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DEBT CRISIS AND GHANA'S ECONOMIC DIPLOMACY: A CASE OF BRETTON WOOD'S INSTITUTION IN GHANA'S FOURTH REPUBLIC

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DECLARATION

Student's Declaration

I, OSEI-NIMAKO FRANCIS, hereby affirm that this dissertation is completely my original research and that no part of it has been produced for another degree in this same University or other institution, recognition for quotations and references in published works has been duly acknowledged.

SIGNATURE: ……………………………………..………

DATE: …………………………………………………………

Supervisor's Declaration

I duly affirm that the preparation and presentation of this work were supervised in accordance with guidelines and supervision of the dissertation as laid down by the University of Education, Winneba.

NAME OF SUPERVISOR:

SIGNATURE: …………………………………………..……

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DEDICATION

This work is dedicated to Mrs. Olivia Owusu and Mrs. Agyeiwaah Priscilla for the love and care throughout my life and education.

In addition, all my special and wonderful families who were able to distinguish between savings and consumption made me what I am today. I say the good God bless you all.

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ABBREVIATIONS

AU	African Union
AFRODAD	African Forum and Network on Debt and Development
ACO	Alien's Compliance Order
BADE	Arab Bank for Economic Development in Africa
BOP	Balance of Payments
BWIs	Bretton Wood's Institutions
CPP	Convention's People Party
ECOWAS	Economic Community of West African States
ERP	Economic Recovery Programme
EMDEs	Emerging Market and Developing Economies
ESAF	Enhanced Structural Adjustment Facility
ECF	Extended Credit Facility
FSHS	Free Senior High School
GATT	General Agreement on Tariff and Trade
GDP	Gross Domestic Product
GNI	Gross National Index
GNP	Gross National Product
HIPC	Heavily Indebted Poor Countries Initiative
ILO	International Labor Organization
IBRD	International Bank for Reconstruction and Development
ICBs	International Commercial Banks
IDA	International Development Association
IFC	International Finance Cooperation
IFIs	International Financial Institutions

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IMF	International Monetary Fund
ITO	International Trade Organization
LDCs	Least Developing Countries
LEAP	Livelihood Empowerment Against Poverty
LICs	Low-Income Countries
MoF	Ministry of Finance
MDRI	Multilateral Debt Relief Initiative
NLC	National Liberation Council
NRC	National Redemption Council
NPP	New Patriotic Party
OED	Operations and Evaluations Department
OAU	Organization of Africa Unity
OHSC	Office of the Head of Civil Service
PAMSCAD	Programme of Actions to Mitigate the Social Costs of Adjustments
PNDC	Provisional National Defence Council
SAPs	Structural Adjustment Programme
SSA	Sub-Saharan Africa
UNECA	United Nations Economic Commission for Africa
UNICEF	United Nations International Children's Emergency Fund
UN	United Nations
WAIFEM	West African Institute for Financial and Economic Management
WAMZ	West African Monetary Zone
WB	World Bank
WTO	World Trade Organization

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ABSTRACT

The study sought to investigate how Ghana's debt crisis with the Bretton Woods Institutions influenced its economic diplomacy in the fourth republic. Other objectives of the study were to; find out how the debt crisis in Ghana's fourth republic has impacts the country's economy and its citizenry; investigate the factors and reasons responsible for Ghana's debt trap to the West (Bretton Woods Institution). The study utilizes neoliberalism and debt trap theories as theoretical underpinnings. The study adopted the qualitative approach using a causal design. Primary and secondary data collected were analysed using thematic narratives. The data analysed established that Ghana's debt with, the IMF/WB has reduced its vibrancy in economic diplomacy and increased its alignment with the West. The study further revealed that, Ghana has been trapped in debt to the West through loan repayment schedules, dependence and reliance on IMF/WB loans for development. The study concludes that IMF/WB loans contain conditionality's and SAPs, which is the ideological basis of neoliberalism and are strict measures with which Ghana and other developing countries are greatly contesting. The study recommends four alternative funding sources for Ghana and other Less Developing Economies (LDEs). First, reaching out to foreign bond market. Second, support China's Large-Scale direct infrastructure investment policy. Third, Ghana needs to keep pushing for true free trade in agricultural goods. Fourth, they should support financial intermediation. In addition, it recommends the "*East Asian IMF Principle model*". Further study suggested includes replication of the study but with case studies such as the International Bond market or other IFIs and comparative study of IMF/WB under two different governments in Ghana's fourth republic.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Ghana has struggled with debt held by international organizations like the World Bank and IMF since gaining its independence (Bretton Woods). For Frempong-Asante (2016), this is due to insufficient domestic funds resulting from inadequate domestic savings. Many Least Developed Countries (LDCs) have difficulties financing development from internal resources. This suggests that insufficient domestic financial sources must be compensated for with outside funds and resources.

Moody's Investors Service (2003), explains debt crises as a principle or interest payments that are not made on time or at all. Even in the event that the grace period is extended or a crisis exchange takes place, in which case the issuer provides bondholders with fresh security, or group of securities, representing a reduced financial commitment, it is still considered a debt crisis. This is considered as new debt instruments with lower coupon or par value: or the exchange appeared to be intended to assist the borrower in averting a "stronger" default event.

From the above position, a debt crisis can say to be the accumulation of interest or principal that a borrower failed to settle within the original terms of the agreement. Since the 1980s, debt overhang has been a major problem faced by developing countries. Krumm (1985) argued that many "emerging countries economic and political conditions in the 1970s could have been the probable cause of the debt crisis". Frempong-Asante (2016) points out that in the course of the 1970s, many developing countries had extended access to funding from private financial institutions and numerous and varied trade credits with access to credit.

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This suggests that insufficient domestic financial sources must be compensated for with money and resources from outside sources. The majority of Sub-Saharan African nations suffered greatly as a result of the debt crisis. According to estimates, Sub-Saharan African countries' real imports in 1987 represented two-thirds of the levels seen in the early 1980s. This was an indication of the impact of the higher debt servicing load. Since the majority of the foreign exchange earned had to be set aside for debt servicing, export profits were also impacted. Between 1980 and 1987, gross capital formation fell sharply from 20% to 13%, while real GDP fell by 11% during that time (Koboa-Aduama, 1991). It is estimated that World Bank had invested a total of $572,874 million between 1966 1980 in the Ghanaian economy. Yet there appears to be a relationship between these massive investments and the worsening debt overhung in Ghana. The index of these debts is clear, as the per capita GDP fell from 8.1% in 1981 to 3.3% in 1986, and the GDP at market price rose from 5.7% to 6% in 1986. Inflation rose from 32.5% in January 1983 to 174% in June of the same year. The price index of consumer goods, which stood at 29.6% in 1975, reached 868.7%, and the foreign debt profile doubled from $1.5 billion in 1983 to $3.3 billion in 1984 (Koboa-Aduama, 1991)

From the mid-1990s, the global Jubilee movement called for debt cancellation, which led to the creation and enhancement of two debt relief schemes run by the IMF and World Bank, the Heavily Indebted Poor Countries Initiative and Multilateral Debt Relief Initiative. Because of this debt cancellation, Ghana’s government external debt fell from $6.6 billion in 2003 to $2.3 billion in 2006. Due to money saved and invested, significant improvements in education and healthcare followed, alongside good government policies in enhancing basic service provision (Frempong-Asante, 2016From 1980 until 2006, the percentage of students finishing primary school

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remained constant at roughly 60%–70%; however, in the years that followed, it rose to over 100%.

Due to Ghana's rapid economic expansion, more institutions were willing and able to lend to the country, and the Ghanaian government was also willing to borrow money. Loans increased steadily from 2008 to 2011. In total, between 2007 and 2015, there were $18.2 billion external loans and $9 billion in debt payments, leaving $9.2 billion of the additional borrowing to be spent within Ghana (IMF, 2016). The government has taken action by increasing its borrowing as a reaction to these economic shocks. Ghana's economy and society are already heavily burdened by debt, and the nation runs the risk of slipping back into a protracted debt trap. Once the largest exporter of cocoa in the world in the 1960s and exporter of gold and other minerals, Ghana is now debt - ridden. A country that used to champion the liberation movement in the sub-region cannot afford to independently provide for its citizens not to speak of financing pragmatic and dynamic foreign policy. "Ghana's foreign policy is more fundamentally tilted towards the West to the extent that IMF, World Bank, and the West determine what happens in Ghana in terms of what is to be produced by who and when" (Koboa-Aduama,1991 p. 34). This statement rests on the argument that Ghana's foreign policy is designed on the conditionalities attached to loans from the Bretton Woods Institutions and other Western lenders.

1.2 Statement of the Problem

Following World War II, the majority of colonized countries in Africa and Asia gained independence, and these newly sovereign nations' foreign policies were first dictated by their ideologies. But eventually, the newly independent governments realized that economic independence did not always equate to political independence, and they started redefining their foreign policy from an economic standpoint. This

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was the recognition that in order to remain politically viable, they could and should increase their economic gains from overseas. This insight became apparent in Ghana in 1983 when Rawlings changed the country's foreign strategy to focus more on the West.

Ghana emerged as one of the classical laboratories for the IMF's test-case experiment. From the early influx of IMF/World Bank and other institutional loans, Ghana received wide acclaim in international financial circles for its outstanding and courageous economic measures - cited as one of the countries that had initiated major policy reform. The World Bank gathered $110 million to stop the continent's economy from collapsing, and Ghana was one of the recipients. Its permanent envoy in Accra declared at the close of 1986 that the International Development Association (IDA) credits would be increased by 36.6% from $110 to $150 million (Koboa-Aduama, 1991, p. 4).

According to Gohar et al. (2012), as the amount borrowed typically outweighs the amount of debt service required, debt can provide a developmental difficulty for many nations, especially emerging nations. As a result, this reduces the amount of funding and resources available for development projects, which puts a strain on government budgets. This has a negative impact on the business relationship. Many people believe that Ghana's high debt profile will harm the country's relationships and economic progress if it is not controlled. Others, on the other hand, think that the country's debt servicing system is unsustainable because it requires borrowing money to pay off its debts.

The flow of massive loans and credit facilities from Bretton Woods institutions, among other agencies has redirected Ghana Foreign Policy that used to be Africa centred and focuses on decolonization, African Unity, Pan-Africanism, and Non-

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Alignment. This massive loan injection has forced Ghana into the 'debt trap'. A situation where creditors and lending establishments (Bretton Woods Institutions) extend loans to nations in order expand its political leverage. These institution(s) provide Ghana among other borrowers' projects/loans with too challenging terms to pay back, ultimately forcing them to accept economic and political concessions.

The country's foreign policy now rests on a fragile political economy. An economy which is unable to meet the population's expectations or manage changes in expectations and capacity through the political process. Thus, Ghana's foreign policy structure lacks the political will and capacity to provide the basic functions needed for poverty reduction, development and safeguard its economic diplomacies. Therefore, this study seeks to unravel the influence of the numerous investment and subsequent debt owed to the Bretton Woods Institutions like the IMF and the World Bank on Ghana's economic diplomacy.

1.3 Purpose of the Study

The purpose of this study is to investigate the influences of the debt crisis on Ghana's economic diplomacy using the Bretton Woods Institutions as a case study. It will also consider how debt overhang affects Ghanaians and the Political Economy in general. The study further considers the relationship between Ghana's debt and its economic diplomacy towards the West and the factors responsible for Ghana's debt trap to the West.

1.4 Objectives of the Study

The objectives this study is to explore the influence of debt crisis with Bretton Woods Institutions on Ghana's foreign policy (economic diplomacy). To achieve this general objective, the study seeks:

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i. To investigate the factors responsible for Ghana's debt trap to the West (Bretton Woods Institutions)

ii. To ascertain the impact of the debt crisis on Ghana's economic diplomacy.

iii. To find out how the debt overhang affects the average Ghanaian and the Political Economy of Ghana in general.

1.5 Research Questions

In exploring the debt crisis and economic diplomacy with Bretton Woods Institutions as a case study, the study was guided by the following questions.

i. What accounts for the debt trap of Ghana to the West (Bretton Woods Institutions)?

ii. How the debt crisis influences Ghana's economic diplomacy?

iii. How does Ghana's debt overhang affect the average Ghanaian and the Political Economy of Ghana in general?

1.6 Significance of the Study

This research goes beyond the traditional research on debt crisis and economic diplomacy in Ghana. It narrows down to reveal how debt crisis is connected to economic diplomacy and draws attention to how Bretton Woods Institutions uses debt to trap Ghana and other developing countries.

The study seeks to provoke discussion and critical look at issues concerning debt crisis and foreign policy (economic diplomacy) in Ghana. Hence the significant of this research will be viewed in three strands namely, policy, research and practice. The study will be beneficial to policy makers, politicians and others stakeholders that seeks to address debt crisis, especially with Bretton Woods Institutions. The study seeks to inform stakeholders of economic diplomacy about the strategies and effects

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of debt crisis that impede developing countries (Ghana) and the political economy. In addition, the outcome of the study will better inform stakeholders on how to treat, relate and handle debt crisis.

While few studies have attempted to investigate the correspondence between debt crisis and economic diplomacy in developing countries, The study offers data on the impact of the debt crisis on Ghana's economic diplomacies in addition to contributing to the expanding body of literature on the subject of debt crises and foreign policy. Furthermore, it will function as a work of reference for researchers in the future. Regarding the study's practical significance, the finding of the study are expected to be useful to reference materials to practitioners who seeks to understand correspondence between debt crisis in developing countries and their foreign policies.

1.7 Scope of Study

The study confined to analysing how Ghana’s debt crisis influences the country’s economic diplomacy in the fourth republic. The study is limited to the economic diplomatic aspect of foreign policy; this is a result of the vast nature of the foreign policy. The selection of the period (the fourth republic) is heavily influenced by the data that is available. The study also is limited to the Bretton Woods institutions in the fourth republic. The rationale behind this is to define a clear cut of the source of debt. The choice of Bretton Woods’s institution is to have full knowledge of the institution, as it has become the major financial contributor to most developing countries.

The study also utilizes seven (7) major loan facilities within the stipulated period of the study. Again, the engages major stakeholders and policy makers on Ghana’s debt analysis.

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1.8 Organization of the Study

There are five primary chapters in the study. The study's introduction is covered in Chapter One. This comprises the study's background data, issue statement, objectives, and research questions, as well as the study's scope and significance.

The review of related literature is covered in the second chapter. It also has to do with a review of vital and related literature on African foreign debt its causes and effects and narrowed down to Ghana with a case study of the Bretton Woods in the fourth republic. Chapter Two further look at the theoretical framework that informed the study. The third chapter covers the research methodology as well as other topics pertaining to data collection techniques and analysis protocols. Chapter three additionally, considers instrumentation, sample, sampling techniques and ethical considerations. Chapter Four focuses on the presentation of data and analysis of the data collected from the field. The chapter also looks at the findings and discuss the findings. The last chapter summarises the study's findings, recommendations, and conclusion.

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CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This section traced the historical overview of the accumulation of global debt, from the Latin American and Caribbean debt to Africa. The case of Ghana's debt accumulation over the years is also investigated. The literature review also provided a scholarly explanation of the concept of foreign policy, determinants of foreign policy, as well as the foreign policy of Ghana since independence.

Furthermore, this chapter additionally, delves into the Bretton Woods Institutions and their modus operandi and the theoretical framework, which underpins the study. In other words, this chapter dealt with relevant literature, which situates the research problem and objectives. It also provided a solid background on which the research was founded. In order to do this successfully, relevant literature is review under the following thematic areas:

1. Concept of Debt Crisis
2. Origin of Debt Crisis
3. Overview of Global Debt
4. Latin American and Caribbean Debt
5. Africa Debt Crisis
6. Ghana's Debt
7. Concept of Foreign Policy
8. Ghana's Foreign Policy Since Independence
9. Bretton Wood's Institution
10. Bretton Wood's Institutions and Ghana's Economy

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2.1 Concept of Debt Crisis

Pescatori and Sy (2007) noted that debt crisis manifests themselves in different forms. This is as result of the debt-servicing difficulties. Based on the debt-servicing difficulties Debt crisis may be viewed as sovereign default; large arrears; distress event or large IMF loans.

2.1.1 Debt Crisis as Sovereign default

A sovereign issuer is defined as one that fails to meet one or more of the following criteria by Moody's Investors Service in 2003:

- failure to pay interest or principle on time, even if the overdue payment is made during the applicable grace period.

- In a distressed exchange, the issuer provides bondholders with a new security or set of securities that effectively reduces their financial responsibility, such as debt instruments with reduced coupons or par values;

- alternatively, the exchange appears to have been made with the borrower's avoidance of a "stronger" event of default (like missing interest or payments) in mind.

In a similar spirit, Standard & Poor's (S&P) describes default debt as the inability of the principal debtor to make principle or interest payments by the deadline (or within the grace period) stipulated in the debt issue's initial terms. The organization observes that:

- Each issuer's debt for local and foreign currency bonds, notes, and bills is deemed to be in default when one of two things occurs: either a scheduled

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payment for debt service is missed on time, or an exchange offer for new debt has terms that are less favourable than those of the original issue.

- When creditors agree to a rescheduling of principal or interest, or when a scheduled debt-service payment is not made on the due date, in the case of bank loans at less favourable terms than those of the original loan. Such rescheduling agreements covering short and long-term bank debt are considered defaults even where, for legal or regulatory reasons, creditors deem forced rollover of principal to be voluntary.

Apart from the previously mentioned, a considerable number of rescheduled sovereign bank loans eventually vanished at a lower cost than their initial face value. The majority of regular transactions have involved buybacks for cash and exchange offers like debt-equity swaps connected to government privatization initiatives.

2.1.2 Debt crises as large arrears

An observation is classified as a debt crisis by Detragiache and Spilimbergo (2001) if one or both of the following circumstances hold true:

- More than 5% of the total amount of outstanding commercial debt is in arrears for principal or interest on external obligations made to banks or bondholders.
- The World Bank's Global Development Finance lists a rescheduling or debt-restructuring agreement with commercial creditors.

From Detragiache and Spilimbergo (2001) argument, it can be emphasised that the 5 percent minimum threshold serves to rule out cases in which the share of debt in default is negligible; the second criterion makes it possible to include countries that are not technically in arrears because they reschedule or restructure their obligations before defaulting.

