attained secondary or post-secondary education than their Northern counterparts (Mancini, 2009:12). These socio-economic inequalities are not new, but have their origins in British colonial policies that subordinated the interest of the North to that of the South, both by excluding the former from public investments and through its adverse incorporation into the colonial economy as a pool of cheap labour (Abdulai, 2012:25). However, we follow the view that '[i]nequality dynamics depend primarily on the

policies and institutions adopted by governments' (Piketty, 2006:71), and therefore seek to explain the persistence of these inequalities in post-colonial Ghana through an analysis of government expenditures in recent years. Specifically, we focus on the politics of Ghana's *HIPC Fund*, which was established as part of the PRSP process.

Ghana joined the HIPC initiative in 2002, and was obliged to formulate a PRSP to demonstrate how HIPC resources would be used to reduce poverty. The government of Ghana (GoG) implemented its first PRSP, the *Ghana Poverty Reduction Strategy* (GPRS I), from 2003 to 2005, followed by the *Growth and Poverty Reduction Strategy* (GPRS II) from 2006 to 2009. Under HIPC, Ghana expected total debt relief of some US\$3.7 billion over a 20-year period. Twenty percent was to be used for domestic debt servicing, while the remaining 80 percent was to be channelled into poverty-related programmes in the GPRS I. Using these resources, the Ghanaian government established a 'special HIPC Fund' at the Bank of Ghana (GoG, 2003: 216-217). Here, we seek to understand:

- (i) whether and to what extent HIPC resources were actually targeted to the poorer Northern regions;
- (ii) the key political factors that shaped the regional distribution of the HIPC fund; and
- (iii) the implications of these for spatially-inclusive development in Ghana and more widely.

The paper proceeds as follows. Section 2 critiques the implicit theory of political change that underlies the PRSP approach with respect to stimulating more inclusive forms of development. It situates this critique within the emerging literature on political settlements that emphasises the centrality of clientelist politics and inter-elite power relations in understanding development policy implementation and their outcomes. Section 3 explores the political context of Ghana, focusing on the distribution of political power among regional political elites during the implementation of Ghana's PRSPs; and the relationship between regional inequalities of political power and the regional patterns of public resource allocation in contemporary Ghana. Section 4 highlights the policy intent of the GPRS with regards to reducing regional inequalities, before examining the *actual* distribution of HIPC expenditures during 2002-08 (Section 5). Section 6 interrogates the key official explanations offered for the observed spatial distribution of HIPC resources, before providing an alternative explanation based on politics and power relations (Section 7). Section 8 concludes and explores policy implications.

## **2. PRSPs and the theory of political change: addressing inequalities?**

In the late 1990s, several factors, including growing concerns about aid effectiveness, fostered the introduction of Poverty Reduction Strategy Papers (PRSPs) by the IMF and the World Bank as their new framework for development assistance to poor countries (Hulme, 2010). The production of a PRSP became a condition for receiving concessional credits and grants, including debt relief via the

HIPC Initiative. A country's PRSP was required to outline its anti-poverty strategy and explain how donor funding (especially HIPC resources), would be used to reduce poverty. Taking cognisance of criticisms of the earlier structural adjustment programmes, the PRSPs emphasised 'country ownership' and civil society participation, both of which were 'intended to reduce the risk of slippages in implementation as the countries themselves take greater responsibility for the design and success of their economic plans' (IMF, 2000:114). Moreover, broad-based participation was expected to enhance the accountability of decision-makers to domestic constituencies (Hickey and Mohan, 2008) and by extension 'elicit greater commitment to equitable and efficient development policies' (Booth, 2005:1).

Critics argued, however, that the attainment of 'national ownership' would not necessarily strengthen domestic accountability or contribute to equitable development. Bwalya et al. (2004) cautioned that the emphasis on 'national ownership' in the PRSPs could be 'a double edged sword' (p.4), in that:

While greater national ownership may challenge the power of external agents, it does not follow that it would also alter the domestic, neo-patrimonial power relationships inherent in national institutions (p.5).

This observation resonates with Booth's (2005) argument that the theory of political change that underlies PRSPs is a 'mistaken' interpretation of the character of politics in most developing countries. He highlights the tendency of proponents of the PRSPs to exaggerate the role that can be played by formal political processes in fostering pro-poor policy reforms in aid-dependent countries where politics is driven mainly 'by networks of clientelism and patronage' (p.5).

Importantly, country case studies frequently show that public expenditure distribution in many developing countries often involves 'pork-barrel politics', in which regional elites try to attract as much central spending for their constituencies as possible. With a region's capacity to effectively lobby and attract government expenditures dependent on its possession of 'bargaining chips', it is of little surprise that 'unequal regional representation in national decision-making organs is often related to the unequal distribution of central [government's] spending across regions' (Shaoguang, 2005: 5). It is along these lines that van de Walle (2009) has made a case for the need to understand the problem of spatial inequality in sub-Saharan Africa 'as a side product of a process of elite formation in the states of the region' (p.309). He highlights the ways in which dominant elites, who were often from the ethno-regional groups favoured by colonial policies, used political power in reinforcing their initial socio-economic advantages after independence: 'Insofar as political power has been used to gain economic advantages during the postcolonial era, inequality has little changed in the past 40 years...' (p.325).

This resonates with a central concern of the emerging 'political settlements' literature, which highlights the centrality of inter-elite power relations and clientelist politics in understanding patterns of development and underdevelopment. Defined as 'the

balance or distribution of power between contending social groups and social classes, on which any state is based' (di John and Putzel, 2009:4), the concept of political settlement pushes development thinking beyond an institutionalist perspective by focusing on the underlying power arrangements that underpin and shape the emergence and performance of institutions. A key point is that the effectiveness of institutions in shaping development outcomes depends significantly on the compatibility between the distribution of benefits under those institutions and the distribution of power in society, in that 'if powerful groups are not getting an acceptable distribution of benefits from an institutional structure they will strive to change it' (Khan, 2010:4). The focus of political settlement analysis is actors, interests and institutions. The power relationships between various actors dictate the character and actual functioning of institutions, and also determine whose interests are translated into policy and practice (Parks and Cole, 2010).

Understanding persistent spatial inequalities through a political settlements lens requires looking closely at the composition of ruling elites, the distribution of power therein, and the roles of dominant elites' interests in shaping resource allocation decisions. This further suggests the need to go beyond the quantitative distribution of positions of political power (e.g. cabinet ministers and their deputies) to a consideration of the distribution of the most prominent positions in government – what has been termed 'the inner core of political power' (Langer, 2005; Lindemann, 2011a). This is important because the absolute/quantitative distribution of ministerial positions can understate inequalities in power, not least as the power of patronage varies significantly across different governmental positions. For example, it is unlikely that a deputy minister can have the same level of 'agenda-setting-power' as a minister with full cabinet status and it would be naive to expect a Minister for Information to have the same power over the public purse as the Minister for Finance. Indeed, given the clientelist character of political settlements in all developing countries (Khan, 2010), ethno-regional inequalities in the distribution of more influential ministerial positions would most likely 'reflect not only a power imbalance, but also lopsided possibilities of patronage and shares in rents' (Stewart, 2010: 142).

