Discussion Paper

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Privatisation in Ghana

Successes During Economic Collapse and Authoritarianism

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Introduction

Privatisation[1] of state-owned firms has long been one of the principle recommendations of economists for developing nations. Both the World Bank and International Monetary Fund (IMF) recommend privatisation of state-owned firms and in many cases have made privatisation policy a condition for receiving IMF and World Bank funds.

Public ownership is associated with inefficiency due to non-financial motivations. The intuition is that when governments manage firms, they attempt to maximise financial and political returns as opposed to only financial returns as the private sector maximises. For example, government-owned firms are often overstaffed because politicians pressure managers to hire more employees, and managers and workers who do not perform their jobs well are not let go due to political connections.[2]

Despite the apparent economic benefits that accompany privatisation, the policy generally faces stiff resistance from vested interests who benefit from the state-ownership of firms and from the general public who may benefit or believe they benefit from state-ownership. Furthermore, in some cases (e.g. Russia) privatisation has not resulted in improving competition and economic performance.

The goal of this paper is to empirically analyse the case of privatisation in Ghana to determine what factors led to successes and what policies led to failures. It outlines the establishment of state-owned firms in Ghana, motivation and process of privatisation with a particular emphasis on initiation of the policy in late 1980's. The paper looks at the performance record of privatisation in Ghana in terms of its effect on firm performance, workers, broader economy and general public. I conclude by analyzing the most important factors in determining the pace and method of privatisation in Ghana. I argue that authoritarian structure of the government coupled with complete economic collapse which preceded the initiation of privatisation allowed technocrats to dominate the implementation of the policy in ways that would not have been possible under better conditions. Because of this, privatisation was less affected by political and vested interests than it would have been otherwise.

Establishment of State-owned Firms in Ghana

Ghana's experience with state-owned enterprises (SoEs) began in the colonial era with the establishment of limited utility service in urban areas such as post offices, electricity and water. In the late 1950's, the post-colonial government established SoEs that focused primarily on agricultural development and banking. Industrial SoEs in Ghana originated under the Nkrumah Government in the early 1960's. The motives for establishing SoEs include the common perception in this period in the developing world that SoEs were means of rapid industrialisation through ISI development policy.

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[1] Banerjee and Munger (2004) point out: Privatisation can mean denationalisation (direct sale of assets), deregulation (introduction of competition in sectors previously monopolised under government authority such as electrical power, natural gas, and water), or contracting out (lease, contract for concessions, build-own-operate, build-own-operate-transfer etc.)". For the purposes of this discussion paper, I will include all of these categories as aspects of privatisation

[2] For empirical studies of the benefits of privatization, see Megginson and Netter (2001); Angrist et al. (2002); Galiani et al. (2005)

Ghana also had the added motivation of wanting to take control of the economy away from ex-patriate industrialists (i.e. people leftover from the colonial government) (Appiah-Kubi, 2001). In addition, there were clearly political factors as well. Nkrumah's political rivals controlled most of the profitable private enterprises in the country. Nkrumah believed that if he allowed the market economy to operate than his rivals would simply become more powerful, whereas by investing in SoEs he was ensuring that his government controlled a large amount of the nation's wealth (Sandbrook and Oelbaum, 1997). At the end of Nkrumah's reign in 1966, there were 53 SOEs and 12 state-private ventures (Sandbrook and Oelbaum, 1997) operating in nearly every sector of the economy including pharmaceuticals, bakeries, building construction, mining, manufacturing, and laundries (Asante, 2014).

From their establishment, SoEs in Ghana were subject to enormous political interference and used as sources of patronage (Appiah-Kubi, 2001). They were never successful in creating an industrial base in Ghana as SoEs may have helped due in countries such as Brazil, South Africa, and of course the USSR. Part of the reason for this failure was that Ghana's SoEs were not concentrated in heavy industries in the same way as these other countries.

According to Sandbrook and Oelbaum (1997), SoEs in Ghana were not only unprofitable but also failed on other measures such as capacity utilisation and incremental capital-output ratios.[3]

Political interference in daily operation appears to be the main cause of the poor performance of SoEs in Ghana. According to Appiah-Kubi (2001) politicians interfered to keep redundant staff from being let go, to help workers avoid discipline, win contracts for preferred clients and at inflated or deflated rates based on their own or their client's interests. According to Sandbrook and Oelbaum (1997), politicians failed to provide policy guidelines while interfering in day-to-day operations for their own personal/political interests. Politicians expected their constituents to be hired, their supporters to win contracts at inflated prices. The expansion of failing SoEs was funded by heavy taxes on the cocoa production sector, which was both the most successful sector of the economy and the one dominated by the rivals of Nkrumah, and by excessive foreign borrowing (Sandbrook and Oelbaum, 1997).