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2.1.3 Debt crises as distress events

Sy (2004) suggests a parallel with the distressed-debt and defines debt crises as sovereign bond distress events. The author assumes that, sovereign bonds are distressed securities when bond spreads are trading 1,000 base points (signal of turbulence in bond markets) or more above U.S. Treasury securities. Sy (2004) further argues that in practice, market participants often consider the 1,000bps mark for spreads. With Sy's definition of sovereign distress, about 140 distressed-debt events from 1994 to 2002 that were associated with reduced access to the sovereign bond market were identify.

2.1.4 Debt crises as large IMF loans

Manasse etal. (2003), argue that the Detragiache and Spilimbergo (2001) exclude some incipient debt crises only because of large-scale financial support from official creditors. They therefore consider a country to be experiencing a debt crisis if:

- Principal and interest payments must be made by the obligated party by the due date (or within the grace period specified in the original terms of the debt issue).

  It is eligible for a sizable non-concessional IMF loan that exceeds its quota by 100%.

From Manasse etal. (2003) argument, debt crises include not only cases of outright default or semi coercive restructuring, but also situations where the IMF avoided such near-default through the provision of large-scale official financing.

Debt Crisis is therefore, part of the total amount that a country owes to foreign creditors. Governments, businesses, or private institutions may be the debtors.

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According to the World Bank, debt is “the amount owed to non-residents which are repayable in foreign currency, goods or services” (World Bank, 1995 p.27).

The majority of nations typically have some national debt due to regular activities. Nations occasionally experience uncontrollably high debt levels as a result of a specific economic crisis. A debt crisis has to do with a nation's capacity to pay back loans. As a result, it addresses national budgeting, foreign loans, and economies.

Over time, the term "debt crisis" has taken on many definitions; the most basic definition commonly used is that; debt crisis is when a national government cannot pay the debt it owes to other foreign countries, organizations, or institutions. This definition looks simply but refuses to provide how less tax revenue in relation to expenditures of a country develops into a debt crisis. From the ongoing discussion, debt crisis can say to be an accumulated fund that a country owes to a foreign country, organizations, and institutions because of that government’s inability to pay loans and interests as in the original term of agreement. This is because of less revenue compared to the expenditure of the country. The inability of countries or governments to pay loans and interest results in rescheduled repayments, which further increases debts. Debt crises are services or paid by governments either in foreign currency or with goods and services.

2.1.5 Types of Debt

Debts come in two varieties: internal debt and external debt. The amount of a nation's debt that is derived from foreign lenders, such as governments, commercial banks, or international financial institutions, is referred to as its external debt. The currency in which the loan was made is typically used to repay these loans, interest included. The borrowing nation may export and sell goods to the lender's nation in order to generate the necessary funds. Debts come in two varieties: internal debt and external debt. The

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amount of a nation's debt that is derived from foreign lenders, such as governments, commercial banks, or international financial institutions, is referred to as its external debt. The currency in which the loan was made is typically used to repay these loans, interest included. Selling and exporting goods is one way for the borrowing nation to generate the necessary funds. The borrowing country may sell and export goods to the lender's country to earn the needed currency. If a nation with a struggling economy is unable to repay the debt, a debt crisis may arise If a nation with a weak economy is unable to pay back its external debt because it is unable to manufacture, sell, and turn a profit, a debt crisis may arise. One organization that monitors a nation's external debt is the International Monetary Fund (IMF) (Stephen et al., 2011).

Almost all forms of debt owed to governments, corporations, and private citizens in other countries are classified as external debt. funds that one government borrowed from the government of another, corporate stocks that external debt includes both foreign nationals and bills that citizens of one country accrue from doing business with another nation. Financial derivative contracts and equity transactions are the only types of international foreign transactions that are exempt from external debt (Persson, 2013).

On the other hand, internal debt is the part of the total debt in the country that is owed to lenders within the country. Internal debt's complement is external debt. The opposite of internal debt is external debt. That portion of the total debt owed to lenders within the nation is known as internal debt. The funds are taken out of the bank account of the government. Government Bonds and Treasury Bills are the two main ways that the government borrows money. It also covers the government's

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borrowings from the market. The market is used to trade Treasury Bills and government bonds.

2.1.6 Origin of Debt Crisis

Mexico is the country that started the debt crisis. In the 20th century, the Mexican government declared that it would not be able to pay back the $80 billion in debt it owed foreign lenders. This was regarded as the initial instance of the debt crisis of a nation in recorded history, which many academics believed to be the precursor to the global debt crisis (Persson, 2013). 27 nations, including 16 Latin American nations like Brazil, Argentina, and Venezuela, rescheduled their debt repayment in October 1983. Many Less Developed Countries (LDCs) then declared that they would not be able to pay back their debts. Major loan defaults and bank failures at the biggest banks in the world resulted from this.

Prior to the global debt crisis of 1982, the majority of developing nations that did not export oil turned to foreign borrowing to offset the Balance of Payment (BOP) deficits brought on by the current account deficit resulting from oil price shocks that occurred. Due to the spike in oil prices, international commercial banks had access to large amounts of oil cash, increasing their liquidity. These funds were then freely lent to nations without a thorough evaluation of their creditworthiness

(Fiagbe, 2015).

The international debt crisis became apparent in 1982 after Mexico announced it could not pay its foreign debt, sending shock waves throughout the international financial community as creditors feared that other countries would do the same (Colgan, 2001; Persson, 2013).

This was as result of debt default replicating in other economies ravaging through Latin America. This marked the emergence of the debt crisis in heavily indebted

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developing economies and Sub-Saharan Africa (Fiagbe, 2015). Fiagbe vividly account for the emergence of debt crises in developing countries but fail to account for its impacts various economies or countries. It is in this light that the seeks address the how these debt crisis impacts countries economic diplomacy.

2.2 Overview of World Debt

Over the past decades, The global economy has consistently seen waves of debt accumulation, affecting developed economies as well as emerging market and developing economies (EMDEs).Another wave has been building since the global financial crisis, with global debt reaching an all-time high of roughly 230 per cent of global GDP in 2018 (Rajan, 2019).

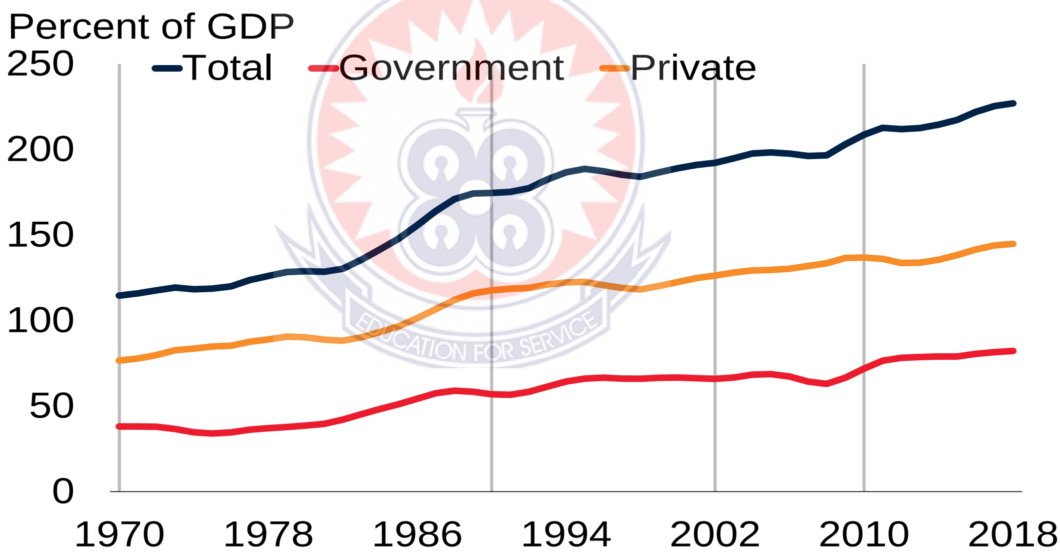

Figure 2.1: Global Financial Crisis

Source: IMF; World Bank.

Total (public and private) EMDE debt reached a record high of almost 170 per cent of GDP ($55 trillion) in 2018, an increase of 54 percentage points of GDP since 2010. Although China accounted for the bulk of this increase in part due to its sheer size, the debt build up was broad-based. In about 80 per cent of EMDEs, total debt was higher in 2018 than 2010. Excluding China (where the rapid debt build up was mostly

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domestic), the increase in debt in EMDEs was in almost equal measure accounted for by external and domestic debt. In low-income countries (LICs), following a steep fall between 2000 and 2010, total debt also increased to 67 per cent of GDP ($270 billion) in 2018, up from 48 per cent of GDP (around $137 billion) in 2010. These debt statistics explain EMDEs debt in relation to GDP. It also helps to apprehend the trends of the Global financial crisis from the 1970s to date (IMF, 2018).

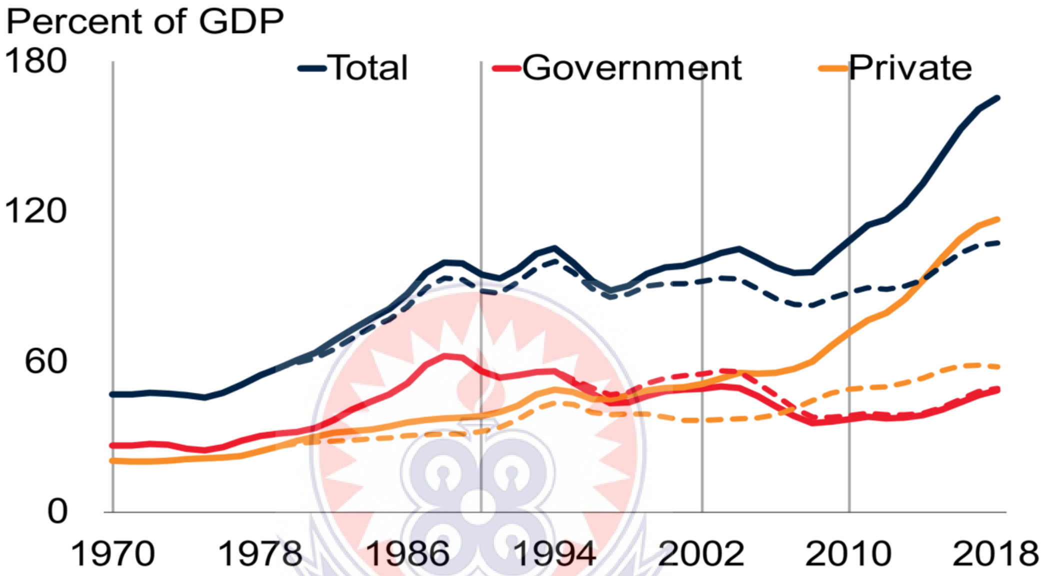

Figure 2.2: Trends of EMDE debt
Source IMF; World Bank.

In contrast, stayed close to the all-time highs attained in the early stages of the global financial crisis in developed nations, with roughly 265% of GDP ($130 trillion) in 2018. The private sector's debt has decreased marginally as a result of some sectors deleveraging, despite the government's debt reaching a record high of 104% of GDP ($50 trillion). The total debt of two-fifths of advanced economies has decreased since 2010 (IMF, 2018).

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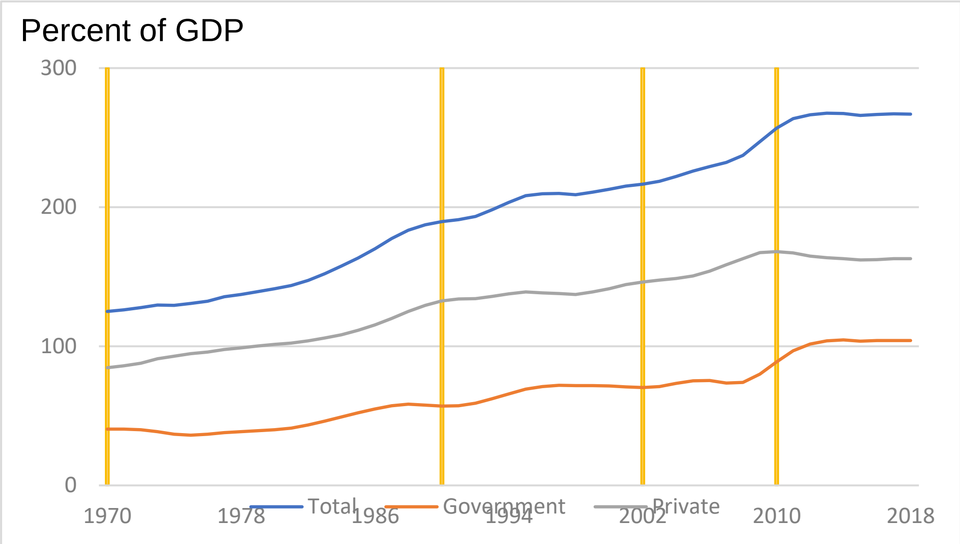

Figure 2.3: Debt Accumulation

Source IMF: World Bank 2018.

In EMDEs, debt accumulation hasn't happened in a straight line. Since 1970, various EMDE sectors and regions have seen various debt developments. EMDEs went through three waves of broad-based debt accumulation between 1970 and 1989, 1990 and 2001, and 2002 and 2009 prior to the current wave of debt accumulation. Although these waves of rising debt had some unique features, they all shared the same fate: they ended with financial crises and subsequent substantial output losses in many countries (IMF, 2018).

2.2.1 Latin American and Caribbean Debt

The Latin American had a debt crisis in the 1990s and this was a systematic process caused by three parties: debtors, private creditors, and government and their multilateral Institutions (Ffrench-Davis, 1994). The majority of the "debtor's party" consisted of Latin American nations that had high rates of debt that were difficult to pay off. In other words, the Latin American countries were guilty of short-sightedness. Thus, through the use of external bank loans, Latin American debtors

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increased their spending capacity (consumption and investment) and caused them to be trapped in a debt crisis between 1976 and 1981 (Onyekwelu, 2014).

The second party that caused the Latin American debt crisis was private creditors or lenders who showed no reticence in providing the resource. Especially the market dynamics of the 1970s made lenders more eager to lend. Their eagerness was increased when they made a concerted effort to convert the substantial financial resources they were obtaining from nations that produced oil into loans to Less Developing Countries (LDCs).

The governments of the industrialized nations and multilateral organizations like the World Bank and the International Monetary Fund constituted the third party. Generally speaking, they were in favor of debtor nations removing capital flow restrictions to their public and private agents and were neutral toward the growing level of indebtedness resulting from private international markets. These international institutions failed to see that the low real interest rates and the abundance of financial resources were, for the most part, cyclical phenomena rather than equilibrium ones, and that things could easily turn around at any time. In fact, prior to the crisis, a few IMF officials observed that:

"The overall debt situation during the 1970s adapted itself to the sizeable strains introduced in the international payments system... Though some countries experienced difficulties, a generalized debt management problem was avoided, and in the aggregate, the outlook for the immediate future does not give cause for alarm" (Ffrench-Davis, 1994, p. 24).

Throughout the 1960s and 1970s, Latin American countries borrowed vast sums of money to finance their burgeoning economies (Moyo, 2009). For instance, according

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to Moyo, the debt owed by Latin Americans to commercial banks rose at a cumulative annual rate of 20.4% between 1975 and 1982. Due to excessive borrowing, Latin America's external debt quadrupled from US$75 billion in 1975 to over US$315 billion in 1983—roughly 50% of the GDP of the region.

Despite the various initiatives to reduce debt among debtors in LDCs, by 2009, the totalled debt in the region amounted to US$ 898 billion and increased by 20percent within four years, amounting to US$1361billion. Per the World Bank Debtor Reporting System, despite the IMF US$ 57billion bailout package for Argentina in 2018, one of the region's giants, the totalled debt of the region at the end of 2018 was US$1868billion. The literature purported above indicated that the debt crisis of Latin American countries showed no sign of reduction from the 1970s through to the 2000s. Could this situation replicate itself in another sub-continent like the sub-Saharan?

2.2.2 Africa Debt Crisis

Although several economic and policy reforms such as Structural Adjustment Programme (SAP), Economic Recovery Programme (ERP), etc. pursued over the previous few decades, the majority of Sub-Saharan African nations have only seen modest growth, with high levels of debt, a sharp increase in inflation, massive budget deficits, and unsustainable Balance of Payments (BOP) deficits. According to Onyekwelu, the reasons behind these crises are a high debt load, declining terms of trade, and inadequate domestic policies. (Onyekwelu, 2014).

When the Sub-Saharan African debt crisis is examined as a crucial component of the global external debt crisis, the problem will be thoroughly understood.

This emerged in 1982 as a result of the following: the fall in commodity prices, particularly petroleum products, in the early 1980s; the enormous increase in the

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international lending rate in 1982; and the excessive borrowing by developing countries combined with the liberal lending by foreign commercial banks in the 1970s.

Like countries in Latin America and the Caribbean, the majority of developing nations that did not export oil turned to foreign borrowing prior to the global debt crisis of 1982 in order to cover the BOP deficits brought on by the current account deficit brought on by oil price shocks from 1973 to 1979. Due to the surge in oil prices, international commercial banks had access to large amounts of oil cash, increasing their liquidity and allowing them to lend money to countries without Early in 1982, there was a sharp decline in oil prices coupled with a sharp increase in the international lending rate, which led to balance of payments issues in numerous nations. Soon after, Mexico and other Latin American nations declared that they were unable to pay their creditors. Similarly, in Africa, according to Moyo (2009), some eleven countries, namely, Angola, Cameroon, Ivory Coast, Gabon, Gambia, Mozambique, Niger, Nigeria, Tanzania, and Zambia, defaulted on their obligation.

Due to the unfavorable terms of trade those economies faced, export earnings were also insufficient for debt servicing. Countries' debt stocks were rising at a time when export revenue was dropping as a result of the sharp decline in global market prices. As a result, imports were progressively reduced in order to address growing current account deficits. The state of the world economy continued to deteriorate, and as debt default spread throughout Latin America and other economies, it signaled the beginning of the debt crisis in heavily indebted developing nations as well as Sub-Saharan Africa (Akingbade Urungbodi Aimola, 2018).

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Additionally, since 1982, a considerable amount of the debt growth in Sub-Saharan African nations has been caused by outside factors beyond the control of these economies. Beginning in 1989, there was a persistent decrease in trade, high interest rates, currency rate mismatches, unrestricted fluctuations in export revenue, and debt rescheduling and refinancing. From 1989, there was a continual decline in terms of trade, high-interest rate and exchange rate misalignment, untampered fluctuations in export earnings, and rescheduling and refinancing of debt. From the ongoing argument, the egress of the debt crisis in Sub-Sahara Africa and that of Latin American countries has no divergence. Therefore, accumulation of debt crisis in developing countries is rooted in the same causes (Aryeetey and Fosu, 2003).