We apply these insights in our exploration of the politics of Ghana's HIPC Fund, while also seeking to avoid the pitfalls of the standard political settlements approach. In particular, and following Hickey (2013), we recognise the extent to which political settlements are located within, and closely shaped by, the globalised context that involves national actors interacting with transnational actors, institutions, processes and also ideas.

### **3. The politics of representation and public resource allocation in Ghana**

This section seeks to: (1) establish the distribution of political power among regional elites in Ghana during GPRS implementation; and (2) explore the relationship between political inequalities and socio-economic inequalities in the Ghanaian context. Ghana adopted a new Constitution in 1992, ushering in the country's Fourth

Republic in 1993. Ghana's Fourth Republic is characterised by a *de facto* two-party system, in which the National Democratic Congress (NDC) and the New Patriotic Party (NPP) dominate national elections. Having won both the presidential and parliamentary elections in 1992 and 1996, the Rawlings-led NDC lost to the NPP in 2000 and 2004 under the leadership of J. A. Kufuor. In turn, the NPP lost to the NDC in 2008 and 2012.

There is a strong ethno-regional basis to electoral competition among these parties. The NPP has its geographic strongholds in the Ashanti and Eastern regions. The Volta region has consistently remained the NDC's 'vote bank', with the three Northern regions also being NDC strongholds. The remaining four regions are generally considered to be *swing regions*, with contests between the two main parties becoming increasingly close there.

### **3.1 Understanding the regional distribution of political power in Ghana**

This section analyses the regional distribution of political power in Ghana during the Kufuor-led NPP administrations (2001-2008). This coincides with the period when Ghana's PRSPs were implemented. Following Lindemann (2011a; 2011b), we measure the spatial dispersion of political power by the inter-regional distribution of: (1) cabinet ministers; (2) deputy ministers; and (3) the 'inner core' of political power, which comprises the President, the Vice President and selected key ministers.<sup>1</sup> This produces a relative representation (RR) for each region by subtracting its percentage proportion of representation from its percentage size in the entire population, and a *representation index* (RI), calculated as an average of the various ministerial positions and the 'inner core of political power'.<sup>2</sup> A positive RI score indicates that the representation of a region's politicians in positions of power is greater than would be expected in terms of its share of national population. A negative RI score indicates that a region is politically under-represented.

The findings show that the NPP governments were generally guided by the need for regional inclusivity. In absolute terms, each of Ghana's ten administrative regions had some share of ministerial and deputy ministerial positions. However, taking into account the regional distribution of population, we find that the distribution of political power during the period was highly inequitable, with the NPP's 'electoral vote bank' of Ashanti the most favoured region.

A further disaggregation of the data shows that only two regions – Ashanti and Eastern – were consistently overrepresented in terms of their RI scores and more consequential positions in the 'inner core' of political power (Table 1). During Kufuor's first term, the Ashanti region, with 19.4 percent of the national population, controlled some 24.4 percent of cabinet positions and 39.4 percent of the 'inner core'. The prominence of Ashanti in these relatively 'juicy' positions during the period included

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<sup>1</sup> We selected these ministries based on what those in government during the period considered as the most critical government ministries, especially in terms of their shares in the national budget. See Table 1 for details.

<sup>2</sup> For a similar methodology, see Langer (2005).

the President himself, and control over the powerful Ministries of Defence; Finance and Economic Planning (during February 2005-2008); Trade and Industry; Roads and Transport; Energy; Local Government and Rural Development; and the Office of Chief of Staff and Presidential Affairs. Except for the Brong Ahafo and Central regions during the NPP's first and second terms, respectively, virtually all the other regions were under-represented from both cabinet and 'inner core' positions.

If attention is focused on the less powerful positions of deputy ministers, one finds that the three Northern regions and Brong Ahafo were mainly allocated these positions during NPP's first term in office. The exclusion of the Northern regions from full ministerial positions was partially compensated by an appointment of a more than proportionate number of deputy ministers from the North (Table 1; see also Langer, 2009:543). This implies that the relatively higher index of representation for the Northern region during 2001-2004 was explained by the over-representation of this region in deputy ministerial positions – arguably much less influential positions in government.

Although several ministerial reshuffles were undertaken during 2005-2008, these only reinforced the dominance of the NPP's electoral stronghold of Ashanti. In sharp contrast to this, the Upper East region of Northern Ghana had no single *cabinet-ranked* Minister throughout the NPP's first-term in office (2001-2004). The only substantive Minister from the region during this period was [the late] Hawa Yakubu for the *non-cabinet* ministerial position of tourism. Moreover, in 2003, Hawa was reshuffled out, leaving the Upper East fully excluded not only from cabinet but from all substantive ministerial positions. It was not until another ministerial reshuffle in April 2006 that Joseph Kofi Adda from the Upper East was appointed as Minister for Energy.

The experience of the Upper West was even worse, being the only excluded region in the first set of 27 ministers during the first nine months of the NPP government. This was in spite of constitutional provisions requiring the state to 'ensure reasonable regional... balance in recruitment and appointment to public office' [Republic of Ghana, 1992].<sup>3</sup> One newspaper claimed that because the regime had consistently suffered electoral defeats in the Upper West, 'President Kufuor was at pains naming a cabinet minister from that region', and that '[i]t took intense lobbying to convince the president to change his mind' (Public Agenda, 2005). Indeed, it was only

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<sup>3</sup> See Article 34 (6b) of Ghana's 1992 Constitution.



**Table1: Distribution of political power relative to population shares and representation indexes (RIs), 2001-08<sup>4</sup>**

Zone	Regions	First term (2001-04)				Second term (2005-08)			
		Cabinet	'Inner core'	Deputies	RI	Cabinet	'Inner core'	Deputies	RI
Southern Ghana	Ashanti	5	20	-0.8	<b>8.1</b>	10.4	20.9	5.6	<b>12.3</b>
	B/Ahafo	2.7	2.6	4.1	<b>3.1</b>	-1.9	0.7	3.8	<b>0.9</b>
	Central	-0.9	0.9	-1.4	<b>-0.5</b>	2.7	0.3	1.3	<b>1.4</b>
	Eastern	8.9	7.6	-0.4	<b>5.4</b>	6.6	0.1	8.3	<b>5.0</b>
	G/Accra	-6.5	-16.3	-4.4	<b>-9.1</b>	-9.8	-13.3	-2.1	<b>-8.4</b>
	Volta	-3.5	-2.3	-6.7	<b>-4.2</b>	-3.5	-1.9	-8	<b>-4.5</b>
Northern Ghana	Western	-0.5	-4.2	-10.3	<b>-5.0</b>	-6	-4.4	-2.3	<b>-4.2</b>
	Northern	0.2	-0.5	15.8	<b>5.2</b>	2.6	-1.3	-4.4	<b>-1.0</b>
	U/East	-4.7	-4.7	2.1	<b>-2.4</b>	-1.4	-0.3	-2.4	<b>-1.4</b>
	U/West	-0.5	-2.9	2.2	<b>-0.4</b>	0.2	-0.8	0.3	<b>-0.1</b>