Under a new government in the late 1960's and early 1970's (the National Liberation Council), Ghanaian leaders attempted to reform SoEs. The government closed particularly unprofitable SoEs and fully privatised a number of others on the recommendation of the World Bank. However, due to fierce public and vested interest opposition the process stalled within a few years (Asiedu and Folmer, 2007; Appiah-Kubi, 2001). Essentially, this government was not powerful enough to overcome entrenched vested interests that benefitted under the *status quo* of SoEs.

Under the military dictatorship of Acheampong between 1972 and 1978, the emphasis on SoEs as a source of growth reemerged. In this period, the government established a host of new SoEs across a range of industrial sectors such as mining and manufacturing, and nationalised a number of privately owned firms, including parts of nearly every multi-national corporation active in Ghana (Appiah-Kubi, 2001). Thus, the largest industrial SoEs (as opposed to agriculturally-focussed SoEs) date from this period. In order to make the SoEs

[3] These latter measures are frequently argued to be better measures of overall efficiency and benefits of SoEs as opposed to profitability which may not be the goal of government-owned firms

more profitable the government limited private entrepreneurs to enter any sector which the SoEs occupied, which was nearly every major sector (Sandbrook and Oelbaum, 1997).

There were approximately 324 SoEs in Ghana by 1987 and SoEs dominated nearly every sector of the economy (World Bank, 1995). SoEs dominated employment in utilities (over 94 percent of total employment in the sector), mining (over 85 percent of total), business and financial services (almost 70 percent) (State Enterprise Commission, 1995). Despite the enormous role of SoEs in the economy, the enterprises performed poorly almost from their establishment and required government subsidies as opposed to providing revenues. Subsidies to SoEs accounted for 10 percent of government expenditures in 1982 and the firms were heavily indebted to private lenders (both national and international) (State Enterprise Commission, 1995). By this period SoEs were a major contributor to rising inflation and the general deterioration of the Ghanaian economy.

Motivation for Initiating Privatisation

There were two primary incentives for Ghanaian politicians to initiate privatisation policy. Firstly, in the late 1980's, the World Bank emphasised privatisation in Sub-Saharan Africa (SSA), often as a pre-condition for receiving funds from it. This was particularly important as the Ghanaian economy was on the verge of collapse and reliant on IMF and World Bank loans throughout the 1980's (Tangri, 1991).

Secondly, SoEs had become such an enormous drain on the budget that continuing to subsidise them hindered the government from providing other sources of patronage such as food subsidies (Tangri, 1991). In the past they had survived due to enormous subsidies, however, at this stage of Ghana's development the expansion of SoEs through government subsidies was not an option due to the overall poor finances of the government. Thus, the SoEs were more valuable as privatised assets which could be transferred to supporters directly (Campos and Esfahani, 1996; Appiah-Kubi, 2001; Adams, 2011).

According to the Ghanaian government, the motivation for privatisation was based much more on economic factors:

> *"...excessive bureaucracy, overstaffing, a lackadaisical attitude towards state activities, a lack of entrepreneurial drive and acumen which constituted the hallmarks of private business, poor incentives for management and low working capital and investment." (Bank of Ghana, 2005)*

The Provisional National Defence Council (PNDC) Government (military dictatorship established in 1981) sought a complete overhaul of the domestic economy including SoE reform. The military dictatorship was essentially able to debilitate any potential opposition from groups such as trade unions. This authoritarian power coupled with the depth of the economic collapse that occurred under the prior government allowed the PNDC Government (lead by Rawlings) to appoint and shield a group of technocrats who were given a relatively free hand in managing the economy as a whole (Sandbrook and Oelbaum, 1997).

In most cases of privatisation, trade unions present a formidable base of opposition. As mentioned above, the authoritarian nature of the Ghanaian government limited trade union power, but there were also a number of other factors that limited the power of trade unions in this period. The economic collapse had reduced the power of trade unions by decreasing the total numbers employed in factories and mines across the country (although not in most SoEs, as these workers were protected). In fact, union membership in Ghana declined from 630,843 in 1985 to 572,598 in 1998 (Anyemedu, 2000). Furthermore, the charges of corruption against union leaders and splits in the main trade union (Trade Unions Congress) weakened the support base of unions (Sandbrook and Oelbaum, 1997). It should be noted that while Ghana did hold election in 1992 and 1996, the PNDC and Rawlings won these elections and maintained its semi-authoritarian control over the country in this period.