Additionally, since 1982, a considerable amount of the debt growth in Sub-Saharan African nations has been caused by outside factors beyond the control of these economies. Beginning in 1989, there was a persistent decrease in trade, high interest rates, currency rate mismatches, unrestricted fluctuations in export revenue, and debt rescheduling and refinancing contracts. According to Drouin (1989), there were payment arrears in 27 out of 44 Sub-Saharan African countries. As a result, debt financing and rescheduling were used to address the debt crisis. Although this tactic appeared to relieve debtor nations of their short-term debt service burden, it actually caused debt to be continuously postponed into the future without identifying the underlying structural flaw in their economies that gave rise to the crisis. This state of affairs continued until the 1990s, at which point the majority of the region's countries' debt levels were declared unsupportable.

In an attempt to reduce external indebtedness, International Financial communities have been assisting debtor countries since the emergence of the debt crisis (IMF, 1998). This help came in the form of debt relief and loans to developing nations that

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required significant concessions. According to advice from the global financial community, most developing nations—including those in Sub-Saharan Africa—have implemented some economic reforms to lessen debt crisis hikes and their detrimental effects on growth. Those initiatives include the Heavily Indebted Poor Country (HIPC) initiative in 1996, as well as the Structural Adjustment Programme (SAP) and Economic Recovery Programme (ERP) that were influenced by the World Bank and IMF and implemented in the 1980s.

Through institutional and structural reforms, the SAP and ERP were designed to reduce the debt load that beset developing economies and restore their international creditworthiness. The short-term goal of the SAP was to stabilize the macroeconomic environment, and the medium- and long-term goal was to guide nations toward sustainable growth. Nations were forced to forgo their own macroeconomic strategies in favor of those advised by the World Bank and the IMF. The SAP was characterized by the devaluation of national currencies, the adoption of austerity measures, the reduction of public spending, and the layoff of public sector employees.

In most Sub-Saharan African international locations, the era of SAP meant a lower in earnings, high unemployment, increasing poverty, austerity, and a declining fashionable of residing (Iyoha 1999; ILO, 1996). as an example, at some stage in the era implementation from 1983 to 1992 in Ghana, about 2 hundred,000 authorities personnel noticed their jobs eliminated or salaries lowered in cost-cutting efforts (Terry, 2019). consequently, a few resisted the SAP and ERP initiative and undertook the partial implementation of the programme; for this reason now not a good deal became done in terms of growth. Following the implementation of SAPs, Sub-Saharan African international locations have deserted medium to lengthy-term boom

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goals (UNECA, 1989). ILO (1996) report recommended that Sub-Saharan Africa grew by way of 3/4 in keeping with cent from 1974-1980, falling to at least one.7 per cent for the duration of 1981-1990 and plummeting to 0.6 per cent for the period of 1991-1993. by using the end of 1990, countries in the area began to desert SAP and ERP programmes because of their failure to fulfil outlined boom targets. outside money owed of emerging international locations escalated to unsustainable tiers regardless of the chronic rescheduling. The debt of SSA increased from US$60.71 billion to US$176.36 billion, representing a one hundred ninety-five in step with cent growth for the last decade of 1980 to 1990 (international financial institution, 2015). A standard feeling of development screw ups amongst developing international locations compounded the state of affairs.

African-debt disaster worsened within 1990s while the external debt gross domestic in Sub-Saharan product ratio jumped from 51% in 1982 to 100% in 1992, and its debt grew to four instances its export income within the early 1990s with the aid of 1998, sub-Saharan Africa's debt inventory were estimated at US$ 236 billion, and that of the entire continent turned into over US$ 300 billion. Africa's debt burden is two times that of every other area in the global, it consists of eleven% of the developing international's debt, with simplest 5% of its profits. GNP in sub-Saharan Africa is US $308 according to capita, at the same time as external debt stands at $365 according to capita (Dawelbait, 2015).

According to the World Bank report in 2019, which summarized Sub-Saharan Africa Debt, net financial flows were reduced in 2018 by 61.1% compared to 96.5% in the year 2017, and this was due to the contraction of net debt inflow from 62.9% to 35.0%. Consequently, this affected the net equity flows as well. There was a sharp contraction in net debt inflows due to investor concerns over macro-economic and

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fiscal policies, thereby calling of assets in South African bonds. Private ’creditors’ share of the disbursement also rose to 46% in 2018 due to large Eurobond issues by Cote d’Ivoire, Ghana, and Senegal. However, disbursement from Multinational and bilateral creditors began to fall. The rise in external debt stock exceeded the economic growth in many Sub-Saharan African countries. The external debt ratio to GNI averaged 36% in 2018, which was over 40% higher than in 2009 (Moyo, 2009). Between 2009 and 2018, combined GNI rose to 51%, whereas the combined external stock increase was an averagely of 117%. This means external debt stock was far more accelerated by GNI over the period. In comparison, external debt stocks in Ethiopia rose to 423% compared to its GNI in 159%, 38% in Rwanda compared to 74% GNI and 345% in Uganda concerning its GNI of re 49% respectively. This shows that these countries’ external debt stocks accumulated exceed that of their Gross National Income (GNI), and as such, these are at a debt (IMF, 2018)

2.2.3 Ghana’s Debt Crisis

The origins of Ghana's debt can be traced to the early post-colonial period. The nature, composition, and handling of public debt have undergone significant changes over the course of several decades (Aimola, 2018; MoF, 2017). Following its independence in 1957, Ghana initiated a swift transition from a primarily agricultural economy to a mixed agricultural-industrial one. The government utilized its foreign exchange earnings and tax revenue to fund the necessary investments for industrial and agricultural projects. However, these resources proved insufficient, compelling the government to resort to deficit financing and foreign borrowing to cover essential imports and state initiatives. Many projects' land and equipment were largely financed through foreign suppliers' credits. The rapid maturity of these credits and the heavy reliance on them led to early debt issues in Ghana's post-independence development

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efforts. The implementation of these and numerous other projects dictated the rate of debt accumulation in the country (AFRODAD, 2013).

Ghana's external debt increased dramatically from virtually zero at independence to nearly $600 million, predominantly composed of suppliers' credits (over 80%) that were due for repayment (AFRODAD, 2013). By the mid-1960s, Ghana found itself grappling with debt and escalating inflation. The debt burden during this time was partially addressed through debt rescheduling agreements in 1966, 1968, and 1970 (Aryeetey & Fosu, 2003).

In the 1970s, Ghana did not accumulate significant additional foreign debt due to being blacklisted by the international financial community following its repudiation of some external public debts. In 1983, Ghana agreed to undergo structural adjustment reforms under the guidance of the World Bank and the International Monetary Fund (IMF). The 1980s saw an increase in total external public debt due to the implementation of the Economic Recovery Programme (ERP), which had most of its projects funded by foreign loans. Among other objectives, the ERP aimed to help Ghana overcome its debt and balance of payment challenges by boosting exports and attracting foreign direct investment (AFRODAD, 2013).

The 1990s witnessed considerable changes in Ghana's public debt landscape. The total public debt to GDP ratio decreased from 339.7% in 1990 to 142.2% in 1999, with external public debt making up more than 80.0% of the total debt portfolio (World Economic Outlook Database, 2018). During this period, external public debt

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rose by an average of 7.6% annually (Fosu, 2001). By the end of 2000, the external public debt stock stood at US$5.58 billion, while the total public debt to GDP ratio was 182.2% of GDP. Public debt servicing accounted for 32.0% and 39.0% of total government expenditure in 1999 and 2000, respectively (AFRODAD, 2013).

In 2004, Ghana obtained debt relief under the Highly Indebted Poor Countries (HIPC) initiative, resulting in a -12.5% decline in external public debt stock from US$6.99 billion at the end of 2003 to US$6.12 billion by the end of 2004. Further debt relief was secured under the Multilateral Debt Relief Initiative (MDRI) in 2006, leading to a -62.6% decrease in external public debt stock from US$6.05 billion in 2005 to US$2.26 billion in 2006 (WAIFEM, 2007). Annually, Ghana forfeits approximately 30% of its government revenue to external debt payments, despite substantial debt forgiveness in the early 2000s. These payments stem from additional loans obtained from international financial institutions like the International Monetary Fund and World Bank, which are used to service interest on previous debts while the overall debt burden grows. Some experts attribute the root causes of the debt crisis to continued reliance on commodity exports and irresponsible borrowing and lending practices. This dependence on commodities was not unique to Ghana but was a central factor in the debt crisis affecting the global South during the 1980s and 1990s. The decline in global commodity prices at the beginning of the 1980s rapidly increased foreign debt payments, which could only be settled through foreign earnings such as exports. As commodity producers worldwide increased production to repay debts, following IMF and World Bank advice, commodity prices remained low for over two decades (IMF, 2018).

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Since 2011, Ghana's economy has continued to rely heavily on the export of three primary commodities: gold, cocoa, and oil. These commodities account for more than 80% of Ghana's exports. As prices rose, lenders became more willing to extend loans to the growing economy, matched by a corresponding willingness to borrow. Loans steadily increased from 2008 to 2011. Between 2007 and 2015, Ghana received \$18.2 billion in external loans and made \$9 billion in debt payments, leaving \$9.5 billion of additional borrowing for domestic use. The country's external debt surged from \$14.7 billion in 2013 to \$21.1 billion in 2016 (a 44% increase) due to the downturn in the commodity market and the depreciation of the Ghana cedi (Jubilee Dept Campaign, 2020).

According to the 2018 annual public report, Ghana's public debt stock in nominal terms as of the end of December 2018 stood US\$35,888.5million, comprising external and domestic debt of US\$17,868.5million and US\$18,020.0 million, respectively. External and domestic debt accounted for approximately 49.7% and 50.3% of the total public debt stock, respectively, by the end December 2018.

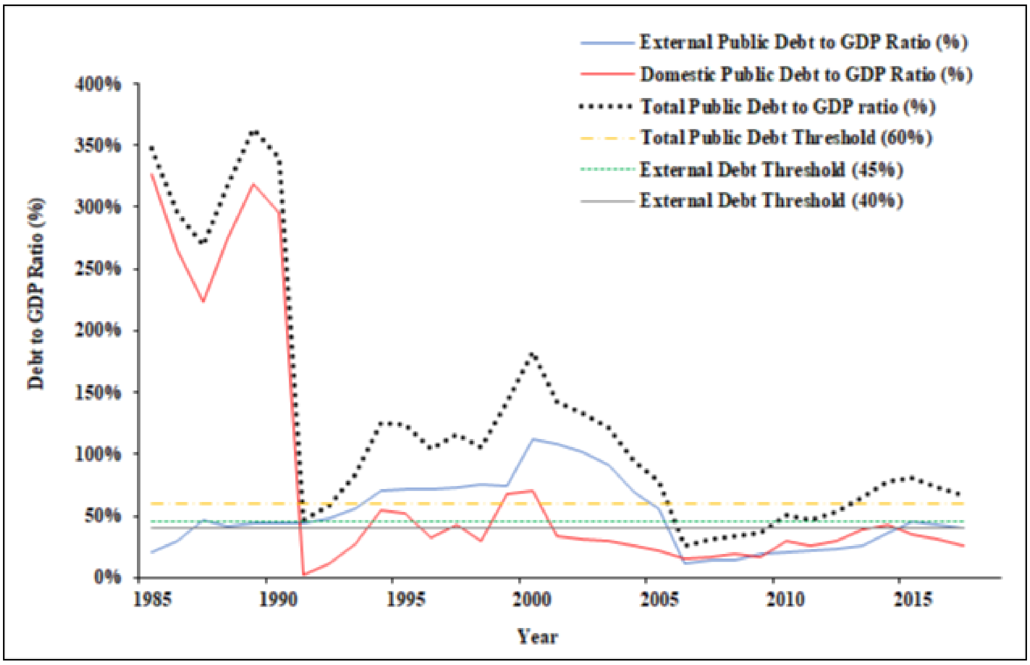

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Figure 2.4: Ghana's Public Debt

Source: (Aimola, 2018)

From fig. 1.4 the nominal total debt stock increased from GH¢0.12 billion in 1985 to a maximum of GH¢122.66 billion in 2017. As a percentage of GDP, the ratio represents a decrease from 347.8% in 1985 to 67.0% in 2017, with a minimum of 26.2% in 2006 and a maximum of 363.4% in 1989. The ratio between 1985 and 2004 before external public debt relief averaged 179.8% compared to 56.0% between 2007 and 2017 after external public debt relief (Bank of Ghana, 2018, World Economic Outlook Database, 2018, and Aimola, 2018).

Ghana's nominal public debt to GDP ratio was unsustainable for the period 1985 to 1990, 1993 to 2005, and 2013 to 2017, with ratios elevated above the West African Monetary Zone's (WAMZ) internationally recognised threshold of 60.0% (World Economic Outlook Database, 2018). Ghana during these periods was unable to meet its debt service obligations in full without recourse to debt relief, rescheduling, or accumulation of arrears (Shakira and Prizzon, 2015). On the other hand, the country-maintained ratios below the threshold for the period 1991, 1992, and 2006 to 2012 (World Economic Outlook Database, 2018). The maintenance of sustainable ratios between 2004 and 2012 resulted from a significant reduction in external debt stock from external debt relief in 2004 and 2006. After the debt deal, the total nominal public debt to GDP ratio fell significantly from 121.4% in 2003 to 94.1% in 2004 and 26.2% in 2006 (World Economic Outlook Database, 2018; WAIFEM, 2007). It is, however, important to note that with the ratio at 67.0% for 2017, the prevailing macroeconomic environment may make this ratio susceptible to unfavourable changes shortly. Hence, maintaining ratios below the 60.0% WAMZ's threshold should be

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centred on credible and sustained fiscal consolidation, supported by an appropriate debt management strategy (Aimola, 2018).

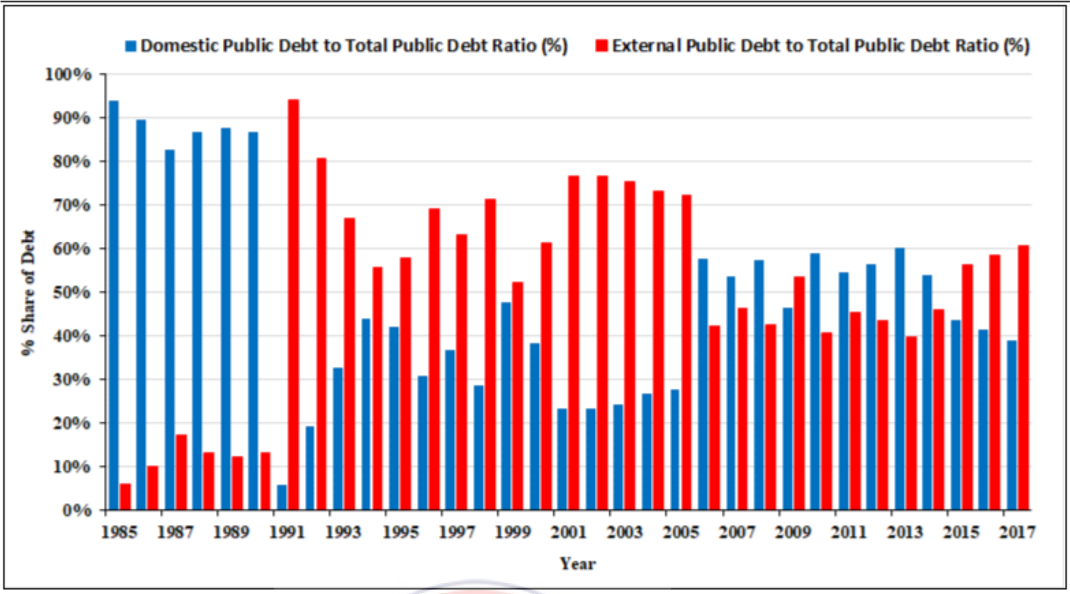

Figure 2.5: Comparisons Debt Stock in Ghana (1985-2017)

Source: (Aimola, 2018)

The figure above illustrates the evolution of Ghana's total public debt stock composition from 1985 to 2017. In 2017, the breakdown of Ghana's total public debt stock consisted of 39.1% domestic public debt and 60.9% external public debt. This marks a significant shift from 1980, when domestic public debt accounted for 95.4% and external public debt for 4.6%. The relative proportions of external and domestic debt have fluctuated since 1985. Domestic public debt was predominant from 1985 to 1990, while external public debt took the lead from 1991 to 2005. In 2006, domestic public debt once again became the primary component of total public debt until 2014. However, from 2015 to 2017, external public debt regained dominance (Bank of Ghana, 2018c and World Economic Outlook Database, 2018).

2.3 Concept of Foreign Policy

There are two policies that independent countries across the world pursue, thus domestic and foreign policies. Each of these is considered as policy of the

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government. Domestic and foreign policies are all techniques that countries use, while the former is used to achieve internal objectives; the latter is used to achieve external objectives (Asare, 2011). Various countries employ different strategies to accomplish these objectives. For instance, in the international arena, developed countries can offer financial assistance to other countries to change certain domestic policies. In the history of international relations and diplomacy, according to Asare (2011), developed countries and intergovernmental organizations have been known for offering financial and technical assistance to developing countries to pursue certain policies.

Foreign policy is an integral component of national policy, not a separate entity. It encompasses national interests that are pursued in relation to other nations. Most countries shape their foreign policies within the constraints of their capabilities and the realities of the global landscape. The scope of foreign policy extends beyond political matters to include non-political relationships as well. Scholars in International Relations have offered various interpretations of foreign policy. Modelski (1962 p. 37) defines it as "the system of activities evolved by communities for changing the behaviour of other states and adjusting their activities to the international environment". While Modelski's definition emphasizes policy aspects aimed at altering state behavior as primary foreign policy objectives, it is important to note that foreign policy encompasses both behavioral changes and the maintenance of existing behaviors at different times. It addresses both change and the status quo, insofar as they serve national interests.

In the words of Gross, "foreign policy is totality of its dealings with the external environment. Foreign Policy is the overall result of the process by which a state translates its broadly conceived goals and interests into specific courses of action to achieve its objectives and preserve its interests" (Gross, 1994 p.21), gross definition

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puts different things in perspective. Thus, foreign policy functions can be extracted from the Gross definition; first, foreign policy is to attain its conceived goals, which he classified as "objectives" and second, to pressurise its national interests.