**Source:** Abdulai (2012), based on Parliamentary Hansards.

<sup>4</sup> The 'inner core' is defined here to include: the President, Vice-President and the Ministers of for Finance and Economic Planning, Education & Sports, Health, Food & Agriculture, Road Transport, Local Government and Rural Development, Trade and Industries, Private Sector Development and President's Special Initiatives, Attorney-General & Justice, Foreign Affairs, Chief of Staff & Presidential Affairs, and the Senior Minister (who also doubled as the Chairman of the government's Economic Management Team). Data for one Deputy Minister (David Gyewu for Communications) is excluded in this table as his regional identity could not be established.

after substantial public criticisms that Kassim Kasanga (from the Upper West) was elevated from the position of Deputy Minister to Substantive Minister of Lands and Forestry – a ministerial position of non-cabinet status. It was only in April 2003 that Kasanga became a cabinet-ranked minister, albeit in a relatively powerless position as Minister for Science and Environment. In February 2005, Kasanga was reshuffled out of government, again leaving the Upper West fully excluded from ministerial positions.

So while the distribution of political power during the PRSP era was characterised by regional inclusivity, the quality and quantity of representation varied significantly among regions. What is of particular importance here for our subsequent analysis was the incorporation of the lagging North (especially the two Upper Regions), into the governing coalitions on relatively inequitable terms: while they were generally well represented in insignificant positions like deputies, they were largely excluded from the more powerful positions in cabinet and the 'inner core'. These observations prompted the *Northern Advocate* to ask whether Northern elites were only 'meant to play the second fiddle' (quoted in Kelly and Bening, 2007:189). Although the then vice President, Aliu Mahama, was himself an ethnic Northerner, his lack of influence within the NPP ruling coalition was well known (Frempong, 2008).

### **3.2 Regional development in Ghana: does access to political power matter?**

Why might one expect these differential patterns of political incorporation to have implications for patterns of resource allocation and regional development? Like many developing countries, Ghana is characterised by a 'clientelist political settlement', with pork-barrel politics generally perceived as a 'huge reality in Ghana' (McKay and Aryeetey, 2004:57). An important component of the patronage-driven character of Ghanaian politics relates to the impact of political representation on the regional patterns of public expenditure. Decker (2006:5) identifies 'the lack of political clout' among Northern politicians in various post-colonial regimes as a 'major barrier for developmental change' in Northern Ghana. Similarly for Whitfield and Jones (2009:30), the fact that the North has rarely been strongly represented in national politics means that there has historically been 'no leader championing the cause of redressing the economic marginalisation of the north since colonial times' (see also Akolgu and Van Klinken, 2008). These claims suggest that if success in bringing about developmental change in Ghana's poorer Northern regions is to be achieved, then 'it is important to improve the political representation and commitment of northern leaders' (Decker, 2006:5). As some prominent Ghanaian politicians observed:

'It looks more like we take up political positions not to run the country as such but for the country to give us the opportunity to fight for the interest of our people. So it shouldn't surprise you that if the Minister of Health or the Director of the Health Service comes from say the Volta region, you may have the Volta region pacing up in terms of health facilities' (Interview, Northern MP, 4 July 2011).

'[W]hen people have power, they ... not only appoint their people [to strategic positions] but when a decision is to be made and resources to be distributed, and they find a way of getting more to their people....it is the space that you have to operate that also creates opportunities for you' (Interview, MP and Former Minister of State, 7 June 2011).

The clientelist character of Ghanaian politics in public resource distribution has been exacerbated by the 1992 Constitution, which authorises the appointment of the majority of cabinet ministers from MPs. In his 2005 ministerial reshuffle, 74 percent of Kufuor's cabinet Ministers were MPs (Lindberg, 2010), implying that cabinet decisions during the period were virtually taken by the same set of elites who also doubled as MPs. Ghanaian parliamentarians increasingly seek to deliver various public and private goods to specific groups within their constituencies, such that MPs spend 'a lot of time lobbying ministers and top-level bureaucrats to bring development projects to their constituencies' (Lindberg, 2010:128). In such contexts, differential access to political power can play important roles in shaping the spatial patterns of resource allocation, with implications for patterns of regional development and underdevelopment. It is against this backdrop that we now explore the politics of the GPRSs and HIPC Fund.

#### **4 GPRSs and the rhetoric of addressing regional inequalities in Ghana**

Reducing regional inequalities was a central theme of the GPRS I. It attributes the problem of growing regional inequalities in Ghana to the inequitable distribution of public resources, and declared the need for '[p]ositive action to redress gross imbalances in geographical distribution of resource investment' (GoG, 2003:31). This was in line with the GPRS I 'main goal' to 'ensure sustainable equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded' (ibid., p.30). With Northern Ghana specifically identified as the most excluded zone, the provision of 'extra per capita expenditure for the three northern Regions' (GoG, 2003: 44) was planned. This was to be achieved through a weighted formula in the regional distribution of public expenditure: each of the three Northern regions was to receive, *in per capita terms*, four times that of Greater Accra and two times that for the six other regions of Southern Ghana. As Table 2 shows, nearly half (48 percent) of resources meant for GPRS implementation was planned for allocation to the North.

Was this genuinely reflective of government's commitment to tackling regional inequality or was this a donor-driven agenda, designed mainly to please donors and secure HIPC debt relief (Abrahamsen 2004; Piron and Evans, 2004; Whitfield, 2005; Crawford and Abdulai, 2009)? The NPP government's access to HIPC resources was conditional on compliance with a set of 'HIPC triggers', which included the need to demonstrate greater commitment to 'education and health special spending targeted at the poor' (World Bank, 2002:12). But, did the GPRSs influence the actual

HIPC expenditures across regions? Did HIPC resources actually follow the pro-poor orientation of the GPRS?

**Table 2: GPRS I planned allocation of resources by region**

<b>Geographical zones</b>	<b>Groups</b>	<b>Regions</b>	<b>Planned allocation of GPRS I funds (%)</b>
<b>Northern Ghana</b>	Group A	Northern, Upper West and Upper East	48%
<b>Southern Ghana</b>	Group B	Central, Brong Ahafo, Volta, Ashanti, Eastern and Western	48%
	Group C	Greater Accra	4%

Source: GoG (2003:85).

## **5 GPRSs and regional HIPC allocations**

In March 2003, Yaw Osafo Marfo, then Ghana's Finance Minister, explained to Parliament that because of the strategic importance of the HIPC initiative to the GPRS, the utilisation of HIPC 'funds were guided by the Ghana Poverty Reduction Strategy document'.<sup>5</sup> Drawing from the GoG's Annual Progress Reports (APRs) on GPRS I and II, this section undertakes a regional analysis of HIPC expenditures during 2002-2008. The allocation of HIPC funds to the regions took the forms of both direct releases to local government authorities and through central government ministries and agencies for specific programmes. The analysis here focuses on those funds released via the local authorities for which regionally disaggregated data is available.