In Huge Gibson insight, "foreign policy is a well-rounded, comprehensive plan based on knowledge and experience for conducting government business with the rest of the world. It is aimed at promoting and protecting the interests of the nations. This calls for a clear understanding of those interests and how far we hope to go with the means at our disposal. Anything less than this falls short of being a foreign policy" (Huge Gibson, 1994 p. 57).

An interesting addition to the definition of foreign policy in Held et al., insight is how far states are willing to go with the means at their disposal to achieve their interests. This connotes that the state employs diverse ways to achieve their national interests.

From the ongoing argument, Foreign Policy is the actions, intentions, and well formulated contrive or policies that actors use about their external environment. This implies that all actors in the international system have intentions or gains for every action taken in the international arena. Every action or decision that has been taken by actors (States) in the international realm is backed by interests perceived to be a national interest. Such perceived national interests are policies that actors seek to achieve in their relations to other actors in the international system. Actors seek to achieve their national interest through a well-formulated policy based on available resources at their disposal (e.g., economic, military, technology, population, alliances, ideological, etc.).

2.4 Determinants of Ghana's Foreign Policy

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According to Frankel (1963, p.43), foreign policy serves as a connection between domestic and international politics. It is considered a point where internal and external political forces converge. In essence, a nation's foreign policy is shaped by two primary factors: international (external) and domestic (internal) influences. These elements are crucial in molding and shaping foreign policy decisions (Held et al., 1966). Given that foreign policy generally involves interactions between states at the global level, this international aspect cannot be overlooked when examining any country's foreign policy. While experts recognize the significance of both international and domestic factors, they contend that international considerations play a more crucial role in determining a nation's foreign policy approach.

For every country, specific agencies, ministries, or departments are mandated for foreign policy. In Ghana, the Ministry of Foreign Affairs and Regional Integration has been the sectorial body responsible for Ghana's external relations; in Nigeria, it is the Ministry of Foreign Affairs. In the United States, it is the Department of State and Commonwealth Office (Foreign Office) in the United Kingdom.

Factors responsible for the conduct of foreign policy are categories into external and internal factors; however, other authorities' categories under internal factors, external factors and idiosyncrasies. The main external factors that determine the foreign policy of a state are but are not limited to; the international system or power structure, international law, international organizations, alliances, and military strength or arms race. Like the external determinant factors, internal environment of the state also influences the nature and course of its foreign policy. Countries differ in size, socio-economic development, and political regime. They also differ in political institutionalizations and societal structures, military and economic capabilities, and strategic cultures. In the same vein, public opinion, national role conceptions,

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decision-making rules, and personality traits of political leaders vary from one state to another. In relation to the influence of the debt crisis on Ghana's economic diplomacy, economic capabilities, ideology, and international organization as internal and external determinants of Ghana's foreign policy, respectively are analysed.

2.4.1 International Organization

according to nigeria monthly magazine 2008 ghana among other countries inafrica inherited a developed economy from the colonial rulers british the economy was tied to the capitalist system with many foreign investors preferring to invest in the country the structure and development of the domestic economy were thus supported by international capital international organisations of which ghana is a member include the United Nation and Economic Community of West African State ECOWAS regional economic community's rec IMF/MB and African union au among others these various systemic actors condition a country's foreign policy Ghana like other developing countries depends on external assistance for its well-being this therefore implies that Ghana's foreign policy is non-confrontational in terms of international organisations and other economically powerful states in the world these organisations especially the IMF/WB influence a country's foreign policy through the conditions they attach to the financial assistance and other forms of aid they provide to the needy countries (Abdi, 2016).

In addition to Abdi's view, Keohane (2005) expressed that International Organisations such as International Money Fund, World Bank etc. must have laid down guidelines that their member countries must follow if they want to get loans or attract foreign investments to generate growth and improve their people's standard of living. They lower the cost of establishing and implementing the agreement, enabling

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nations to collaborate in ways that benefit both parties. International Associations offer significant channels for collaboration in areas of shared interest and structure for states' dialogue and collaboration on issues that have been mutually agreed upon.
Their procedures and rules create informational structures. Keohane's (2005) argument on International Organisations as the determinant of foreign policy further posits that such institutions determine what principles are acceptable as the basis for reducing conflict and whether government actions are legitimate or illegitimate. In following the rules of well-established International Organisations such as IMF, WB, etc., they directly or indirectly influence the foreign policies of members through policies and conditionality's. In a similar vein, since the UN's mission is to seek international peace, Ghana as a member has been contributing in terms of troops which also shapes the country`s foreign policy. This means that, whatever the aims and objectives of the organisation, Ghana's foreign policy would be geared toward that direction.

2.4.2 Economic Capabilities

Economic capabilities had been the core bedrock of many countries' external relations. Ghana's foreign policies over the years had been implemented on the foundation of the country's economic interest. Various regimes before the appearance of the PNDC in the national political limelight had pursued various economic policies to promote economic growth and national development (Asamoah, 2014).

The economic determinant of Ghana's foreign policy under the fourth republic began with Marxist-Leninist, the socialist and statist orientation of economic, social, and political development. Adams (2020) opines that the PNDC regime committed an 'ideological suicide' in its socialist, populist and anti-west development paradigm due

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to factors beyond the regime's capability. Therefore, the regime had to alter or modify its government-led economic indoctrinations or biases to a Neoliberal or free-market economy i.e., a laissez-faire economy driven by the individual without governmental controls under the IMF/WB conditionality's for aid. The PNDC regime had no alternative than to accept the IMF/WB economic package in the form of the Structural Adjustment Programme and Economic Recovery Programme.

Early in 1982, the nation's economy was in such bad shape that only forceful and realistic actions could save it from collapse. The World Bank and the IMF sponsored the government's 1983 launch of the Economic Recovery Program (ERP) (IMF, 1995). The ERP's primary goals were to lower Ghana's debt and strengthen its standing as a trade partner in the world economy. The program's declared goals centered on increasing economic production at the lowest possible cost to the government. The measures include: strengthening Ghana's economic institutions; lowering inflation through strict fiscal, monetary, and trade policies; boosting foreign exchange inflow and allocating it to priority sectors; reviving production incentives; and renovating infrastructure to improve export and production conditions. In short, the government hoped to create an economic climate conducive enough to generate capital (Asante, 1997).

This led to privatisation and the establishment of radical foreign exchange reforms and further devalued the cedi. Even though privatization was inactive, the hard-currency black market was nearly eliminated with the introduction of foreign exchange bureaus in 1988. Further increased imports financed by the IMF, the World Bank, and other sources made possible the rehabilitation and repair of some key parts of the infrastructure through the supply of spare parts and inputs for industry, mining,

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utilities, and agriculture (Boafo-Arthur, 1999). Although the ERP primarily geared towards restoring the country's international economic standing, it came under popular criticism in Ghana for ignoring the plight of those not involved in the export sector. The overwhelming shift was toward cocoa rehabilitation and other export sectors, not food production. Government employees, especially those in state enterprises, were actively targeted, and many lost their jobs. Both parties with alternate power under the fourth republic of Ghana were susceptible to pro-capitalist ideology and maintained economic diplomacy (Boafo-Arthur, 2007). This economic diplomacy has remained a major determinant of Ghana's foreign policy to date.

2.4.3 Ideology

According to Botchway and Amoako-Gyampah (2021), Ghana's foreign policy under the first republic was systematically expressed ideas, which was crowned in non-alignment. Ideologically, Ghana's first President adopted a more flexible form of non-alignment to safeguard the Pan-Africanism goals. In addition, Nkrumah developed and formulated Ghana's foreign policy, as part of a broader nation-building exercise, which was to help and put Ghana in an independent position therein-international arena. This ideology of Nkrumah put the country's foreign policy on neither the Western nor Eastern or Soviet bloc (Teiku and Odoom, 2013; Botchway and Amoako-Gyampah, 2021).

The National Liberation Council (NLC) took over from the Conventions People's Party and Nkrumah's administration. The foreign policy of Ghana under the NLC, according to Botchway and Amoako-Gyampah (2021) and Chazan (1984), shifted from the 'middle ground' of non-alignment to the West. The Western ideology persisted through the elected government under K.A Busia and the Progress Party's

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administration in 1969. To some analysts, Busia's western ideology did not only entirely abrogate Ghana's foreign policy but shifted it towards the capitalist ideology. Positive neutrality and non-alignment were restored to Ghana's foreign policy scene shortly after the NRC overthrew Busia's administration. Ideologies varies from regimes to regimes in Ghana, have been moving front, and back through the non-alignment, pro-capitalist and socialist dimensions. Under the fourth republic, Ghana's foreign policy changes much stress on the strategies of its implementation. According to Boafo-Arthur (2007), this is due to both parties that alternate political power held the same pro-capitalist ideologies.

2.3.1 Ghana's Foreign Policy since Independence

Even though Ghana had diplomatic relations prior to its independence, Nkrumah's appointment as prime minister in 1957 gave the indigenous people authority over the country's foreign policy (Debrah, 2002). Despite the wide range of viewpoints found in the literature on Ghana's foreign policy, there appears to be agreement on four key topics or aspects that defined Ghana's foreign policy. The first of these is that the recently independent state become quite involved in world politics, particularly with regard to issues affecting Africa. Nonalignment, aiding liberation fighters with training and finances, resolving conflicts and maintaining peace, fostering African integration and unity, and extraversion politics were among the measures done. politics of extraversion peacekeeping, extraversion politics, and the advancement of African integration and unity.

Second, it is widely acknowledged that Nkrumah's ideas and personality influenced Ghana's foreign policy from 1957 to 1966. Academics contended that Nkrumah's ideologies and philosophy influenced Ghana's foreign policy. Furthermore, Ghana's global influence in the 1950s and 1960s went beyond its strength in the military and

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economy. Through a combination of the influence of regionalism, bloc politics (between Eastern and Western factions), threats to change allegiance, and non-alignment, Ghana skillfully used the current international system. Finally, historians contended that Ghana's connections with the industrialized world or developed states were determined by economic interests (Armah, 2004; Asamoah, 1991; Gebe, 2008; Odoom & Tieku, 2012; Thompson, 1969).

In 1969, Scott Thompson published a groundbreaking analysis of Ghana's foreign strategy in his key work. It lays the foundation for later authors to build upon. Thompson characterizes Ghana's post-independence foreign policy as ambitious for a small nation that had just gained its freedom. Nkrumah made it quite evident on the eve of independence that the goal of the foreign policy was to lead African unification and emancipation. This will significantly raise Ghana's power and influence as a tiny nation. Thompson referred to this as an ambitious foreign policy stance. Two historic conferences were arranged to advance these policy goals. Thompson notes that the goal of organizing the meeting of Independent African States was to build diplomatic ties with recently independent states.

According to Thompson, Nkrumah did not get from the African Peoples Conference the foundation for the liberation he aimed to achieve on the continent, which is why it was unsuccessful. Thompson claims that Nkrumah's foreign policy during the stormy early 1960s can be explained by the excesses of the Congo crisis. According to him, Ghana's effort in handling the crises had a big impact on global politics and society at large.

The irony is that Nkrumah's prominence was really lessened by a circumstance meant to preserve Ghana's and his image. He thinks that George Padmore's death in September 1959 had an impact on Nkrumah's African policies. Ghana's ties with the

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US and the UK were unaffected by Nkrumah's counter movements in Africa. Ghana had economic motivations for its interactions with these governments. Nkrumah required the financial assistance of the major countries to maintain Ghana's economy and advance his industrialization efforts. He went on to say that Nkrumah's views, philosophy, personality, and ideals were all reflected in Ghana's foreign policy. His perception of international organizations and the international system was shaped by his worldview.

But according to Thompson, one man cannot determine the course of a successful fore ign policy.

In addition to the Nkrumah personality's impact on Ghana's foreign policy, Thompson attributes other internal or event-related influences on Ghana's foreign policy.

However, Thompson feels that these internal sources or events had less of an effect on his African strategy than they did on his foreign policy.

According to Thompson, Nkrumah's foreign policy was doomed because to the confli ct or discord between diplomats and Para diplomatic agencies as well as internal party resistance from radicals who were fed up with his particular brand of socialism.

Ghana's relationships with the outside world were negatively impacted by the detention of opponents following the implementation of the Preventive Detention Act (PDA) and the Avoidance of Discrimination Act (ADA), which resulted in regular violence and tougher laws. According to Thompson, it became harder for the West to be publicly identified with the regime as popular disapproval of it increased. This is due to the fact that it was evident that these acts went against Western ideas and beliefs.

However, there was a shift to open Eastern relations. It would be out of place to engage in an analysis of Ghana’s foreign policy without due recourse and review of

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Open connections with the East, however, became the new norm. Conducting an examination of Ghana's foreign policy without first reviewing and referencing Thompson's key work would be inappropriate. It provides context for research on Ghana's foreign policy. This is due to the fact that its emphasis was on the Nkrumah era, which was the foundational and crucial period of Ghana's foreign policy. Furthermore, and this is highly pertinent to our study, Thompson highlighted factors that influenced Nkrumah's foreign policy, including public opinion, the ideology of the leader, and domestic economic situations.

A simple examination of the literature, however, indicates that it mostly focuses on the Nkrumah era, leaving the other regimes particularly the fourth republic open to criticism. This study aims to address the vacuum in the literature by examining the impact of Ghana's debt problem on its economic diplomacy, or foreign policy, in light of Thompson's limitations in not analyzing foreign policies under the fourth republic.

Two key characteristics have characterized Ghana's foreign policy since independence, according to Chazan's (1984) analysis of the country's foreign policy. First, several foreign policy options have been taken and tested with by Nkrumah and his successor governments. These characteristics of foreign policy include intended isolation, Western and Eastern orientation, non-alignment and positive neutrality, and external pleading. Second, she believes that Ghana's standing in the world has been steadily deteriorating notwithstanding these differences in the foreign policy stances of the various administrations. This could be as a result of African nations gradually gaining their freedom.

Although Thompson minimized the influence of outside forces, Chazan thinks that Nkrumah's regime's modifications to Ghana's foreign policy resulted from a

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methodical reaction to external pressures as well as interactions between Ghanaians and the Ghanaian government (Chazan, 1984). Ghana's foreign policy options are thought to have been limited by a confluence of external factors and occurrences. These concerns include the crises in the Congo and the Cold War. Chazan makes reference to three important and well-known topics that, in her opinion, dominated Ghana's foreign policy. These concerns include non-alignment, socialism, African liberation, and Pan-Africanism (Ibid: 98).

Like Thompson, Chazan believes that Nkrumah's ideals and character were directly reflected in Ghana's foreign policy. According to Chazan's analysis of Post-Nkrumah foreign policy, Ghana was introduced to the West and its Bretton Woods institutions by the National Liberation Council (NLC). They adhered to the International Monetary Fund's (IMF) rules. In 1969, the Progress Party (PP), led by Busia, adopted a similar stance. According to Chazan, Busia was more likely to reject and stray from Nkrumah's foreign policy philosophies because of his protracted opposition and Nkrumah's hostility toward him.

Chazan summarizes Acheampong's development plan as being predicated on two interrelated ideas: regional reallocation and self-reliance. She thinks that a crucial component of the NRC's development strategy was its external policy. When Acheampong took government, his policies of debt repudiation, "operation feed yourself," nationalizing foreign wood and mining companies, and reducing Ghana's reliance on outside knowledge made it clear what kind of leader he was. Developing cooperative links along the West African littoral was of utmost importance as it aided in the formation of the Economic Community of West African States (ECOWAS) (Dapaah-Agyeman, 2003:7).

While Chazan did not provide a clear explanation for the reasons behind the NRC's foreign policy and the transition to a quasi-Nkrumah Africa policy, it is thought that Acheampong's ideology (as a militant nationalist and Nkrumahist sympathiser; Aluko, 1975) and the state of the economy at home were major factors.

In general, Chazan agreed that a number of domestic and foreign events that happened after the coup are to blame for the modifications or shift in Ghana's standing internationally. This claim suggests that in the years following Nkrumah, a combination of internal and external factors weakened Ghana's standing abroad. This study builds upon her assessment of the two causes, which she attributes to domestic economic conditions and their interaction with international influences and the Ghanaian state. This is due to the fact that the primary emphasis of this study is the fourth republic, which was not included in her examination of Ghana's foreign policy.

According to Aluko (1975), there have been certain changes to Ghana's foreign policy since the country's independence. These changes include its relations with its neighbors and with West Africa as a whole, its policies towards the rest of Africa, and finally its non-alignment strategy. He recognized colonial history, the outside world, and the impact of the civil service as contributing causes to shifts in foreign policy.

Similar to Thompson (1969), Aluko notes that Ghana's foreign policy is significantly influenced by the country's civil service. The distinction is that whereas Aluko attributes the changes in Ghana's foreign policy to the civil service, Thompson saw it as a contributing element to Nkrumah's foreign policy missteps. Like other authors, he acknowledged the challenge of determining how home political pressure affects foreign policy. Aluko emphasized that one element that may assist explain the shifts in Ghana's foreign policy after independence is the ideological divergence of the ruling class. He asserted that this is the case because African leaders, similar to those

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in Afro-Asian republics, possess significant autonomy in formulating their foreign policy.

He saw that Nkrumah and his government were Marxist-Leninist radicals with a strong ideological bent. Busia and General Ankrah were seen as liberal democratic idealists and conservatives. According to Aluko, Acheampong and his lieutenants are just radical nationalists versed in revolutionary concepts. Aluko's research is considered a key source of information when analyzing shifts in Ghana's foreign policy. It makes use of the majority of the crucial elements that can explain a shift or continuity in foreign policy. Nonetheless, the scope restriction (1957 to mid-1970s) encourages the researcher to investigate these ideas in the fourth republic.

Odoom and Tieku (2012) conducted a study of the literature on foreign policy decision making and found that most of the books on the subject concentrate on the foreign policy experiences of highly industrialized nations, with very little attention given to emerging nations. Their fundamental contention is that, despite the fact that external causes have always influenced African and Ghanaian foreign policy, local variables and political leaders' logical assessments of Ghana's needs play a critical role in determining considerations. They think that domestic issues dominate Ghana's foreign policy (Odoom & Tieku, 2012).

Its drawback, meanwhile, is that it evaluates merely continuity without properly referring to the concept of change.

The limited examination of the human element in the formulation of foreign policy by regimes other than Nkrumah's is another shortcoming of Odoom and Tieku's work. The literature was unable to pinpoint additional domestic variables that impact foreign policy. Odoom and Tieku’s over focus on the personality of the leader is problematic.

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Additionally, the literature did not consider economic capacities when deciding on foreign policy. This study is an attempt to close the literary gap that has impacted it.

2.3.3 Economic Diplomacy

Regarding Arystankulova (2018), The goal of economic diplomacy is to sway international organizations' and other countries' policies and regulations. Economic diplomacy covers a wide range of topics, such as import-export relations, foreign trade, promoting national economic interests abroad, updating prospective foreign investors on investment opportunities, negotiating trade and economic agreements on trade cooperation, and working together to eliminate problematic divergences and harmonize standards in various sectors. Melissen & Peter (2011) divided the three functional levels of economic diplomacy into bilateral, regional, and as well as multilateral.

From a neoliberal standpoint, bilateral economic diplomacy is crucial to both diplomatic and economic interactions. It consists of bilateral agreements between two nations on a variety of legal and informal economic matters, including commerce, investment, employment, taxation, and more (Arystankulova, 2018). The norm now is the implementation of bilateral free trade agreements by numerous nations worldwide. In economic diplomacy, regional cooperation is becoming more and more important. Economic liberalization and national interests are well served, especially when considered in the context of a specific location. Within a regional framework, market liberalization and barrier removal are made easier. Within the framework of the World Trade Organization (WTO) and other international economic and financial organizations like the World Bank, International Monetary Fund (IMF), various UN agencies etc. The global trading system's policies have shifted with the creation of the

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WTO to favor the advancement of economic activity. However, maintaining competitiveness remains a significant issue for the tools and systems put in place by bilateral and multilateral trade agreements (Bayne and Woolcock, 2007). In the context of this study, economic diplomacy refers to any policies and initiatives that are implemented within the framework of the Bretton Woods Institutions, including trade agreements, investments, employment, taxation, and liberalization.

The West Africa Currency Board, West Africa Cocoa Research Institute, and West Africa Court of Appeal served as the foundation for Ghana's economic diplomacy following its independence and were intended to foster collaboration among the former British colonial dependents. Nkrumah started his economic diplomacy by asking the West for money to build the Volta Dam so that power could be produced. The goal of Busia's economic diplomacy was to entice international collaboration and investment (Boafo-Arthur, 1993).

According to Youry (1993), Busia spent the first weeks of his administration touring the United States to meet President Richard Nixon, attended the United Nations Summit, and met the IMF and World Bank representatives. Busia, also met United Kingdom's Prime Minister, Harold Wilson, and the French President, George Pompidou. Libby (1976) also asserts that Ghana was to prepare an agreed programme with the IMF to restore basic preconditions for stable growth of the economy, with particular concern for avoiding inflation and trying to draw as much as possible from the Fund. These overtures confirmed Ghana's Pro-Western orientation and resulted in the rescheduling of Ghana's debt. Debrah (2002) also asserts that economic diplomacy under Ghana's second republic was locked into a network of intergovernmental economic relations. With this network, the International Bank for Reconstruction and Development (IBRD) and the IMF affected policy formation and transmission.

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Under the NRC, Ghana's foreign policy was relegated to economic diplomacy. Acheampong abruptly and unilaterally announced that his government would annul all foreign loans that had been taken on by earlier administrations that were thought to be contaminated by wrongdoing. Distracted by the possible repercussions of his actions, to the dismay of many, Acheampong declared his infamous "Yentua" (debt repudiation) policy and surprise of the creditors in Ghana. According to him, the NRC expressly rejects any contracts tainted by fraud, corruption, or other criminal activity (Debrah, 2002).

Additionally, Acheampong expressed his disdain for the International Financial Institutions (IFIs) and refused to allow the IMF and the World Bank to negotiate Ghana's debt with her creditors.

Between 1979 and 1981, the People National Party led by Dr. Limann set to restore the nation's influence and the image it once had on the outside world, but his administration was short-lived. The Provisional National Defence Council took over the administration from Limann and embarked on aggressive foreign policy. This resulted in the establishment of a good relationship with IMF/WB and other IFIs and developed and developing economies. According to Shillington (1992), the relations with the West under the PNDC were predicated on good relations with the Bretton Woods institution. The PNDC virtually renounced socialism after executing IMF/WB imposed alleviating policies. Several funds run by Arab nations for Sub-Saharan African development provided support to the PNDC. For instance, in 1988, the Kuwait Fund granted the government $3.5 million for the Northern Power Grid at a three and a half per cent interest rate, three-year grace period, and a repayment period

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of fifteen years. In addition, Ghana received nearly $114 million in grants from the Saudi Fund for a variety of initiatives between 1985 and 1987.

Grain storage silos, Science College, Northern Power Grid, and port renovations in Tema and Takoradi are a few of the projects. The different loans had interest rates ranging from 1% to 4%. Giving

There were terms offered for repayment (Boafo-Arthur, 1993). Also, that year, the Arab Bank $10 million loan from the Bank for Economic Development in Africa (BADEA) to Ghana help revitalize the cocoa sector. There was a fifteen-year refund period and a grace period.

interest at 5% for a period of five years (Economist Intelligence Unit Country, 1998). Nonetheless, in the history of Ghana's tumultuous connection with the two Bretton Woods organizations, financial support for both short- and long-term programs was unique. According to Boafo-Arthur (1993), the PNDC caused the Ghanaian economy to become dependent on aid.

During the fourth republic, President Kuffour employed an assertive and forceful approach to international relations known as economic diplomacy.

Additionally, Japan waived Ghana's $1 billion debt (Boafo-Arthur, 2008). Ghana received a record-breaking grant of more than $500 million for economic development from the US Millennium Challenge Account because to Kufuor's economic diplomacy.

According to Mba (2015), the economic and financial crisis, which influenced the United States of America and Europe, most devastatingly, made the Mills administration turn more to the emerging economies like China and Brazil for economic assistance and those received from the traditional western development

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partners. Ghana's economic diplomacy has been liberal and opened its market to the outside world from independence to its current republic. However, under the current NPP administration, Ghana launched 'Ghana beyond Aid' policy. This policy, according to President Nana Addo Danquah Akuffo Addo, "is a prosperous and self-confident Ghana that is in charge of her economic destiny; a transformed Ghana that is prosperous enough to be beyond needing aid, and that engages competitively with the rest of the world through trade and investment" (Addo-Danquah, 2018). He also suggests that in order to move Ghana past aid, we must effectively utilize our resources and allocate them in a way that would hasten both social and economic change.

2.3.4 The Bretton Wood's Institution

A set of multilateral institutions was required to rebuild due to the global economic depression brought on by the aftermath of World War I (1913–1918), the start of World War II (1931), and the incapacity of the superpowers to pull themselves out of their current economic predicaments.

Two economists developed the plans for the system of Bretton Woods, the American minister of state in the U.S. treasury, Harry Dexter White, and the British economist John Maynard Keynes (Garba et al., 2015). They necessitated a meeting held in Bretton Woods, New Hampshire, in July 1944, led by the United States and the United Kingdom. The IMF (International Monetary Fund), the IBRD (International Bank for Reconstruction and Development) later called (the World Bank), and the ITO (International Trade Organization) later replaced by General Agreement on Tariff and Trade (GATT) and World Trade Organisation (WTO) were founded. These institutions were referred to as Bretton Woods Institutions Gilpin, as expounded by Onyishi and Amoke (2018), stated that the conference's vision was for a new global

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order in which member nations' governments would have a great deal of autonomy and/or choice in pursuing their own national economic goals. However, in order to prevent the damaging competitive depreciation and previous policies of the 1930s, the monetary order would be based on fixed exchange rates. Convertible currencies for current account transactions were one of the key topics covered at this summit.

Since then, the General Agreement on Tariff and Trade has evolved into what is today referred to as the World Trade Center. Furthermore, to stop and avoid more beggar-thy-neighbor trade practices, which academics continue to argue were a major cause of the recent global economic downturn (Stiglitz, 2004). The expectation was that the International Bank for Reconstruction and Development, which also became the World Bank, would help rebuild and reconstruct the war-torn continent of Europe.

In addition, contribute effectively to the development of the global backward areas or regions that later become known as the third world countries (Kapur, 1999). The International Monetary Fund was to provide liquidity for troubled economies and to sustain the global payment system. The IMF is also expected to supervise the operation of the international monetary system and provide medium-term lending to countries that are experiencing balance of payment trouble (Graham, 1988).

2.3.5 International Monetary Fund

On December 27, 1945, the 29 participating nations at the Bretton Woods conference signed the IMF's Articles of Agreement, formally establishing the organization. It started conducting business financially on March 1, 1947. According to the IMF's operating procedures, each member nation is required to provide a one-time financial contribution known as a "quota subscription" or "credit deposit." The IMF uses these quotas as its primary source of funding when extending loans to its member nations

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who are experiencing financial difficulties. In the event of payment difficulties, each country that has joined the system is able to immediately withdraw 25% of its quota; if this amount proves insufficient, the country may request further funding.

Repayment of the debts must occur as quickly as possible. Furthermore, the nation needs to show how the payment issues will be resolved. The amount of money a nation can borrow from the IMF increases with its contribution. Additionally, each member's voting power is determined by quotas (Iyoha, 1999).

From an organizational standpoint, the national economic policies of its members are outside the purview of the IMF.

The Executive Board, which consists of 24 Executive Directors and meets at least three times a week to oversee the execution of IMF policy, oversees the day-to-day operations of the IMF. One Executive Director, who is assigned as many votes as his country according to the quota regulation, is sent to the Board by the member nations with the highest quotas. The remaining directors are chosen by the remaining nations, and their number of votes is limited to what they received during the election (World Bank, 1995).

2.3.6 The World Bank

The World Bank is the world's most important source of financial aid for developing nations. It provides "nearly $16 billion in loans annually to its client countries. It uses its financial resources, highly trained staff, and extensive knowledge base to help each developing country onto a path of stable, sustainable, and equitable growth in the fight against poverty." (World Bank, 2015). Its goals are to improve living standards and eliminate the worst forms of poverty. It supports the restructuring process of economies and provides capital for productive investments.

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Furthermore, it encourages foreign direct investment by making guarantees or accepting partnerships with investors. The World Bank aims to keep payments balanced and fosters international trade in developing countries. It is active in more than 100 developing economies. It forms assistance strategies by cooperating with government agencies, non-governmental institutions, and private enterprises. It offers financial services, analytical, advisory, and capacity building. In terms of organization, the World Bank is an independent organization of the United Nations. Each country that wants to join has to be a member of the IMF. The highest authority of the World Bank is the Council of Governors, which consists of one representative of each country. The Executive Board consists of five Directors to whom the Council of Governors transfers responsibility for nearly all issues. The President of the World Bank is de facto elected by the U.S. government and then confirmed by the Executive Board (World Bank, 2015).

2.4 Theoretical Framework

The theoretical framework of the study analysis two different theories to explain different variables being investigated in the study. These theories are Neoliberalism theory and Debt Trap theory.

2.4.1 Neoliberalism

Various theories seek to explain the root causes of a debt crisis. Notable amongst these theories include the systems theory, modernisation theory, Marxist theory, and neoliberalism. Neoliberalism was used in the study to understand the root causes of the debt crisis in developing countries. Friedrich August von Hayek, whose attempt to reimagine classic liberalism in the 1930s and 1940s has remained more prominent

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during the final years of the cold war and beyond, is credited with helping to establish the foundations of neoliberalism (Kingfisher & Maskovsky, 2008).

However, John Williamson's Washington consensus—a compilation of policy recommendations that seemed to have garnered unanimous support among Washington-based international organizations such as the World Bank, Inter-American Development Bank, and International Monetary Fund (IMF)—is always cited as the definitive statement of the specific policies espoused by neoliberalism. However, neoliberalism is a new form of the same old economic liberalism enunciated by such early writers as the French economist Francois Quesnay (1694-1774) and the physiocrats, which Adam Smith later expounded in The Wealth of Nations (1776), published during the industrial revolution in Europe that began in the 1750s. The views of these authors were "liberal" in that they supported laissez-faire policy thrusts (Kottak, 2014). There shouldn't be any limitations on production, obstacles to trade, or subsidies.

Nevertheless, Keynesian economics—which rejected liberalism—was adopted in the wake of the Great Depression that swept through much of the West in the 1930s. John Maynard Keynes (1927, 1936) argued that central banks and governments should step in to boost employment and advance the general welfare (Soludo, 2008). Eventually, it was universally acknowledged that the goal of government should be to further the common good. Once more, the corporate elite was motivated to resurrect economic liberalism by the capitalism crises of the previous three decades and their declining profit rates. It is "neo" or new because of this.

Neoliberalism is just a more extreme version of hyper-liberalism, which holds that the government should not control free market forces or private enterprise. This is how it

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differs from the earlier economic theories. According to Kingfisher and Maskovsky (2008), the fundamental principles of neoliberalism are as follows: (i) privatization of state-owned businesses; (ii) unrestricted trade and investment between countries; and (iii) profits obtained by cutting costs, whether through increased productivity, hiring workers at lower wages, or firing employees.

According to Harvey cited in Osimiri (2013), the spread of neoliberal practices and ideology can be traced back to the 1970s, during the OPEC oil embargo. Prices of oil quadrupled in the international market. This placed financial power at the disposal of oil-producing states such as Kuwait, Saudi Arabia, Abu Dhabi, etc. The US allegedly threatened military action in response to the oil embargo against Arab states to deposit their excess 'petro-dollars in the Wall Street banks' (Hickel, 2012; Osimiri, 2013). Arab deposits, were lent to some developing countries with high-interest rates. By 1982, most banks in the US had lent over the twice-combined capital base to mostly non-oil producing developing countries (Kiley and Marfleet, 1998).

The World Bank, which up until the 1970s felt comfortable with ISI policies, together with the IMF, started to advocate large-scale privatisations, together with handsome loans to help economies adjust (Biersteker, 1990). Similarly, Steger and Roy (2010) advocate that the World Bank and IMF employed the neoliberalism ideology, which insisted on adopting structural adjustment programmes in return for much-needed loans. A similar situation persists in Ghana, especially within the study period, when the country turned to the International Financial Institutions for assistance. Among such SAPs that the IFS introduced in Ghana include Economic Recovery Programme (ERP), Enhanced Structural Adjustment Facility (ESAF), etc.

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According to Siddiqui (2012), the market reforms associated with neoliberalism are not novel. Such measures have already been implemented by the World Bank and IMF in nations in Latin America and Sub-Saharan Africa in response to the debt problems of the 1980s. He makes other references Although reduced growth has been observed during the last few decades under neoliberal policy, increased trade disparities, and declining social and economic circumstances in the majority of developing nations.

Weisbrot et al., (2005, p. 1) similarly share the view that “contrary to popular belief, the past twenty-five years (1980-2005) have seen a slower rate of economic growth and reduced progress on social indicators for the vast majority of low- and middle-income countries (compared with the prior two decades)”.

Between 1950 and the 1960s, various governments of Sub-Saharan African countries embarked on economic and social developments beyond their financial capabilities. In the following decade, most Sub-Saharan states turned to both international commercial banks and, in the process, tripled their collective debt to $235billion by the time the Third World Debt Crisis hit in 1982 (Steger and Roy, 2010). In response to this tragedy, the IMF and WB machinated restrictive SAPs that impel 29 Sub-Saharan African countries to adopt the neoliberal; model. In the same vein, Ayelazumo (2014) contends that the political and economic background against which neoliberalism was introduced in Ghana in 1983 was catastrophic. Aryeetey and Harrigan (2000, p.11) described Ghana’s economy as “nothing short of an unmitigated economic disaster.” To them, the real GDP per capita, real export earnings, cocoa exports, import volumes, domestic savings, and investment were all in shambles in the middle 1970s and 1980s, when Rawlings assumed power.

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Rothchild (1991) opined, that, the advent of neoliberal policies described the Ghanaian economy as one needing redemption. This period according to Konadu-Agyemang (2000), Ghana seems to have run into an economic downturn: imports declined over 33% earning, export also declined 52%, domestic savings and investment fell from 12% of GDP to almost zero, and inflation rose above 100% in the 1980s, and per capita GDP dropped from the 1960 level of $1009 to $739. By 1983, the situation compelled the Provisional National Defence Council (PNDC) led by Rawlings to make a U-turn from its initial Marxist/Populist rhetoric to implement the ERP in line with free-market doctrines of the Berg Report and the "Washington Consensus" (Ayelazumo, 2014).

The adjustment and stabilization policies implemented under the ERP rescued the economy from crisis, and began to grow. Similarly, Steger and Roy (2010) contend, "Rawlings gave up his national-populist stance when he realized the depleted status of his country's foreign exchange reserves. Accepting IMF imposed conditionality's, cutting state expenditures, promoting private sector development, attracting foreign investment, reducing capital controls and trade barriers, liberalizing exchange rates, and supporting joint ventures between foreign and local investors in exchange for much-needed loans, Ghana embarked in 1983 neoliberal Economic Recovery Programme. These neoliberal policies increased Ghana's relations with the West and began regulating the economy towards IMF module principles. This is similar to Jochnick (2001) assertion that, the IMF/World Bank neoliberal prescription manifest itself in currency devaluation, deregulation of prices and wages, removal of subsidies on necessities, trade liberalization, privatization of state-owned enterprises, and increased Western relations.

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In the same vein, Steger and Roy (2010) expressed this as “D-L-P Formula”: (1) Deregulation (of the economy); (2) Liberalization (of trade and industry): and (3) Privatization (of state-owned enterprises). Centrality to the adoption of the neoliberal idea by Rawlings was the transformation of the public sector into vibrant private companies that would create jobs, raise incomes and increase the flow of foreign investment to boost the privatisation of state-owned enterprises - hence driving the country toward neoliberal ideas. It is argued that serious domestic measures were needed to solve the economic problems, the approach of the PNDC administration fell short of the expectations of the West, whose support was tied to the pursuit of foreign economic and domestic policies acceptable to the IMF and World Bank, in particular, and Western donor nations, in general (Adams, 2020).

This has shifted Ghana’s external economic relations with the Eastern Bloc and its initial non-alignment to the Western donors. Ghana's foreign or external economic are now on the dictum of BWIs. Neoliberal policies interns liberalized African economies, and led to the privatisation of state-owned enterprises. For instance, in Ghana, many State-Owned Enterprises were privatised; Ghana Agro-Food Company (GAFCO) were sold to IBN-AG of Switzerland, Ghana Telecom to Telecom Malaysia, Tropical Glass Company Limited to Tropical Holdings West Africa Limited of Channel Island, etc. The debt crisis under the IMF/WB neoliberal prescriptive policies shows no progress.