The evidence shows that the actual distribution of HIPC expenditures was significantly at variance with the policy directions of the GPRS. Direct disbursements of HIPC expenditures to the districts started in April 2002, following government's announcement that some 117 billion (old) cedis (US\$ 13.2 million)<sup>6</sup> was to be lodged into the HIPC accounts of all local authorities across the country. However, the amount of money allocated to each district was to vary not on the basis of poverty levels in line with the GPRS plans, but on whether a particular local government jurisdiction was a Metropolitan, Municipal or District Assembly (Table 3). With population distribution serving as the key determinant of how a local government authority is classified in Ghana, this pattern of disbursement tended to favour the more populous regions, such as Greater Accra and Ashanti, rather than the poorer Northern regions. The 2002 allocations of the HIPC Fund to local authorities

<sup>5</sup> Parliamentary Debates Official Report, 5 March, 2003, Col. 1649.

<sup>6</sup> In 2007, the Government of Ghana redenominated the country's currency, the cedi (¢), by setting 10,000 cedis to one new Ghana Cedi (GH¢), which was equivalent to one hundred Ghana Pesewas (Gp). That is ¢10,000=GH¢1=100Gp.

therefore totally failed to address existing regional inequalities. Indeed, the first APR of the GPRS acknowledged that ‘the first allocation of HIPC funds did not conform to the outlook expressed in the GPRS’, and accordingly recommended the need for future HIPC expenditures ‘to target very poor districts that are identified as poverty endemic, if the poverty gap is to be bridged’ (NDPC, 2003:95).

**Table 3: Programmed HIPC fund allocations to local authorities, 2002**

Local authority type and numbers	Region and Assembly	Unit amount (in ₵ billion)	Total (in ₵ billion)
Metropolitan Assemblies (3)	Greater Accra (Accra Metro)	3.5	8
	Ashanti (Kumasi Metro)	2.5	
	Western (Sekondi-Takoradi Metro)	2.0	
Municipal Assemblies (4)	Greater Accra (Tema Municipal)	1.5 each	6
	Eastern (New Juaben Municipal)		
	Northern (Tamale Municipal)		
	Central (Cape Coast Municipal)		
District Assemblies (103)	All 10 administrative Regions	1 each	103
<b>Total Disbursement</b>		<b>117</b>	<b>117</b>

Source: NDPC, 2003, p. 91.

**Table 4: Regional comparison of expected and actual HIPC expenditures (₵ millions) by local authorities (2003-05)**

Groups	Regions	Population (a)	Expected share (b)		Actual share (c)	
			Amount	%	Amount	%
Group A	Northern	1,854,994	112,659	18.3	20,157	4.8
	Upper East	917,251	55,707	9.0	7,350	1.7
	Upper West	573,360	34,822	5.6	1,351	0.3
Group B	Ashanti	3,187,601	53,279	15.7	107,927	25.5
	B/Ahafo	1,824,822	30,501	9.0	58,739	13.9
	Central	1,580,047	26,409	7.8	27,184	6.4
	Eastern	2,108,852	35,248	10.4	30,625	7.2
	Volta	1,612,299	26,949	7.9	16,087	3.8
	Western	1,842,878	30,802	9.1	58,909	13.9
Group C	G/Accra	2,909,649	16,932	7.2	94,979	22.4
All Groups	National	18,411,753	423,308	100.0	423,308	100.0

Source: Authors' computations based on (a) 2000 population census data; (b) GPRS resource allocation criteria; and (c) GPRS APRs (see NDPC, 2002-2010).

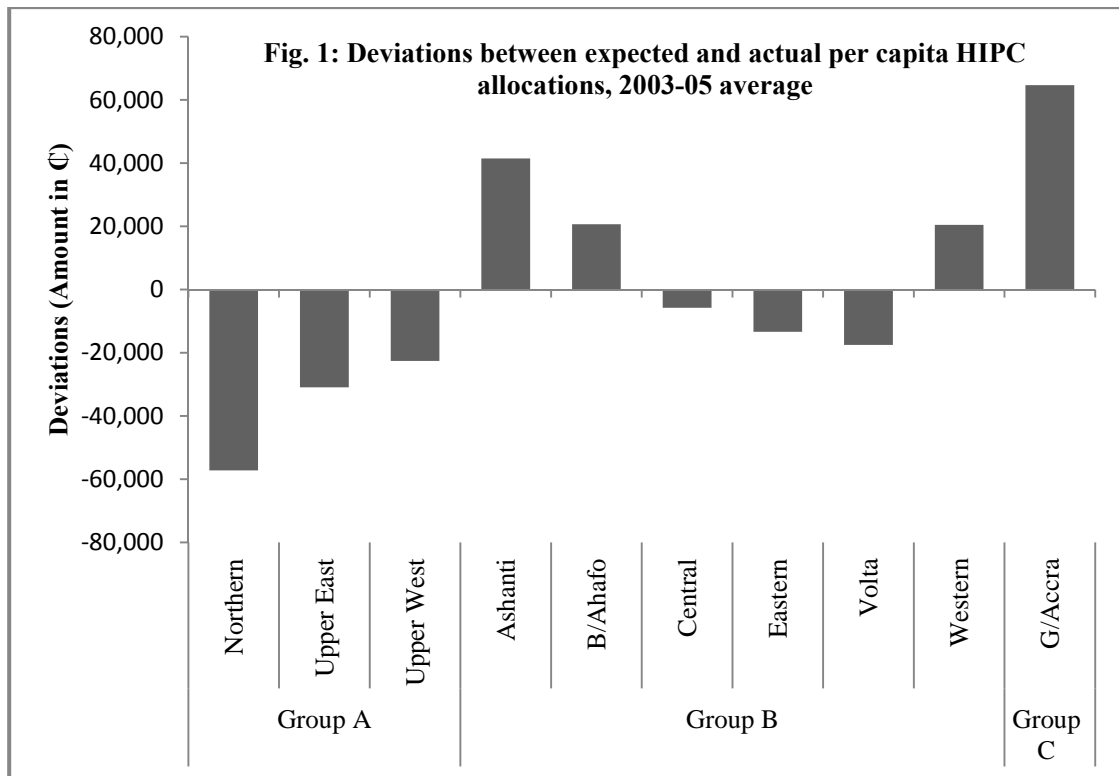
Yet, subsequent HIPC disbursements continued to ignore regional variations in poverty. The APRs show that ₵423.3 billion (US\$47.8 million)<sup>7</sup> of HIPC funds was disbursed directly to local authorities during the implementation of the GPRS I (2003-05). If this amount had been allocated on the basis of the GPRS expenditure distribution formula, the *expected* amount for the three Northern regions would have been ₵139.6 billion instead of the ₵28.9 billion (US\$ 3.3 million) that they *actually* received – a shortfall of over US\$25 million. By contrast, the seven regions in the South (Greater Accra, Ashanti, Brong Ahafo and Western) received significantly more than their expected shares (Table 4).

Contrary to the GPRS plan of providing ‘extra per capita expenditures’ to the three Northern regions, it was the South that actually enjoyed the highest per capita HIPC spending: average per capita HIPC expenditures in the North were only ₵7, 000 (US\$ 0.8) compared to ₵30,000 (US\$3.4) in the South. More strikingly, the per capita allocations for the poorest region, the Upper West (₵2,400 or US\$ 0.3), was only 7 percent of that of Ashanti (₵33, 900 or US\$3.8), the country’s best developed region. The marginalisation of the North (and also Volta) is vividly illustrated in Figure 1 on the regional deviations between the expected and actual per capita HIPC allocations during 2003-2005.

These findings are consistent with other reviews of GPRS I. For example, a study of the regional distribution of HIPC-funded projects in the education, health, water and sanitation sectors during 2002-04, found that ‘the 3 northern regions ... received the least items of projects and programmes financed from the HIPC funds’ (SEND-Foundation, 2006:5). Unsurprisingly, while the national poverty headcount has reduced significantly since Ghana’s implementation of the GPRSs, regional inequality has actually increased, such that currently, ‘the highest poverty incidence occurs in the Upper West, where the figure increased from about 84 percent in 1998/99 to about 88 percent in 2005/06’ (GSS, 2007:13). A strong case can be made that HIPC funding ultimately contributed to such outcomes.

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<sup>7</sup> Based on data from the Bank of Ghana, we used the exchange rate of December 2003 in which US\$ 1 was equivalent to ₵ 8,852.00 or GH₵0.8852



Source: Abdulai (2012), Table 6.3. Note that negative figures indicate underfunding.

The regional distribution of HIPC resources under GPRS II (2006-09) was very different from GPRS I and was less inequitable. Allocations to the North improved significantly in relative terms: from less than 7 percent over 2003-05, cumulative HIPC expenditures for the North during 2006-08 were over 20 percent of the national total. Per capita allocations followed a similar pattern, such that in 2006, per capita HIPC spending in Northern Ghana was above the national average, with the poorest Upper West the greatest beneficiary. The data also points to significant expenditure shifts among the regions within the South, with the previously most excluded region, Volta, becoming the highest recipient of per capita HIPC expenditures in 2007 and 2008 (Table 5).

Whether these shifts were driven by technical considerations (meeting the original allocation criteria) or other considerations is discussed later. Here it must be noted that these apparently more pro-poor expenditure patterns should be interpreted with care. First, these improved allocations still fell far short of what was originally planned for the North in GPRS I. Second, HIPC expenditures in the North, as in other regions, were much smaller during GPRS II. For example, while the Northern Region *alone* received slightly over ₵20 billion (US\$ 2.3 million) during GPRS I, *cumulative* HIPC expenditures to the three Northern Regions during GPRS II amounted to only about ₵16 billion (US\$ 1.8 million). This means that the apparent improvements in equity during GPRSII in no way compensate for the extreme marginalisation of the North under GPRS I.

**Table 5: Regional HIPC expenditures (in GH¢) under GPRS II (2006-08)**

Groups	Regions	2006		2007		2008		2006-2008	
		Total exp.	HIPC/capita	Total exp.	HIPC/capita	Total exp.	HIPC/capita	Total exp.	HIPC/capita
Group A	Northern	2.9	1.42	2.2	1.04	1.4	0.63	6.5	1.03
	U/East	2.3	2.33	2	2.08	0.5	0.47	4.8	1.63
	U/West	2.3	3.76	1.7	2.82	1.2	1.89	5.2	2.82
Group B	Ashanti	4.5	1.05	4.2	0.95	2.6	0.57	11.4	0.86
	B/Ahafo	2.5	1.23	3.3	1.57	1.1	0.5	7	1.10
	Central	2.8	1.61	1.7	0.93	1.1	0.61	5.6	1.05
	Eastern	3.2	1.44	2.7	1.21	2	0.9	8	1.18
	Volta	2.7	1.53	5.5	3.03	3.8	2.09	12	2.22
	Western	2.7	1.19	2.1	0.88	4.1	1.68	8.9	1.25
Group C	G/Accra	2.9	0.77	2	0.51	7	1.73	11.9	1.00
All Groups	National	29	1.53	27.5	1.5	24.7	1.1	77.9	1.38

**Source:** Authors' calculations based on: a) regional HIPC expenditure data extracted from the GPRS II APRs from 2006-2009 (see NDPC, 2007-2010); and b) regional population data produced by the Ghana Statistical Service (see <http://www.statsghana.gov.gh>). Note: Total expenditure is in million GH¢.

To sum up, the Northern regions that were earmarked to benefit most from HIPC-related expenditures were marginalised in the actual distribution of HIPC resources and especially under GPRS I. Why did actual patterns of HIPC spending deviate so substantially from the GPRS resource allocation criteria which promised '...to prioritise investment geographically' (GoG, 2003:185). The next section interrogates the key official explanations for the 'actual' criteria for distributing HIPC expenditures.

## 6 The HIPC Fund and Northern exclusion: official explanations

Evidence from Parliamentary Hansards point to three official explanations for understanding the actual distribution of HIPC resources: population concentration; the need to tackle pockets of urban poverty in Southern Ghana; and a more equitable allocation of HIPC resources via key sector Ministries. All of these explanations are highly questionable. The first explanation, offered by the Finance Minister during GPRS I, appeared to emphasise population density:

'Mr. Speaker, poverty in the cities... could be even more dangerous than they could be in the rural areas. And therefore when we were looking at the distribution of the resources we were influenced by population concentration' (Parliamentary Debates Official Report, March 5, 2003: Cols. 1653-54).

Such an explanation is clearly at variance with the GPRS resource allocation criteria, which emphasised targeting the poor rather than population concentration. Given the evidence that Ghana's urban population experiences less poverty than its rural



population (GSS, 2008), the Finance Minister's explanation meant that HIPC funds would be biased towards the non-poor.

A second official explanation emphasised the 'widespread' nature of poverty in Ghana. Thus, in contrast to the accepted wisdom about the largely rural nature of poverty in Ghana (GoG, 2003:15), the Finance Minister argued that he 'would not want people to associate poverty with the rural setting', claiming further that

'when we talk about poverty, certain parts of Greater Accra, in terms of facilities, in terms of water and sanitation, in terms of health facilities, are as bad as they could be in other rural areas' (Parliamentary Debates, 5 March, 2003, Cols 1654).

The irony of this argument is that, whereas it was advanced to justify why government needed to avoid the exclusion of the South from HIPC resources, we have seen how the much poorer Northern regions were marginalised in the distribution of HIPC resources. Moreover, although there are certainly pockets of poverty in all regions in Ghana, it remains a questionable claim to suggest that the actual patterns of HIPC disbursements were consciously meant to tackle such pockets of poverty. For example, whereas the Accra Metropolitan Assembly in Greater Accra – with a poverty incidence of 8 percent – received 3.5 billion cedis in the first tranche of HIPC disbursements in 2002, the Dangbe East – the poorest district in this region with a poverty incidence of 54 percent – was allocated only one billion.

The third explanation emphasised government's commitment to equitable regional development being pursued by sectoral ministries. The Finance Minister explained:

'... a bigger sum of the [HIPC] money has been distributed directly through the Ministries... We have given as much as about ₵38 billion to the Ministry of Education. The Ministry of Education will use its knowledge of which areas of Ghana we do not have good schools, to intervene. We have given a similar amount to the Ministry of Health to also intervene specifically. That is why we make the others uniform and do not discriminate in terms of which district is poor and which district is rich' (Ibid., Cols. 1654-55).