The theory of neoliberalism advocates the diversion from government ownership and move towards free market. The theory helps to understand the shift from Ghana’s foreign policy of non-alignment from independence to Western dependence in the

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fourth republic. Again, the theory of neoliberalism helps to explain the origin and current debt crisis and debt overhang in the fourth republic of Ghana.

2.4.2 Critics of neoliberalism

Critics argues that advocating the use of free markets in areas such as health and education is misplaced because, these are public services that are not subject to the same profit motivation. In addition, the free market ignores the externalities of health and education. Adopting a free-market approach can lead to widening inequality and under-provision of an institution important for long-term investment in the economy. Critics of neoliberalism also argue that markets seldom operate optimally. They argues that supply-side forces can end up being governed by self-serving interests that have little to do with community values or even efficiency. Producers, for instance, can form cartels that distort prices and quantity; investors can become too risk-averse and thus under- or mal-invest (e.g., in low-income areas or capital-intensive sectors). In other words, too risk-taking and thus too eager to overinvest (or overproduce assets such as excess homes or excess credit as in the case of the 1980s). This may lead to asset bubbles that are prone to burst unexpectedly (the so-called "momentum" and reversal effects); (Vavanos and Wooley, 2011) or be oblivious to the costs of production in a country and what they entail for third parties (negative externalities). Suppliers can also engage in discrimination (refusing to offer services to some groups or discriminating in the hiring and firing personnel).

Furthermore, critics of neoliberalism argue that the growth of financial flows from capital deregulation has not necessarily helped economic development but instead has contributed to increased financial instability, which has caused wider economic

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shocks, e.g., post-2007 credit crunch. (Dell'Ariccia and others, 2008; Ostry, Prati, and Spilimbergo, 2009).

2.5 Debt Trap Diplomacy

Brahma (2017) promoted the term debt-trap diplomacy to describe China's predatory lending practices in which poor countries would be overwhelmed with unsustainable loans and forced to cede strategic advantage to China. According to Brautigam (2020), the term was first used in 2017; within 12 months, it quickly spread through the media, intellectual circles, and Western governments.

In debt-trap diplomacy, once indebted economies fail to service their loans, they are said to be pressured to support the creditor's interest. According to Brahma (2017), debt-trap diplomacy is part of China's geostrategic vision.

Debt Trap Diplomacy also describes a powerful country or institution seeking a saddle-borrowing nation with enormous debt to increase its advantage over it (Brahma, 2017; Maria, 2020). The theory of Debt trap postulate that the donor country intentionally extends excessive credit to a creditor country, thereby inducing the debtor into a debt trap. According to ISSAfrica (2020), this is done to extract economic or political concessions from the debtor country when it becomes unable to meet its repayment obligations. A debt trap is the consequence of systematic recourse to debt that thrives in contexts of increasing inequality and reduced government intervention (Bajo & Roelants, 2011, p. 72). On this basis, the operational definition for debt-trap is all conditionality's that induce or keep debtors or borrowing nations under contract. Such policies may include extended policies programme, the continuation of SAPs, etc. It can also said be the burden or disadvantages that debtor countries incurred due to extended credit facilities, huge years of the grace period,

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numerous loans payment reschedules, and huge interest of loans that makes its payment difficult.

Similarly, Weisbrot (2019) alludes that the IMF is accused of being a predatory lender, keeping emerging economies in debt. Both the World Bank and IMF have demanded Structural Adjustment Programmes as a condition to provide loans, often to governments who see these loans as a last resort. Furthermore, these institutions are criticized for increasing poverty by pressuring for privatisations and having ulterior motives of gaining advantage over central banks. These reasons describe the debt-trap diplomacy strategies being utilised by the BWIs. The debt trap theory used in the study help understand factors and reasons responsible for Ghana’s debt trap to the Bretton Woods Institutions and other donors. Again, the theory apprehends how debts overhung are used as medium to influence debtors’ economic policies and diplomacies.

2.6 Chapter Summary

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CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter explains the methodology adopted by the researcher to achieve the objectives of the study. It explains the research approach, design, study area, targeted population and unit of analysis. It also discusses the sample size and sampling technique, types and sources of data, research instrument and procedure, data analysis technique, ethical considerations and limitation of the study.

3.1 Research Approach

Saunders, Lewis and Thornhill (2003), define research as something that people undertake in order to find out new things in a systematic way, thereby increasing their knowledge. It follows that research is a planned activity, aimed at establishing new facts and information about a particular phenomenon. In the light of this, Thomas (2010), alludes that "all research is based on some underlying philosophical assumptions about what constitutes valid research and which research method(s) is/are appropriate for the development of knowledge in a given study" (p. 299).

A qualitative approach was chosen for this research. This was carefully chosen because it helps understand a particular social situation, event, or interaction (Locke, Spirduso, & Silverman, 1987, Creswell, 2014). It is largely an investigative process where the researcher gradually makes sense of a social phenomenon by contrasting, comparing, replicating, cataloguing, and classifying the object of study (Miles & Huberman, 1984, Creswell, 2014). Miles and Huberman (2009) allude that qualitative data are a source of well-grounded, detailed descriptions and explanations of processes in identifiable local contexts. The qualitative approach helps researchers to

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present chronological flow, provide clear events that lead to which consequences, and give a fruitful explanation. Harrison (2001) believes that, qualitative research analyses political behaviour and attitudes, which is not possible or desirable to quantify. Harrison (2001) further alludes that qualitative research allows greater expression and insight. These comparable advantages will help bring insight and orderly explanation of phenomena.

This study employs a transformative approach as its philosophical worldview. According to Mertens (2010), cited in Creswell (2014), a transformative worldview holds that research inquiries needs to be intertwined with politics and a political change agenda to confront social oppression at whatever levels it occurs. As further allude by Mertens (2010), the transformative approach is of special interest for groups that have been constrained by domination and strategies they use to resist challenges and subvert these constraints. In addition, the transformative paradigm explores research on inequalities based on the socioeconomic class that has resulted in asymmetric power relationships. Creswell (2014) argues that transformative research uses a programme theory of beliefs about how a programme works and why the problems of oppression, domination, and power relationships exist. Similarly, the study employs theories such as neoliberal and debt diplomacy theories to explain the north-south domination and relations.

3.2 Research Design

According to Durrheim (2004) cited in Owusu-Kwarteng (2019), research design is a planned framework for action that serves as a bridge between research questions and the execution or implementation of the research plan. In the words of McMillan and Schumacher (2001), research design is a plan for selecting subjects, research sites,

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and data collection procedures to answer the research question(s). They further added that goal of a sound research design is to provide results that are judged to be credible. Based on this, a Causal design was chosen to provide a detailed exploration of the concept of debt crisis and its' impacts on Ghana's economic diplomacy. A Causal design is thought to understand a phenomenon in terms of conditional statements. Causal design as a chosen research design help to measure what a specific change (debt crisis) will have on existing norms and assumptions (economic diplomacy). It was used because it gives greater confidence that the study has internal validity due to the recurring subject selections, and replication is possible.

Causal occurs when variation in one phenomenon, an independent variable, leads to or results, on average, in variation in another phenomenon, the dependent variable (Sacred Heart University, 2021).

3.3 Types and Sources of Data

The study explores both primary and secondary data. Primary data refers to data that is collected for the specific research problem at hand using the best procedures that fit the research problem. Secondary data, on the other hand, is data collected for different purpose but can be referred for another research problem (Hox & Boeije, 2005). In this study, primary data was collected through a face-to-face interview, using semi-structured interview guides. The secondary data was obtained from the internet, published journals, textbooks, articles and organizational reports. (eg. IMF reports, MoF annual reports, MFA reports etc.). The primary data added new perspectives to the existing knowledge on debt crisis and economic diplomacy while secondary data provides a perspective from previous studies.

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3.4 Research Instrument and Procedure

The study employs face-to-face interview through a semi-structured interview guide to obtain primary data. Longhurst (2003), defined semi-structured interviews as face-to-face verbal exchange of information between an interviewer and interviewee, when the interviewer prepares a list of predetermined questions but allow the interviewee to participate to explore issues, they feel are relevant but are not covered in the predetermined questions. In this study, the researcher developed a comprehensive interview guide, which served as a checklist to the topic to be covered in the interview process. The interviewees were in the process allowed to offer answers to other relevant issues that come up in the course of the interview. This research instrument enabled the researcher to delve deeply and explore the thoughts, feelings and beliefs of the participants about the impacts of debts overhung on Ghana's economic diplomacy.

On the procedure used, an introductory letter was taken from the researcher's school to introduce the researcher to the various participants of the study. All interviews were held in the offices of the participants. Some of the interviews were recorded with the permission of the participants to aid transcription. Some of the interview sections were also documented in a field notebook relative to refusal for recording. Averagely, a duration of 45 minutes was offered for an interview section.

3.5 Target Population

A research population is an aggregation of element from which the sample is taken (Trochim & Donnelly, 2001). The study's population were the Civil Service (Ministries) of Ghana, Academic Professors, and Think Tanks. The legal authority of Ghana's civil service is determined from Article 190(1)(a) of the 1992 constitution of Ghana and the Civil Service of Act, 1993 (PNDCL 327), to perform strategic

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functions in supporting the government to formulate and implement policies for national development. In the pursuance of its mandate, the civil service operate under the following five principles; Professionalism, Integrity, Accountability, Impartiality and Client sensitivity.

The functions of the civil service as stipulated in Section 3 of the Civil Service law, 1993 (PNDCL 327) are; "Initiate and formulate policy options for the consideration of the government, Initiate and advise on government plans; Undertake the necessary research for effective implementation of government plans; implement government policies; review government plans and policies; Monitor, coordinate and evaluate government policies and plans; and perform such other functions that the civil service council may direct".

Section 4 of the Civil Service Law 1993 (PNDCL 327), stipulates the membership of the Civil Service as anyone service in a post designated as civil service in (i) Office of the President (ii) a Ministry (iii) a government department at national, regional and district levels (iv) any other civil service department employed by or under the authority of this Act, the emolument attached to which are paid directly from the consolidated fund or other source approved by the government. According to Office of the Head of Civil Service (OHSC, 2018), the civil service consists of 35 sector ministries, 24 departments and 8 extra ministerial organizations.

Abraham (2019), clarifies that the term think tank and policy institutes are used interchangeably in extant literature. The term think tank is used throughout this study. Different school of thoughts and scholars interested in the study of these institutions and its influence on policy making has defined the term in various ways. According to Rich (2005), think tanks are "independent, non-interest based, non-profit

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organizations that produce and principally rely on expertise and ideas to obtain support and influence the policy-making process." Similarly, Abelson and Brooks (2017), defined think tanks as "organizations that carry out research and analysis of policy issues, whose primary function is to influence the ways those issues are thought about, and that produce policy advice and recommendations." Stones (2015), on the other hand, defined think tanks as "policy research centres engaged in policy analysis and advocacy that is directed toward government but also undertaken for international organizations, the business and non-profit sectors". From the above authorities, think tank can said to be organizations, corporations, or groups organized for interdisciplinary research with the objective of providing advice on a diverse range of policy issues and products through the use of specialized knowledge and the activation of networks. In Ghana, private think tanks gain root with move from authoritarian dictatorship to democratic governance in the early 1990s. Before this transition, think tanks only existed as state institutions (Abraham, 2019).

The target population for the study mainly consisted of directors at selected Ministries, the OHSC, and directors of some think tanks in Ghana. The selection was based on expert knowledge on the subject matter. The study selected four (4) ministries and two (2) think tanks to study how Ghana's debt crisis influences its economic diplomacy.

3.6 Selection Criteria

Since the study seeks to examine how Ghana debt crisis affects its economic diplomacy, the researcher included only directors of selected Ministries and Think Tanks in view of the fact that they are responsible and have in-depth knowledge of debt crisis and economic diplomacies. They comprised of directors of research, policy implementation and planning. In furtherance, the directors were considered on the

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basis that they have worked in their respective organization at least seven (7) years. Moreover, it was expected that various Ministries and Thank Tanks considered for the study should have existed for ten (10) years or more. In line with these criteria, the researcher exempted Ministries and Thank Tanks that have been in existence for less than ten (10) years.

Also, participants who did not fall within the category of directors were exempted from the study. The reason for this criterion is to permit valid and reliable responses from participant with relevant information and in-depth knowledge on the impacts of debts overhung on Ghana economic diplomacy. It is also to ensure a constructive analysis of issues.

3.7 Sampling Size and Sampling Technique

To apprehend the impacts of debts crisis on Ghana economic diplomacy, the study adopted the purposive and snowball sampling in collection of primary data. Cresswell & Clark (2011) define purposive sampling (also referred as judgemental, selective or subjected sampling) as non-probability sampling method that involves a deliberate identification and selection of individuals or groups of individuals that are proficient and well-informed with a phenomenon of interest. The purposive sampling method is to find people, who by virtue of their knowledge and experience, can provide reliable answers to the research question (Etikan, Musa & Akassim, 2016).

Snowball sampling, on the other hand, is "a study sampling through referrals made among people who show or know of others who possess some characteristics that are of research interest" (Biernacki & Woldorf, 1981, p. 141). The study employed both purposive and snowball sampling technique to discover, understand and gather relevant information from individuals and organizations deemed to have more insights

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on debt crisis and economic diplomacy. They included directors at selected Ministries and Think Tanks. The snowball sampling method was adopted for the reason that the researcher got in touch with other respondents who were relevant to the research through referrals from some initial participants. For instance, through a director of the Think Tanks referred the researcher to the director of research at the Institute of Economic Affairs (IEA) who possess an in-depth knowledge on Ghana debts crisis and economic diplomacies. A total of eleven (11) officials from both selected Ministries and Think Tanks were interviewed. Table 3.1 provide a list of organizations covered by the researcher for interview.

Table 3.1 Summary of Interview Respondents

Selected Organisations	**Participants**
Ministry of Finance	Assistant Economic Officer at Economic Research and Strategic Division (ERSD)
Ministry of Foreign Affairs	Assistant director for Policy, Planning, Monitory and Evaluation
	Assistant director for Multilateral Relations Deputy Assistant Director for Economic Trade and Investment
Ministry of Trade and Industry	Assistant director of Foreign Trade and Foreign Offices
	Director of Policy, Planning, Budget, Monitory and Evaluation
Ministry of Information	Deputy director for information services
Institute of Economic Affairs	Director of Research Formal Deputy Director for Policy Implementation & Evaluation
IMANI Ghana	Director of Strategic Partnership and Development Assistant Director of Research

In the table 3.1, some Ministries have two interviewees and others have one interviewee. This is due to the snowball interview method that was used. The aim of this approach is not to ensure equal representation of interviewees but to ensure that

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the researcher gets in touch with respondents who were considered to have relevant information to the research through referrals made by initial research participants.

3.8 Demographic Information of the Participants

The study utilizes demographic information of the participants namely; gender, highest education level, number of working years and job position. This demographic information enabled the researcher to understand the identity of the respondents, which also helped in putting the study into perspective. With the gender distribution of the study, five (5) respondents representing 45.5% and six (6) respondents representing 54.5% were females and males respectively. The result shows a fair distribution and clear case of gender balance, with male representative slightly majority. This revealed that the male gender occupies leadership position in the selected organization and they also have in-depth knowledge on how Ghana's debt crisis impacts economic diplomacies.

The level of education indicated their level of understanding of the research objectives and questions. Out of the eleven (11) respondents interviewed, six (6) had their Master's degrees from various academic disciplines and two (2) had PhD degrees. The other three (3) of the respondents had first degrees. The result shows that the authorities of the selected institutions possess the requisite educational level and understands the research objectives and questions. With respect to the working years, seven (7) of the respondents had worked for ten (10) years in their current institutions while three (3) of them had served for fifteen (15) and one (1) formal deputy director who served for eighteen (18) years. This indicates that the respondents have a good understanding of their working environment to offer a reliable and trustworthy answers to the research question.

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On the job position of the respondents, three (3) of the respondents were directors, two (2) of them were deputy directors and six (6) were assistant directors of various departments in the selected institutions for the study. These directors were selected on their in-depth knowledge on debt crisis and economic diplomacy.

3.9 Data Analysis and Technique

According to Sparkes and Partington (2003), there is little standardization with no absolute criteria where a specific type of qualitative data relates to a specific type of analysis. With Sparkes and Partington's (2003) idea serving as a basis, the analysis of data for this research study (data gathered from interviews, reports and documents) were done using qualitative content analysis.

Content analysis is seen as a flexible method for analysing text data (Cavangh, 1997). To Hosti (1968), content analysis is a method of data collection about messages in an objective and systematic way that can draw inferences. Hosti's (1968) definition indicates that content analysis is not only about the collection of records and making tallies of occurrences of words or phrases but could be used to develop an understanding of the meaning of communication.

According to Hslu-Fang and Shannon (2005), there are three distinct content analysis approaches: conventional, directed, and summative. All these approaches are used to interpret text data from a predominately-naturalistic paradigm. Conventional content analysis is generally used with a study design that seeks to describe a phenomenon. This approach is usually appropriate when an existing theory or research literature on a phenomenon is limited.

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Kondracki et al., (2002) indicates that researchers avoid using preconceived categories that flow from the data in using this approach. To allow new insights to emerge, researchers immerse themselves.

Sometimes, existing theory or prior research exits about incomplete phenomenon or would benefit from further description. In such a scenario, the researcher might use a directed approach to content analysis. Potter and Levine-Donnerstein (1999) categorise this as a deductive use of theory based on their distinctions on the role of the theory. Here, it uses the key tenet of the naturalistic paradigm from the foundation of the researcher's approach to the study design and analysis (Hslu-Fang and Shannon, 2005). The directed approach of content analysis provides predictions about the variables of interest or the relationship between codes. Maryring (2000) referred to this as deductive category applications.

In using the directed approach, the researcher uses theory or prior research, and the researcher begins by identifying key concepts or variables as initial coding categories (Potter and Levine-Donnerstein, 1999). Operational definitions for each category are determined using the theory.

The third approach, the summative approach to qualitative content analysis, starts with identifying and quantifying certain words or content in text to understand the contextual use of the words or content. This quantification is an attempt not to infer meaning but to explore usage. Analysing for the appearance of a particular word or content in textual material is referred to as manifest content analysis (Potter & Levine-Donnerstein, 1999).