This did not happen in practice as the poorest regions received the smallest allocations from the major HIPC-funded programmes of the Ministries of Education and Health. For example, the Finance Ministry listed five main interventions into which the Ministry of Education channelled its HIPC-related expenditures: provision of basic school infrastructure; subsidising the cost of Basic Education Certificate Examination (BECE) fees and a capitation grant scheme; the senior secondary 'model' school programme; and, the first phase of the Ghana School Feeding Programme (MoFEP, 2006:4-5). Recent studies have highlighted the extreme marginalisation of the Northern regions from both the national school feeding and the model school programmes (Abdulai, 2012; Hauwere, 2008). It should also be noted

that allocations of both the BECE subsidies and the capitation grant scheme are based on the number of enrolled Primary and Junior High School pupils in each region, implying that they *do not* take into account existing disparities with regards to access to education.<sup>8</sup> These programmes cannot therefore be claimed to have had significant beneficial effect in terms of bridging educational inequalities between regions. Indeed, to the extent that the capitation grant in particular leads to increased public expenditure in regions with high school enrolment rates, it almost certainly fuelled regional inequalities in access to education, given the limited enrolment rates in the North.

## **7 Understanding the regional distribution of HIPC Funds: a political interpretation**

Having shown that there are no valid technical grounds to justify the divergence of HIPC plans from actual allocations, we now look at alternative explanations. Three main factors explain the anti-poor distributional patterns of HIPC resources: unequal power relations among regional elites; ideas about state legitimacy and the maintenance of political power; and, the politics of aid dependency.

### **7.1 Unequal power relations amongst regional elites**

The politics of the HIPC Fund is arguably a classic example of how unequal political power relations between the relatively prosperous South and the historically lagging North of Ghana shape public spending. Official sources indicate that decisions concerning the disbursements of HIPC expenditures were at the discretion of the NPP Cabinet, particularly the Ministry of Finance and Economic Planning and the regime's economic policy team (MoFEP, 2006; Ghana Parliamentary Debates, 5 March, 2003, Col. 1649) – all institutions in which the North was grossly underrepresented. This underrepresentation and the resultant lack of agenda-setting powers by Northern elites are crucial to understand the skewing of HIPC expenditures away from the North. This power play was demonstrated in March 2003, when one Northern MP, Benjamin Kumbour, asked the Finance Minister whether the distribution of the HIPC savings was guided by the GPRS resource allocation criteria (Parliamentary Debates Official Report, March 5, 2003, Col. 1653).

Although the Minister acknowledged that the three Northern regions were 'in a class of their own, in terms of poverty' (Ibid., Cols. 1653-1654) and that the distribution of the HIPC Fund was being 'guided by the Ghana Poverty Reduction Strategy document' (Ibid., Col. 1649) this clearly did not happen. Indeed, the Minister subsequently contradicted his statement by saying: '[w]e shall continue to give the districts the same amounts' (Ibid., Col. 1655), as if indirectly telling his Northern counterparts that they could have their say but not their way. These observations may appear surprising, given the extraordinary pro-poor orientation of the GPRS that

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<sup>8</sup> The capitation grant policy of 2005 involves an annual allocation of 30,000 Cedis per enrolled pupil. It is paid directly to the school to cover non-salary costs, which would previously have been covered by school levies (Osei et al., 2009).

repeatedly emphasised government's commitment to distributing public resources in favour of the historically lagging North. They become less surprising if understood within the context of the prevailing clientelist political settlements in Ghana, in which 'formal institutions are rarely independent of the informal power relations that *de facto* govern the country' (Parks and Cole, 2010:10). Such findings provide support for the growing recognition of the central role of power relations in shaping formal state institutions in ways that produce development outcomes favouring the most powerful political actors. As the *World Development Report 2006* argues:

'...Some groups have more power than others, and their views prevail. When the interests of dominant groups are aligned with broader collective goals, these decisions are for the common good. When they are not, the outcomes need be neither fair nor efficient' (World Bank, 2005:20).

That the actual distribution of HIPC resources was neither 'fair nor efficient' needs to be understood as a product of the regional distribution of political power within the NPP ruling coalition. By asking whether the distribution of HIPC resources was being guided by the GPRS, political elites from the lagging North were reminding the ruling elites of their pledge to provide 'extra per capita expenditures' to these regions. However, with the weaker representation of Northern politicians in government and their corresponding lack of 'agenda-setting powers', the government did not heed the equity-based criteria it had committed itself to in the GPRS. This analysis provides support for those who have emphasised the importance of altering existing power relations when thinking of measures aimed at addressing inequalities. As Hickey and du Toit (2007:24) put it: '[m]any adversely incorporated regions are likely to remain so unless their political... position within the nation-state is radically re-thought at the centre'.

## **7.2 Between ideas and 'pork barrel' politics**

The tendency of Ghanaian governments to allocate public resources equally among regions and districts, irrespective of their varied levels of need, has been widely reported (e.g. Abu-Bakr, 2008; Higgins, 2009). Such tendencies are underpinned by a variety of factors, including ideas about state legitimacy through broad-based service provision, concerns for national unity, and the desire to reach out to as many potential voters as possible in order to win and maintain political power (Abdulai, 2012). Several of the Finance Minister's explanations in Parliament suggest that such ideas were at play with HIPC disbursements.

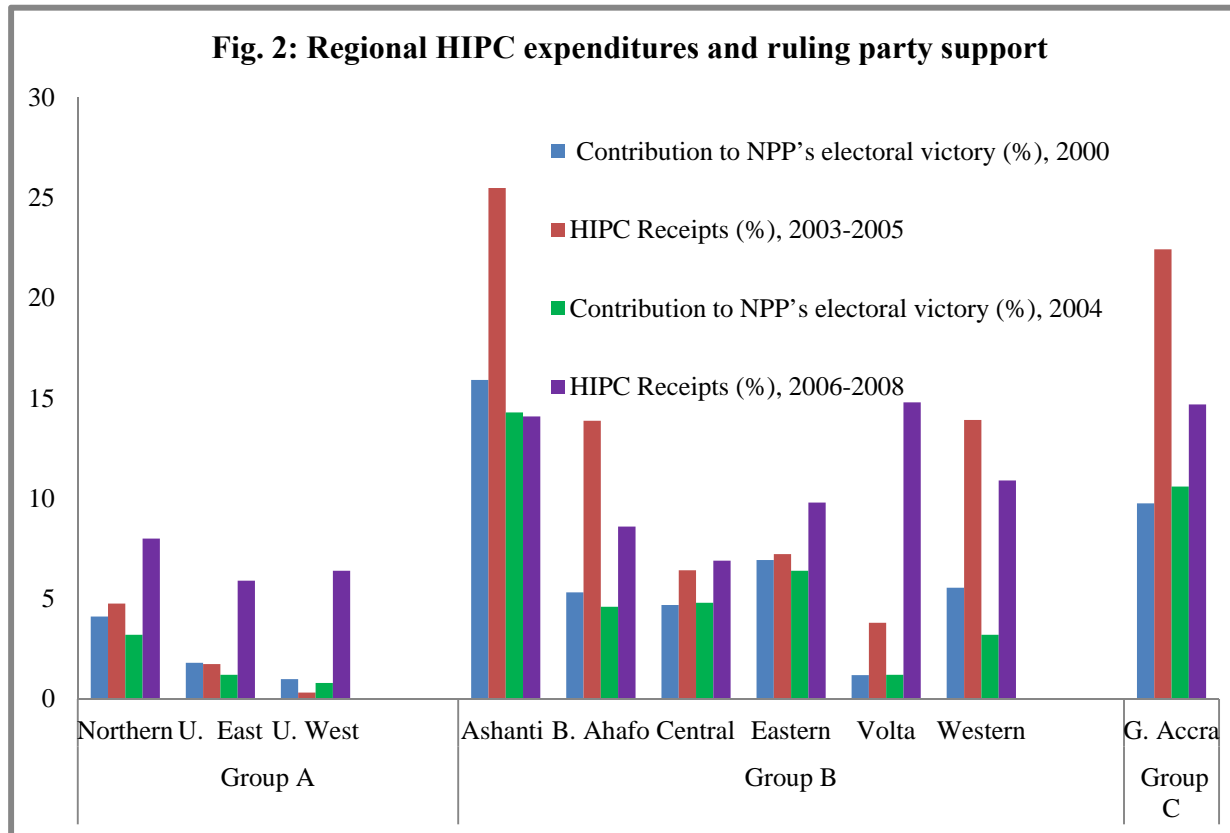
The Minister argued, for example, that government's objective was to spend the HIPC Fund in ways that would 'bring everybody up almost simultaneously' (Parliamentary Debates Official Report, March 5, 2003, Col. 1654) – an argument that emphasises equality rather than equity. A related argument was that targeted government spending towards the chronically poor can produce undesirable zero-sum outcomes, whereby gains for the poorest might lead to the exclusion of previously wealthy regions in ways that have adverse implications for national

political stability (ibid). These explanations underpin the emphasis on distributing public resources equally to every region, rather than on the basis of need.

While such observations point to the important role of ideas in understanding the problem of spatial inequality in Ghana, they also raise an important question: if the political leadership was so much concerned about regional balance in resource allocation, why was the actual distribution of HIPC expenditures so unreflective of the population map of Ghana?

The answer seems to be that the rhetoric of regional balance was overshadowed by patronage politics at the implementation level, and the tactical use of the HIPC Fund for electoral gains. During GPRS I, HIPC expenditures were disproportionately directed to the regions with concentrations of NPP supporters (e.g. Ashanti) and, to an extent, the main 'swing' voting regions (i.e. Greater Accra, Western and Central), with a corresponding marginalisation of regions viewed as the electoral strongholds of the opposition NDC (i.e. the Volta and three Northern regions, see Table 6). Importantly, evidence elsewhere suggests that this pattern is essentially the same, with patterns of government per capita spending at the basic and senior secondary education levels during the 2000s (see Abdulai, 2012). The fact that Volta was the only region in the South with per capita HIPC expenditures below the national average would particularly seem to confirm the utilisation of the HIPC Fund as a 'carrot and stick' instrument for electoral purposes.

Although allocations under GPRS II were much more equitable in terms of larger allocations to the poorer Northern regions, it is difficult to attribute this to a deliberate effort at targeting the poorest. Substantial allocations to the wealthiest region (i.e. Greater Accra) continued: 28.3 percent of total HIPC allocations in 2008 – a crucial election year. Moreover, if the expenditure shifts during GPRS II were driven by equity concerns, we would have expected the poorest region in the South (i.e. Central) to be the highest recipient of HIPC resources during this period. Yet, as we saw, it was the Volta Region, the opposition NDC's 'vote bank', that was most favoured, receiving the highest per capita HIPC expenditures in both 2007 and 2008 (Table 5). A major change in NPP strategy appears to have occurred in 2005, with HIPC expenditures under GPRS II targeted at opposition strongholds in an attempt to broaden the electoral support base of the ruling elites. This is in line with the argument that because ruling elites are motivated primarily by how to maintain political power, the allocations of public resources can take different directions, including targeting opposition strongholds, depending on political calculations (Kjaer and Therkildsen, 2011).



Source: Abdulai (2012, Tables 6.3 & 6.4).

To fully understand why government employed the HIPC Fund to stimulate support for the NPP through patronage spending, one needs to take into account the changing political context within which Ghana opted for the HIPC Initiative. When the NPP government announced it would seek HIPC debt relief in March 2001, a heated public debate ensued. Popular sentiment at the time was that Ghana was not poor, and that signing on to HIPC was an indictment on national pride. Moreover, the main opposition NDC (that had rejected the HIPC initiative in 1999) succeeded in politicising this issue, arguing that HIPC would damage Ghana's international reputation and block future access to international capital. The NPP government was thus aware of the potential political costs of 'going HIPC', and accordingly sought to use HIPC resources as a patronage tool for strengthening its political image by rewarding its core electoral supporters. Not surprisingly, HIPC-sponsored micro-projects across the country, such as school blocks and public toilets, were given big labels indicating 'HIPC Benefits' (Abdulai 2012:181). This was clearly seen as important in attracting votes.

The political context within which the GPRS II (2006-09) was implemented was very different, and targeting loyal supporters was no longer seen as the optimal electoral strategy. The polarised HIPC-related debates of the early 2000s had ceased. Moreover, as President Kufuor was constitutionally required to step down, the NPP had to select a new candidate for the 2008 presidential elections and was expecting new challenges in the forthcoming elections. Targeting HIPC resources to opposition strongholds and swing voters from 2006 onwards does not appear surprising in this context.

### **7.3 Politics of aid dependency and influence and limits of transnational actors**

Earlier, we demonstrated that the Education and Health Ministries did not target their HIPC expenditures on the lagging Northern regions. However, there is also some evidence to suggest that these two Ministries were not entirely blind to equity considerations in HIPC resource allocation. Evidence from the APRs suggests, for example, that of 685 three-unit classroom blocks constructed with HIPC funding during GPRS I, 420 (61.3 percent) were located in the three Northern Regions, while 96 (21.8 percent) of the 440 six-unit classroom blocks under construction nationwide were also located in the North (NDPC, 2006: 120). The government also utilised HIPC resources to introduce a free maternal health care programme in the four most deprived regions of the country (i.e. the three Northern regions and the Central region in the south) before making it a nation-wide programme in 2005. This raises an important question: why did these ministries sometimes use some of their HIPC resources in more inclusive forms? The answer to this question would seem to lie, at least in part, in what the Government of Ghana (GoG) deemed necessary for securing foreign aid.