For this study, a direct approach to content analysis as discussed above was used for analysing the research data. With this, the data collected for the study from various sources i.e., interviews and reports were analysed by identifying key concepts or

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variables. The data collected was read several times, and in the process, a list of various themes emerged, and sub-themes were formulated and discussed accordingly. To arrive at a meaningful interpretation, sorting and categorisation were assigned to the major identified themes. Using the operational definition, the data collected for this study were categorized under three main themes, -Economic diplomacy; Political Economy, and; debt trap. The data were then group under these thematic areas and discussed accordingly.

3. 10 Ethical Consideration

One of the major elements of research is an ethical consideration. According to Kumar et al., (2014) researcher needs to adhere to these ethics to promote the aims of the research, discover authentic knowledge and truth and prevent errors. On this note, this study maintained the following ethical considerations.

First, informed consent was obtained from various institutions. The researcher informed the institutions about the purpose, nature, data collection methods, and the extent of the research before commencement. In addition, another ethical consideration such as privacy and confidentiality of data was duly observed. It was made clear to the various institutions that the study was solely for academic purposes and the information given will be treated as such. Adhering strictly to all the ethical guidelines served to uphold ethical standards, including honesty and trustworthiness of the data collected, and the accompanying data analysis. The study also adhered to all the ethical codes and conventions of the University of Education, Winneba.

3.11 Limitation of the Study

The research encountered some difficulties in the course of the study. Particularly in the data collection stage. One of the major challenges experienced in all the selected

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institutions was the delay in getting approval to proceed with the interviews. This was as result of the bureaucratic nature of the institutions. Introductory letters to various institutions had to go through various process for approval. On few occasions, introductory letters had to be resubmitted as old one's could not be traced.

Also, numerous rescheduling of interview session with most of the respondents due to the busy schedules of the respondents was a challenge. Again, accessing official documents from some of the respondents was difficult. Financial and time constraint were also a challenge as it limited the number of institutions used for the study. Other institutions that not covered due to financial and time constraints, the researcher was able to secure secondary data (annual reports) that helped in the analysis. Though the challenges were immense, the researcher was able to gathered data from eleven (11) respondents through interviews which was intensified with relevant secondary data, which will provide reliable and trustworthy information to both researchers and policymakers on Ghana's debt crisis and economic diplomacy.

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CHAPTER FOUR

DATA PRESENTATION, ANALYSIS, AND DISCUSSION

4.0 Introduction

This chapter presents the results obtained from the analysis of field data and secondary sources such as reports, press releases, and articles, etc., within the period of the study to answer the research questions posed in the study. The purpose of this study was to examine the influences of the debt crisis on Ghana's economic diplomacy (foreign policy). It also investigated how the debt crisis in the fourth republic influences Ghana's economy and the factors responsible for Ghana’s debt trap to the West.

The research objectives provided a framework for the study. The study sought to address the following research objectives:

i. To find out the impacts of the debt crisis on Ghana's economic diplomacy

ii. To find out how the debt crisis in the fourth republic influences Ghana's economy.

iii. To investigate the factors and reasons responsible for Ghana’s debt trap to the West (Bretton Woods)

Ghana first adopted the IMF loan conditionality under the PNDC in the form of a Structural Adjustment Programme. IMF and other Western actors through SAPs influenced Ghanaian economic policy as the most practical route towards economic stability and growth (Graham, 1988). This marks the entrant of Bretton Woods Institutions in Ghana’s fourth republic. Economic Recovery Programmes (ERP) were launched by the Ghanaian government and has since been influencing the structure of the Ghanaian economy since its inception (Terry, 2019; Konadu-Agyemang, 2001).

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Data collected from the various institutions and other literature were coded after scrutiny. It was prudent to understand the data to successfully manage it, merge related data drawn from different notes, and identify patterns or relationships.

Data were analysed and categorised into various themes. Several themes and patterns came out in coding the copious data. The main themes were economics diplomacy, Ghana's economy, and debt trap. The study mainly focuses on how the debt crisis influences Ghana's economic diplomacy, economy of Ghana in general, and how Ghana has been trapped in the West (Bretton Woods).

4.1 Finding Related to Research Questions

Research Question 1: How does the debt crisis influence Ghana's Economic diplomacy?

4.2 Economic Diplomacy

The question sought to determine how the debt overhung had determined the economic diplomacy of Ghana. The researcher believes that SAPs and conditionality's attached to loans among other programmes from the Bretton Woods Institutions go a long way to influence the economic diplomacy of Ghana. The study, analyses IMF/WB programmes in Ghana between 1992 and 2017.

Ghana's economy at 1983 was described as an import strangled economy making Ghana a hungry economy. This is because the economy of Ghana made no significant progress after years of Western neglect and Eastern skewed economic diplomacy (Green 1987). The failure of the socialist motivated foreign policies, the inability to attract needed resources and assistance from the Eastern European socialist government, compounded by the 1983 famine and bush fires as well as the expulsion of Ghanaian residents in Nigeria put the PNDC government under pressure and

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created the urgent need for survival and economic stability. This led the Rawlings administration to turn to the West, even though it was against its initial ideological predisposition (Boafo-Arthur, 1993; Gyimah-Boadi, 1990). This assertion was affirmed by one respondent who averred that;

> *It was prudent to the government in the late 1980s to go for IMF loans looking at the conditions in Ghana then, but I don't think the government then perceived they were going to have much challenges from accessing the IMF loans.* (Research Director, IEA)

Ghana forges stronger economic relationship with the Western International Financial Institutions (IFIs); a relationship, which they hitherto were hesitant in strengthening. This led to the agreement on a financial economic reform package termed Structural Adjustment Programme (SAP) under the Economic Recovery Programme (ERP). Ghana began the implementation of the World Bank/IMF sponsored ERP, SAP with the aim of reversing the economic decline of previous years caused by preceding governments. The programme was structured into three main phases. Among the objectives of ERP 1: to arrest or manage the propelling factors for hyperinflation; to improve production of goods in the productive sector of the economy especially the agricultural sector and improving the financial image of Ghana that has been tarnished or dented as a result of maladministration of debts and national reserves.

The ERP II/SAP I was focused on economic stability, pegging economic growth between 5 to 5.5% annually over a medium term; to enhance public confidence in the economy thereby improving public investment to about 25% from 10% within a decade; to effectively and efficiently mobilise national resources for the improvement of the socioeconomic well-being of the people of Ghana especially the poor and deprived (Oquaye, 2004: 452-453; Anyemedu, 1993: 19).

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The final phase of the programme (ERP III/SAPII), among other things, sought to achieve a yearly annual growth of 5% with a reduction of inflation from 27% to a target of 5% per annum; to achieve a target of US$ 85 million surpluses of balance of payment per annum; last but not least is to initiate the implementation of the Program of Action to Mitigate the Social Cost of Adjustment (PAMSCAD). In relation to this one of the respondents said:

> *IMF/WB packaged their conditionalities in a form of policies such as SAP, ERP, PAMSCAD, etc. to debtor countries. These policies are mostly socioeconomic in nature to improve financial image of the country. As you know, these policies are implemented by various ministry.* (Deputy Assistant Director for Economic Trade and Investment)

The study found that the acceptance and subsequent implementation of IMF/World Bank ERP/SAP brought the administration closer to the capitalist economies. As a result, relations with these countries dominated Rawlings' economic diplomacy for the ensuing years of his administration i.e., Ghana's fourth republic. As a result of Ghana's alignment with the capitalist economies, British government at the initial stages of the adoption of ERP/SAP, gave Ghana a grant of £69 million to mitigate the nation from its balance of payment Shortfall. Other capitalist economies, including Canada, France, and Italy made financial commitments with the aim of salvaging the economy. The economic relations with Bretton Woods Institutions and the US culminated into a debt forgiveness of US$ 114 million in 1989 under the debt relief programme.

The study also found that as result of the improved economic relations with IMF and Western countries Ghana became a beneficiary of the African Growth and Opportunity Act (AGOA). This was affirmed by one the respondents who said that;

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> *"……… even the African Growth and Opportunity Act (AGOA) was signed into law in 2000 by President Clinton who had visited Ghana in 1998".* (Deputy Assistant Director for Economic Trade and Investment)

This also confirms (Awuye, 2015 & Williams, 2015) assertion that AGOA seeks to grant access to the US market to eligible countries in Sub-Saharan Africa. Ghana among other twenty sub-Saharan African countries were eligible for AGOA benefits immediately the initiative was introduced in 2000 (International Trade Administration, 2015). Other donors were Germany, the United States, and Canada, which together provided Ghana with US$ 656 million in development assistance. Similarly, the largest multilateral donors included the European Community, the IMF, and the International Development Association, which allocated about US$435 million to Ghana. However, the extensive level of borrowing led the economy into high debt stock.

From the discussion, Ghana established economic diplomacy with the IMF/WB and other Western donors. Between 1995 and 1997, IMF loaned US$ 258million to Ghana under the programme Enhanced Structural Adjustment Facility (ESAF). The ESAF contained two major conditionality's that sought to influence economic diplomacy. These were deregulation of the cocoa and petroleum sectors, and expanding privatisation programme (Privatisation policy aims at selling or liquidating a large number of the majority state enterprises and will be expanded to cover banks and public utilities); financial operations of state enterprises that remain in the public domain were strengthened and placed on a profit-making basis. No government or central bank financial support, including loan guarantees will be provided to these enterprises, depending on their internal sources or private capital markets to cover their financing needs. In furtherance, one respondent said;

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> *Do you know that as result of privatization which is one key policy among IMF/WB conditionalities, Ghana Agro-Food Company (GAFCO), Ghana Telecom and Tropical Glass Company Limited were sold to IBN-AG of Switzerland, Telecom Malaysia and Tropical Holdings West Africa Limited of Channel Island respectively?* (Director of Policy, Planning, Budget, Monitory and Evaluation, MTI).

The study therefore confirms Graham's (1988) assertion that the IMF and other Western actors through SAPs have influenced Ghana's economic, diplomatic issues. It was observed that the Economic Recovery Programme of the Bretton Woods Institutions influenced Ghana's economic relations towards its external environment. This was evidenced in the ERP and ESAF, which opened up Ghana's economy to the external environment through privatisation and liberalisation.

With flow of massive loans from Bretton Woods Institutions, one respondent indicated that;

> *The flow of massive loans from IMF/WB and other Western donors did not favour Ghana's diplomacy all round. There was times Ghana lost to some agreements due to their alignment with IMF/WB. For instance, in 2001 Japanese loan support for Mallam – Yamoransa road, was cancelled when Ghana opted for Highly Indebted Poor Countries (HIPC) initiated.* (Research Director, IEA)

Between 1999 and 2001, the ESAF programme was extended, and an amount of US$ 209.4million was additionally loaned to Ghana. The same economic and international diplomatic agenda continued. Under the second phase of the ESAF, the conditionalities were to liberalise the cocoa and energy sectors, accelerate the divestiture of state enterprises, and strengthen the banking system, and further trade liberalisation to increase the efficiency of the economy.

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In 2006, PRGF's third phase of the PRGF programme provided a loan of US$ 602.6million in 2009; this phase of the programme provided a new dimension of economic diplomacy that deals with regional cooperation.

This was enshrined in the speech of the then Deputy Managing Director and Acting Chair in the Executive Board Mr. Takatoshi Kato, discussion on Ghana's request for PRGF arrangement. He stated,

> *"…Gaps in cross border supervision will also require stronger regional collaboration…."*

Subsequent IMF facility was Extended Credit Facility that provided amount of US$ 918million between 2011 and 2017. This facility did not provide much on economic diplomacy. The only economic, diplomatic policies provided were safeguarding financial sector stability as an important factor for supporting private activities.

The forgoing indicates that IMF /WB loans to Ghana contain adjustment policies and conditionality's that directly or indirectly affects the country's economic relations with other countries and economic blocs. This consequently affects the country's voice on international issues due to its weak economic strength and affiliation to Western and supranational institutions. This confirms what Koboa-Aduma (1991) resonates that the economic wealth of a nation tends to exert the greatest influence on its level of participation and impact on international affairs than most other vulnerable.

Nations lacking economic resources or face grave economic problems, as in the case of Ghana, are more vulnerable to external pressures and more likely to comply with dictates of external opinions. For instance, in 2009, the third face of the PRGF provided a loan of US$602.6 million to strengthen regional cooperation. This, according to the MoF, provided categories of countries to strengthen regional

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cooperation. This aided regional integration with neighbouring countries such as Nigeria, Burkina Faso, Mali, and Cote d'Ivoire. This waned Ghana's external and economic diplomacy and, in some cases marked by incoherence, ambiguity, and confusion, especially on cardinal issues in Africa and non-alignment. One respondent said;

> *A clear instance of Ghana losing its voice on international issues was in 2011 when President Mills was expected to play a leadership role in the Ivory Coast presidential dispute, his posture was 'Dzi wo fie asem' (mind your own business). This indicates Ghana's weak voice on international issues due to its economic diplomacy that it fears of being thwarted.* (Assistant director for Multilateral Relations, MoF)

The IMF/WB loans, coupled with their adjustments and conditionality's, has caused the country to depend on such institutions and donors, thereby affecting its vibrancy on economic diplomacies.

Research Question 2: How does Ghana's debt overhang affect the average Ghanaian and the economy of Ghana in general?

4.3 Economy

This question enquires about how Ghana's debt crises have affected the economy and the average individual. The researcher sought to inquire if Ghana's debt overhang has adversely influenced Ghana's economy and its citizens.

To better understand the effects of debts overhang on Ghana economy and its citizens, the study first of all, examined the conditionality's of IMF/WB loans from the beginning of the fourth republic to contemporary times. Upon the data considered, the study found that, most conditionality's attached to the loans contained a policy that influences public and civil service. For instance, the first phase of Enhanced Structural Adjustment Facility (1995-1997), one conditionality was implemented to

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reduce the size of and restrict the civil service. This confirmed by one of the respondents who said;

> *Funds from World Bank has consistently called for a reduction in the size and staffing levels of the civil service in almost all their loan programmes with Ghana. I am not very sure of the specific years recruitment was ceased in the public sector. But it began a long time ago*. (Assistant Economic Officer at Economic Research and Strategic Division (ERSD).

In the second phase of the same facility between 1999 and 2001, IMF loaned an amount of US$ 209.4million to Ghana. Conditionality's attached to this facility that in turn influenced or altered the economy was bringing inflation down to 5 percent or less, reducing the current account deficit, including grants, carrying out public sector reforms to limit the scope of government to core areas, in particular agriculture, the social sectors, and basic infrastructure.

In the subsequent loan, Poverty Reduction and Growth Facility (PRGF), between 2003 and 2005, the major objectives of this facility were to bring the wage bill under control (cut wage bill). In the same loan conditionality, were raising revenue to make room for increased poverty-related spending and development needs, strengthen public expenditure management, further reform energy, and utility pricing, and use appropriate monetary policy to achieve single-digit inflation by 2004 and fundamental change in the petroleum-pricing regime.

In 2004, Ghana received debt relief under the programme Heavily Indebted Poor Countries (HIPC). Under this initiative, Ghana was tasked to maintain a macroeconomic environment. Poverty Reduction and Growth Facility (PRGF) phase one (1) and two (2) was the subsequent facilities, and it span between 2006 and 2011. The economic initiatives implemented under the first phase of this facility were

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bringing the wage bill under control (cut wage bill), raising revenue to make room for increased poverty-related spending and development needs, strengthening public expenditure management, further reforming energy and utility pricing, and use appropriate monetary policy to achieve single-digit inflation.

The study also found that, the standard of living of the ordinary citizen increased. This was as a result of increased taxes and tariff which was evidences in the second phase of the PRGF. The second phase of PGRF ensure petroleum pricing and utility tariff that allow for cost recovery to avoid high subsidy costs, effective control over public sector wage bill, and steps should be taken to modernise the tax and strengthen the collection and finally reduce inflation to single-digit levels by 2010 (IMF, 2005). With the high living standard one respondent noted;

> *The going was hard for the working people……the sum effect of the IMF (and World Bank) sponsored economic policies are the cheapening of the local currency through the foreign exchange auction system, the high rates of unemployment and a rising cost of living brought about by the decontrolling of prices, removal and subsidies on essential goods and services and the partial freeze on wages and salaries of the working people.* (Formal Deputy Director for Policy Implementation & Evaluation).

In the last facility analysed in this study, the Extend Credit Facility (ECF), Ghana was loaned an amount of US$ 918million between 2011 and 2017. The economic conditionality's attached to this loan facility were to restore macroeconomic stability and sustain higher growth, strict containment of expenditure, and the wage bill and subsidies. In addition, mobilise additional revenues to help create more space for social spending and infrastructure investment in the energy sector and clean up the payroll, and improve control of hiring in the public sector to address one of the major fiscal imbalances.

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Among some components of Ghana's ERA were privatisation, minimisation of public spending, maximisation of revenue, and focus on the export sector. Increases in private investment were encouraged to alleviate some of the financial burdens resting on the public sector (Graham, 1988). Huge cuts were made to the public sector to privatize under the neoliberal assumption that government interference in an economy leads to a decline. In addition, the PNDC was made to cut public spending by reducing or entirely abolishing government subsidies for consumer goods, social services, and public institutions' budgets (Graham, 1988).

The ERP resulted in trade liberalisation and a reduction in inflation. Centrally controlled market pricing was dismantled. Economic growth averaged about 5 per cent a year over a decade. Poverty reduced marginally, and social indicators improved. The Ghanaian strategy was to "go for growth" above other objectives, and the World Bank supported this strategy. The yardstick for measuring the success of the SAP by both the Bretton Woods Institutions and the government was economic growth. This was elaborated by one of the respondents who indicated that;

> *The idea behind IMF/WB loans is economic growth but most of the conditions or strings attached to loans tends to liberalize and privatize state enterprises.* (Deputy director for information services).

The World Bank disbursed loans to the tune of US$2 billion, including more than US$1 billion for adjustment operations, and this helped Ghana's economic progress. On the contrary, a study by the Operations and Evaluations Department (OED) of the World Bank warned that the progress would not be sustained unless Ghana implements the unfinished agenda of policy reform (World Bank, 2016)

Hailed as a success story of SAPs, Ghana achieved notable success over the decade of implementation of the ERP in macro-economic policy reform as measured by various

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macro-level indicators (GDP growth, export recovery, removal of price distortions, etc.). However, far less in terms of institutional and structural change and as measured by various macro-level indicators (productivity of civil servants) (World Bank, 1995). This scenario mimics the current economic achievement of the country under an IMF-supported programme where GDP growth has increased from 3.6 per cent in 2016 to 8.5 per cent in 2017.

Ghana was one of the countries included in the UNICEF survey, which originally pinpointed the social costs of adjustment and subsequently was one of the first states to propose and try to implement a programme of social measures to counter the adverse social consequences of adjustment (UNICEF, 1987).

On 3rd April 2015, the "Executive Board of the International Monetary Fund (IMF) approved a three-year arrangement under the Extended Credit Facility (ECF) for Ghana in an amount of US$918 million (180 per cent of quota) in support of the authorities' medium-term economic reform programme". The programme aims to restore macroeconomic stability debt sustainability and to foster a return to high growth and job creation while protecting social spending (IMF, 2016)

The main pillars of the programme are:

1. “To achieve sizeable and frontloaded fiscal adjustment, to restore debt sustainability, to contain expenditures through wage restraint and limited net hiring, as well as on measures to mobilise additional revenues;
2. To embark on structural reforms to strengthen public finances and fiscal discipline by improving budget transparency, cleaning-up and controlling the payroll, right-sizing the civil service, and improving revenue collection (IMF, 2016)

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3. To restore the effectiveness of the inflation-targeting framework to help bring inflation back into the single-digit territory and preserve financial sector stability.
4. To safeguard social and another priority spending under the programme, including expanding the targeted social safety nets such as the Livelihood Empowerment Against Poverty (LEAP) programme" (IMF, 2016).

The study found that, there is not much difference between the 1983 SAPs and the current ECF programme except the country's economic status, according to the World Bank assessment, has changed (now a lower middle income). In comparing the economic growth rate under the two programmes, Ghana recorded 8.5 per cent in 2017. This is compared to a 4.2 per cent growth in 2015 and 3.6% in 2016. It is worthy to mention that the 2017 economic growth was largely supported by a boost in hydrocarbon production, which is a non-renewable resource. This can be likened to the growth rate average of 5 per cent during the implementation of SAPs from 1983 to 1989.

In the area of employment, formal sector employment reduced from 337,000 to 215,000 between 1980 and 1989 (Aryeetey and Fosu, 2003). This represents a 36.2 per cent reduction in public sector employment. The current implementation of the ECF programme has also imposed a net freeze on employment in public service except for the health and education sectors. The inflation rate declined from 73 per cent to about 13 per cent during the implementation of SAPs.

The inflation rate dropped from 17.7 per cent in December 2015 to 11.8 per cent inflation (Ghana Statistical Service, 2017). A key difference in the implementation of the SAP and ECF is the expansionary fiscal policies pursued since 2017. The government has rolled out Free Senior High School (FSHS), One district, One

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factory, planting for food and jobs, one village one dam, among others, while the social protection budget has increased. This is quite different from the contractionary economic policies pursued by the government during the implementation of SAPs. With this current trend, Ghana's macroeconomic indicators might take a nosedive after completing the ECF programme if policies do not address the perennial economic headwinds (Amoah-Dakwah, 2018).

The data organized poised that Ghana's debt overhang with IMF/WB (SAPs) under the economic context centres' on strengthening of the foreign exchange system and external trade liberalisation; various initiatives to diversify exports; privatisation of some state enterprises and improvement in the management of others. Again, concerted fiscal reforms to control the Wage Bill, improve the management of other public sector expenditures, reform the tax system and improve tax administration, to reduce budget deficits as a proportion of Gross Domestic Product (GDP); restructuring the financing of fiscal deficits to reduce their inflationary impact, and improving monetary management. One respondent similarly put;

> *"Our debt with IMF/WB has adverse impacts on the economy and citizenry in the sense that, these institutions have strings to their loans which are mainly trade liberalization and privatization in nature including directions to various ministries on wage bill, freezing employment, tariff and taxes review, expenditure management etc…while these fund support programmes are effective in reducing the wage bill in the short term, will affect the of civil servants(citizenry) in their promotions and renumerations".* (Assistant Economic Officer at Economic Research and Strategic Division (ERSD).

This assertion also confirms the third assumption of neoliberalism pinned by Steger and Roy (2010), under the theoretical framework, which was expressed as "D-L-P Formula": (1) Deregulation (of the economy); (2) Liberalisation (of trade and industry); and (3) Privatisation (of state-owned enterprises).

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The Enhanced Structural Adjustment Facility of 1997 with IMF had the objectives of creating an environment that would eliminate fiscal instability, encourage investment and growth, increase the efficiency of the financial sector, address social issues and encourage the development of the private sector. Poverty reduction, via enhanced economic growth and directed policies, became the major motivation in policy-making. By 1999, a large drop in world cocoa prices, relaxation in fiscal discipline, and a weak monetary stance compromised real economic well-being. This situation, among other things, led to a sharp rise in domestic prices and a depreciation of the cedi affecting the economy negatively. This situation adversely affected Ghana's economy through increased inflation, commodity prices, and unemployment.

In addition, for instance, as already stated, conditionalities on fiscal policy required the Government of Ghana (GoG) to reduce the budget deficit to 9.2 per cent under the second phase of the PRGF. As a result, the fiscal deficit fell from over 14.5 per cent of GDP in 2008 to 9.4 percent in 2009. Consequently, Ghana's economic growth rate reduced from 7.3 per cent in 2008 to 4.1 per cent in 2009. According to the ActionAid report (2010), IMF policies have helped in reducing inflation from 18.1% in December 2008 to 9.38% in October 2010. These have been at the expense of job creation or employment, which affects the poor. Thus, while IMF policies on inflation negatively affect household purchasing power and reduce real wage or income, those on fixed inflation have been found to contribute to job creation or employment, which ultimately benefits the poor.

This confirms the World Bank (1995) report in the literature review that; Ghana achieved notable success in the implementation of the ERP in macro-economic policy reform as measured by various macro-level indicators (GDP growth, export recovery,

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removal of price distribution etc.). Nevertheless, far less in terms of institutional and structural change and as measured by various macro-level indicators (productivity of civil servants).

Research Question 3: What accounts for the debt trap of Ghana to the West (Bretton Woods)?

4.4 Debt trap

Ghana has since the inception of the fourth republic aligned it foreign policy towards the West.

This question sought reasons responsible for Ghana's continual relations with the Bretton Wood's institutions. The researcher believes that numerous loans, repayment reschedules, financing debts, running budget deficit and conditionalities of loans have had an adverse consequence or trapped the country into debt.

The study found that, almost all IMF/WB loans carry an annual interest rate of 0.5 per cent and are repayable over ten years with a 5½years grace period on principal payments. One respondent vividly confirms this by saying;

> *Are you aware that one loan facility with IMF/WB can take Ghana about 10 to 15years to pay? that is even when the country does not reschedule payment either the principal or interest. And this, in my view trap the country into debt with these institutions. (*Assistant Economic Officer at Economic Research and Strategic Division (ERSD).

The Enhanced Structural Adjustment Facility (ESAF) was in two phases, and the second phase was made to consolidate the achievements already made in macroeconomic stability and accelerate the pace of structural reform. Similarly, other facilities analysed by the study also came in different phases, of which mostly the second phases contain conditions to strengthen the previous programmes. For

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instance, the Poverty Reduction and Growth Facilities (PRGF) were all made up of two phases.

Even the debt relief programme, Heavily Indebted Poor Countries (HIPC) conditionalities implemented in 2004 contained policies linked to the previous programme. The condition was made to complete a full PRSP through an extensive participatory process and satisfactory assessment. The Poverty Reduction and Growth Facility (PRGF) also consisted of policies to tighten monetary conditions for different conditions warrant. From the foregoing, IMF/WB loan facilities are in phases which the later mostly contains strings to strengthen previous programmes and serve as warrant for future loans. This assertion was similarly revealed by a respondent who put it as;

> *IMF/WB credit facilities do not come in full; the country need to complete certain conditions for them to release the rest of the loan. And the most cunning thing about these programmes is that, there is the possibility for payment reschedules. In most cases the country needs to access international and domestic capital market to service the loan interest while the principal is outstanding. This always keep the country in business with this institution because you are in debt with them.* (Assistant Economic Officer at Economic Research and Strategic Division (ERSD)

For instance, the study further found that, the Extended Credit Facility (ECF) that extended from 2011 to 2017 also adjusted expenditures to palliate the shortfall in oil revenue and avoid a larger debt build-up. Again, almost all loan payments from 1992 were rescheduled for payment until the 2004 debt relief programme. The PRGF and ECF payment have been rescheduled to date. This has caused a continual dependence on IMF/WB for assistance and loans as an attempt to deviate from such institutions may have repercussions for the country.

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From the data presented, debt has been used as a snare to keep Ghana under the Bretton Woods trap and check. This is similar to Osimiri's (2013) assertion that, the debt crisis of the 1980s provided the critical entry point for the IFI's to dominate the sphere of economic policymaking in Africa. Rescheduling of the loan payment and huge grace period accompanied with principal interest keep the creditor under IFIs control. This confirms an earlier view espoused that the creditor country extends excessive credit to a debtor country, thereby inducing the debtor into a debt trap.

In responding to curbing huge debt overhang with the Bretton Woods Institutions, one respondent offered that;

> *In IMF/WB programmes, it will only take pragmatic leaders, not to opt for.* (Assistant Director of Research).

This again confirms Moyo's (2009) assertion that, debtor countries need strong authoritative leaders to come out of creditors control because their principles are enshrined in liberal democracies and continue as far as developing countries continue to democratize.

The study found that, desire to industrialize the economy as fast as possible led to the accumulation of huge debts due to the reliant on borrowed funds to finance the hastened industrialization agenda. The nature of the borrowed funds is fast maturing and hence led to debt payment problems as a result of Ghana's development agenda. This assertion was rehashed by a respondent who indicated that;

> *The quest for Ghana to industrialize and also embark on several developmental agenda always lead the country to run into budget deficit, and we need to borrow in order to supplement our budget. And unfortunately, our foreign exchange earnings are not able to generate enough revenues to settle the accumulated debts. When this happens, we are trap in debt these financial institutions.* (Assistant Director of Research).

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From the above data, the debt trap can be attributed to both IFIs principles, including excessive credit facilities and borrower failure and inability to repay debt leading to debt rescheduling and extension facilities, hence trapped countries into debt.

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CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The study's main purpose was to examine the influences of the debt crisis on Ghana's economic diplomacy (foreign policy). The study further sought to achieve the following objectives; to find out how the debt crisis in Ghana's fourth republic has influenced the economy and, on the average Ghanaian; to investigate the factors and reasons responsible for Ghana's debt trap to the West (Bretton Woods)

Qualitative paradigm was adopted for the study. Primary and secondary data were used for this study, and it was obtained from various Ministries, Institutions, Think Tanks, World Bank and IMF secretariat in Ghana, and amongst other relevant literature. The data obtained was analysed using themes. This chapter highlights the summary of the findings, conclusions, and recommendations. It concludes with suggestions for further studies.

5.1. Summary of Findings

The entire study was divided into five chapters. Chapter one sets the basis of the study by presenting the problem statement from global and national perspectives on the impacts of the debt crisis on the vibrancy of Ghana's economic diplomacy. The chapter further identified the gap in global, continental, and national research works on debt crisis issues and how this study was posed to address the gaps. The chapter also provided the objectives, justification, and scope of the study, which ultimately focused on how Ghana's foreign debt crisis with the Bretton Woods Institutions influences the vibrancy of the country's economic diplomacy in the fourth republic.

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Chapter two dealt with relevant literature on the concepts of debt crisis from the global, continental and national perspectives, the concept of Foreign Policy, Ghana Foreign Policy since independence, Bretton Wood's Institution, and Ghana's Economy. The same chapter explores Neoliberalism as the theoretical framework for the study. It further explores the African and Ghana neoliberalism nexus. Concluding with the theory's critique.

The third chapter dealt with the research setting, the reasons for the choice of data, and how the study was carried out. Primary and Secondary data was collected from various institutions such as IMF/WB, the Ministries, Think Tanks and other relevant literature. The methods of data analysis were also captured in the chapter, thus using themes. Ethical considerations concerning the study and challenges encountered in the data collection were also considered in this chapter. The fourth chapter focused on the presentation, analysis, and discussion of data for the study.

The final chapter is composed of the summary, recommendations, and conclusion drawn from the study. It also explores the main finding of the study.

5.1.1. The Main Findings of the Study

The study answered three research questions that were poised in chapter one. The findings of the study are presented below:

a. The study revealed that the IMF/WB debt crisis influences Ghana's economic diplomacy in diverse ways through their loan conditionalities and adjustments and Ghana's strategic alignment. The policies or conditionalities attached to loans go a long run to affect the country's economic relations with other countries. For instance, Ghana's foreign policy of non-alignment has shifted

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towards the West. Again, Japanese loan support to Ghana for the Mallam – Yamoransa road was when Ghana opted for HIPC an IMF/WB programme.

b. In addition, the debt trap has reduced Ghana's vibrancy or voice in the international arena. This is due to the country being trapped through their debt with BWIs and other creditors. The country cannot express its stance or voice on international issues due to its debt with supranational institutions.

c. The study again revealed that BWIs, through their conditionalities and adjustments policies, have liberalised and privatised a majority of Ghana's state enterprises. In other words, Ghana's economy has been liberalised in its relations with the IFIs. This finding is in accordance with Terry's (2019) assertion in the literature review that states ERP in partnership with IMF/WB and the Ghanaian government has been influencing the structure of the economy since its inception.

d. The study also revealed that IMF/WB economic growth or economic success are mainly unidimensional; its success stories are mainly shared in macroeconomic stabilities, reduced inflation, increased GDPs, and Balance of Trade deficit but does not reflect in the affairs of the citizenry. Terry (2019) reflected this assertion to an extent in the literature that, in the implementation of the ERA, about 200,000 government employees saw either their jobs eliminated or their salaries lowered in cost-cutting efforts. Similarly, the literature review exposed that; the current implementation of the ECF programme has also imposed a net freeze on employment in public service except for the health and education sectors.

e. An important finding of the study is that majority of the IMF/WB economic growth effects are negative because they are short-run. This is because IMF

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loans are essentially aimed at resolving short-term balance-of-payment problems, and the conditions attached covers fiscal, monetary, exchange rate, privatisation, deregulation, and financial liberalisation issues. It in turn restructures the economy and affects its long-term development potential.

f. The study further revealed that the Bretton Woods Institutions serve as tools to protect Western countries' interest and ideas and expand their dominance to the developing countries.

g. Finally, the study revealed that, Ghana has been trapped in debt to the West through its excessive borrowing, loan repayment schedules and continues dependence or reliance on IMF/WB aids for development and budgetary supplement.

5.2. Conclusions

The following conclusions were drawn from this study:

From independence, Ghana has established relations with the Bretton Woods Institutions. And from the inception of the fourth republic, numerous IMF/WB loans have been given to Ghana, and all these loans come with a design programme or facility that contain conditionalities and SAPs that were intended to promote economic growth policies and help borrowers regain their money back. However, these conditionalities and SAPs are the ideological basis of neoliberalism and are strict measures with which Ghana and other developing countries are greatly contesting.

IMF/WB relations with Ghana have chalked much of success, but most of these success stories are macroeconomic stabilities, GDPs, and do not reflect in the citizenry's lives. In other words, most IMF/WB success stories are enshrined in reports and press releases but not in the practical lives of the citizenry.

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Through their conditionality's, being direct or indirectly IMF/WB have shifted Ghana economic foreign policy that used to non-Alignment from independence to the West in recent times. In addition, through their loans, grants and strict conditionalities, IMF/WB has trapped Ghana into debt conditions that demands pragmatic measures and policies to come out.

Finally, the study concludes that Ghana should resort to other means or sources of finance that have a flexible term of conditions such as international bond, including other suggested recommendations.

5.3. Recommendations

The study explored the influences of the debt crisis on Ghana's economic diplomacy by analysing loan conditionalities and adjustment policies. It further examined how the debt overhang has influenced Ghana's economy and delved into how Ghana has been a trap in the Western Supra-Financial Institutions. In the light of the findings of the study, the following recommendations are put forward:

In the first place, the study recommends four alternative sources of funding for Ghana and other Less Developing Economies (LDEs). Firstly, accessing the international bond markets and taking advantage of the falling yields paid by sovereign borrowers over the past decade. Secondly, encourage the Chinese policy of large-scale direct investment in infrastructure. Thirdly, Ghana should continue to press for genuine free trade in agricultural products, which means that the US, the EU, and Japan must scrap the various subsidies they pay to their farmers, enabling African countries to increase their earnings from primary product exports. Fourthly, they should encourage financial intermediation.

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The president of WB, Robert B. Zoellick (2012), who served as president from 2007 to 2012, argues that the world still needs the WB to prepare for achieving a world beyond crisis and aid. On this note, the study recommends that Ghana should consider adoption of general principles or policies attached to loans but should be utilized in very specialised tools to preserve long-term development, unlike the IMF-recommended tools. This recommendation in the study is as termed the "*East Asian IMF Principle model*." Instead of widespread, immediate privatisation, China initially introduced managerial incentives systems in agriculture and industry. This initiative boasted Chinese productivity without the massive economic ruin that the IMF-advised mass-scale privatisation caused in Russia in the 1990s.

Finally, the study recommends that Ghana, amongst other developing countries, train and provide technical capacities to the IMF conditions to help analyse and deal with IMF and alternative financing options.

5.4 Suggestions for Further Research

Based on the findings and conclusion of the study, the researcher put forward the following suggestions for further studies.

The study only focused on the influence of the debt crisis on the country's economic diplomacy with Bretton Woods Institution as a case study. Therefore, the researcher suggests that there should be a replication of the study but with case studies such as the International Bond market or other IFIs.

Moreover, it was realised that there have been four different governments under the fourth republic of Ghana and each government has access to BWIs loans. Therefore, the researcher suggests a comparative study on the impacts of BWIs loans between the various governments under the fourth republic of Ghana. In other words,

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comparative study of IMF/WB under two different governments in Ghana's fourth republic.

In addition, the study further recognizes the role of IMF/WB in economic development and growth but is silent on educational and infrastructural development. Therefore, the researcher suggested further study to be carried out on how Ghana's debt with BWIs has affected its educational and infrastructural development.

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