With the inception of the PRSPs, bilateral and multilateral donors introduced the use of health and education outcome disbursement triggers. For Ghana, the shift towards general budget support through a Multi-Donor Budget Support (MDBS) mechanism in

2003 appears particularly important. Signed between the GoG and nine donors, the MDBS is a mechanism through which some donor agencies assist the government with general budget support for implementing its poverty reduction initiatives. Substantial sums were involved, and it seems that the participating donors had very little trust that GoG would implement the agreed policy choices. Thus, right from the beginning, a performance assessment framework (PAF) matrix was developed, comprising a list of reform elements that GoG was required to implement for donor monies to be released. Lawson et al (2007:33) have noted the donor-driven nature of these disbursement triggers. The MDBS performance triggers emphasised greater provision of education and health services, including:

- Increase access, completion and quality in basic education, particularly in the three most deprived regions of Northern Ghana;
- Increase gross primary enrolment in the three poorest Northern regions; and
- Develop policy to encourage deployment of teachers and health workers to remote and rural areas (NDPC 2004:154; Azeem et al., 2006:22).

Importantly, the GoG was required 'to prove' on annual basis that these 'triggers were being met in order to receive further funding' (Woll, 2008:80). Government's failure to meet some MDBS triggers in 2006 meant that some \$24 million of the performance payment was withheld by donors (Whitfield, 2009: 200). This suggests that, rather than a conscious policy of improving resource flows to the lagging Northern regions, the relatively pro-poor disbursement of HIPC resources within the Health and Education Ministries during GPRS implementation was primarily to satisfy donor conditionalities. This underscores van de Walle's (2005:34) argument that, given 'the absence of a domestic political coalition that supports rapid development' in many aid-dependent countries, the goal of inclusive development outcomes would most likely remain elusive unless external change agents are involved. Indeed, for Ghana, Whitfield (2010:728) observed that policy measures implemented during the first Kufuor-led NPP government (2001-2004) were mainly those that 'were tied to the release of significant monies, including the conditions negotiated in the HIPC agreement ... and (from 2003) conditions in the Multi-Donor Budget Support Mechanism'. She writes that any attempt to fully comprehend the politics of policy implementation in Ghana would remain 'incomplete without taking into consideration aid dependency and the ideas and incentives that it generates' (p.724).

Yet, some important questions also arise from the above arguments: if the actions of Ghanaian governments are driven by donor interests and conditionalities, why was donors' insistence on targeting HIPC resources on the poorer Northern regions not fully adhered to; and why was such non-compliance not severely punished by donors? The answer to the first question lies in the fundamental weakness of the theory of political change that underpins the PRSP approach. The assumption that the introduction of formal participatory processes will reshape governance into accountable and more responsive forms (Hickey and Mohan, 2008) fails to appreciate the clientelist character of politics in most aid-dependent countries, and

especially the ways in which powerful elites frequently ignore or co-opt formal state institutions, 'often by making enforcement impossible' (Parks and Cole, 2010:9).

Regarding the second question, it would seem that the non-fulfilment of some social indicators, such as access to education, was not viewed by donors with the same seriousness as the non-fulfilment of triggers concerning fiscal and structural reforms. Interestingly, donors' withdrawal of some MDBS funds in 2006 was due to the government's failure to meet a trigger in relation to Budget and Public Expenditure Management Systems (Lawson et al., 2007:38). Such findings reinforce the claim that the political reforms associated with the PRSPs have been less about empowering states and citizens and more about enhancing the effectiveness of implementing specific policy conditions (Hickey and Mohan, 2008:252; Seshamani, 2005).

## **8 Conclusion**

This paper has shown how aid-financed efforts to reduce regional inequality in Ghana have failed. The assumptions that democratic politics and donor conditionalities (financial triggers) would focus policy and resources on poorer people and marginalised regions proved inaccurate. Such assumptions ignore the clientelist character of politics in countries such as Ghana, while exaggerating the potential for external actors to reshape national development trajectories. While HIPC-related conditionalities were highly instrumental in shaping the *content* of Ghana's poverty reduction strategies, they clearly failed to change the domestic political processes of *actual implementation*.

Having formulated the GPRS as a pre-condition for receiving HIPC debt relief, donors expected the distribution of HIPC resources to be guided by the equitable resource allocation criteria agreed. But as dominant Southern-based elites publicly sidelined the GPRS formula and disbursed HIPC expenditures in ways that they believed would maintain their political power, the poorer Northern regions were marginalised in the actual distribution of HIPC resources. In contrast, Southern Ghana attracted a lot more than its planned share of HIPC funding, with the benefits heavily skewed towards the more politically dominant and economically advanced regions such as Ashanti and Greater Accra. As a consequence, while aggregate poverty reduced significantly under the GPRSs, headcount poverty in the Northern regions deepened and regional inequalities between the North and South increased. Such findings corroborate Bryceson's (2006:39-40) assessment that donor conditionality in Ghana has generally been 'ineffective in bringing about sustained policy change where this has been opposed by domestic interests ... within government'.

Dominant political elites were prepared to agree to policies of regional inequality reduction to access aid funding but, once approved, such funds were allocated on quite different criteria. While the NPP 'inner circle of political power' was heavily dominated by Southern elites, the elites of poorer Northern regions lacked 'agenda-



setting powers' within the governing coalition and could not effectively challenge the inequitable distribution of HIPC funds. This case study strongly illustrates that developmental outcomes are not shaped so much by the design of policies *per se*, but rather by the power relationships within which policy-making and -implementing institutions are embedded. This is because powerful elites will most likely resist or modify the implementation of policies that do not offer them a politically attractive distribution of benefits (Khan, 2010). This can be done by adjusting formal state institutions in line with their interests, or by establishing 'informal arrangements that sidestep or undermine formal state institutions' (Parks and Cole, 2010:6). Aid donors seem unable to grasp this lesson and as a result their capacity to contribute to reducing regional inequality remains very limited.

Interestingly, during the period under review, several of Ghana's donor agencies were attempting to improve their aid effectiveness through political economy analysis (PEA), and DFID undertook 'drivers of change' studies. Given the policy outcomes reported in this paper, the capacity of these PEA studies to achieve donor goals must be in doubt. Such research may have helped donors to 'think politically', but this did not mean that they could 'work politically' in ways that made their aid more effective in Ghana. Perhaps, as Yanguas and Hulme (2014) argue, internal difficulties within aid agencies in utilising political knowledge – the need to meet aid disbursement targets, the need to show public support for an African democracy that had undergone structural adjustment, the difficulty of getting inside Ghana's political settlement – explains why donors could not get the government to honour its commitment to focusing HIPC resources on the North. So what form might donors' political strategy of support to the North take?

Given the 'competitive clientelist' type of political settlement that has developed in Ghana, and the incentives generated by this type of settlement for state elites, we posit that the best way forward for donors' contribution to regionally inclusive development in Ghana might entail bypassing state actors to implement poverty reduction programmes in the poorer North in a more coordinated fashion than has happened in the past. Although direct forms of intervention have long formed part of donor support for Ghana's poorer northern regions, 'donor funded projects in Northern Ghana have [not only] often lacked coordination' (Shepherd et al., 2004: 41); the recent adoption of the MDBS has negative implications for poorer regions, as donors now pull away from direct funding of projects in the North.

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