Process of Privatisation

A small Divestiture Implementation Committee (DIC) was established in 1987 to plan and implement disinvestment policy. For the first six years of its existence, the Committee was under the State Enterprise Commission (the primary body in charge of SoE operations), and lacked independence from political control. According to Tangri (1991) the question of which SoEs would be first to be privatised was discussed for over a year between the government, World Bank and bureaucrats in charge of specific firms. Ultimately the government chose 46 SoEs for privatisation in 1989. However, they did not publicise this list due to the ongoing debate among politicians about which firms should be on the list. Effectively, the government chose to act unilaterally and sent the list of firms to the DIC which was instructed to prepare these firms for disinvestment. The list contained many profitable SoEs which has been classified as strategic in the past (Tangri, 1991). In 1990, the government stated that all but 22 SoEs would be offered for divestiture and 20 SoEs were closed or fully privatised in this year as well.

In 1993, the DIC was spun off as an independent organisation that reported directly to the President's office through the Ghana Divesture of State Interests (Implementation) Law. According to Appiah-Kubi (2001) this was a major turning point in privatisation in Ghana as the Committee was now large enough and independent enough to implement the policy without relying on outside authorities.

The Committee was chaired by a member of the ruling PNDC Government and included one representative from the Trade Union Congress, Ghana Armed Forces, and the Committee for the Defense of the Revolution and other members chosen on the basis of their `experience and knowledge' (Kayizzi-Mugerwa, 2002). According to Appiah-Kubi (2001) the Committee is relatively free of political interference. However, according to Adams (2011) the list of potential SoEs to be privatised came directly from the President's Office.

Furthermore, larger presence of the military on the Committee reflects its supremacy over the government in this period of Ghanaian politics. In 1995, the Committee published its rules and general procedures in an effort to make the process transparent and disseminate information about the disinvestment programme in the media (Sandbrook and Oelbaum, 1997). Despite these efforts there were still claims of corruption by many in the opposition. In particular, many called foul when the major telecom SoE in Ghana was sold to a Malaysian telecommunications company in partnership with a local consortium at a price substantially lower than a recent valuation of the firm.

Privatisation in Ghana has taken almost all possible forms. SoEs that are geographically diverse have been broken up into numerous assets prior to privatisation. SoEs have been sold as single assets to bidders in the private sector, as joint-ventures in which the government maintains a minority share and the firm is managed by the private buyers, and as concessions to private investors for a specified period (Bank of Ghana, 2005). Of the total 335 privatisation transactions between 1990 and 2003, 225 of them were assets of SoEs (i.e. sales of the entire firm to bidders), 47 were sales of SoE shares and another 41 transactions involved complete liquidation of SoEs (Adams, 2011). The remainder consists of leases (16) and joint ventures (6). Thus, privatisation in Ghana was more likely to hand over management to private operators than to maintain majority stakes such as has mostly occurred in the case of India.

By 1999, divestiture proceeds were approaching US$1bn (Appiah-Kubi, 2001). However, almost 90 percent of this revenue was spent paying severance packages to employees and settling the extensive debt of the SoEs prior to sale. Furthermore, over 40 percent of the revenue was accounted for by a minority sale of one SoE in 1994, the Ashanti Goldfields Corporation. It should also be noted that the government started the process by selling the least attractive SoEs and only at the end of the 1990's did it sell the major ones that were the most attractive to investors.[4]

This suggests that the process of privatisation in Ghana has been less focussed on increasing government revenue and more on increasing efficiency and reducing government expenditures on failing SoEs. However, it may also be indicative of the political interference in the selection of SoEs for privatisation, which at least in the early stages of the process in Ghana was substantial (Tangri, 1991).

By 2001, 212 SoE (41 percent of total) had been privatized in part or in whole (Appiah-Kubi, 2001). Of these, approximately 75 percent were fully sold to the private sector, i.e. the government did not maintain any shares or lessor rights of the firms. In only about 10 percent of the disinvestments did the government maintain any shares in the firm and in no cases did they maintain majority shares. Very few of the early privatisations were conducted through stock exchanges, with direct transfer of SoE assets to firms or investors as the primary means of sale. This is in part what led to accusation of corruption and lack of transparency, but it was also a means of the government to overcome vested interests from politicians by keeping the process relatively discrete until deals were completed (Tangri 1991).

Foreign investors were encouraged to bid on SoE assets and nearly all of the largest SoEs were purchased by foreign firms including Unilever and Telecom Malaysia. Sales to foreign firms was often done through partnership with domestic investors so as to get around nationalism and security issues, although selling to foreign firms was very contentious politically in Ghana (Tangri, 1991). The government ostensibly encouraged manager and employee bids on SoEs by providing discounts, however, in almost no case did former employees or managers successfully purchase a privatised SoE (Appiah-Kubi, 2001).

Between 2001 and 2005 another 123 SoEs were privatised (Bank of Ghana, 2005) leaving approximately 65 SoEs (Adams, 2011). After 2005, the largest privatisations involved public sector utilities. As will be discussed in a later section, privatisation until this point appears to have been very beneficial for the Ghanaian economy and reasonably well executed. The same cannot be said for the privatisation attempts in the utilities sector. Most of the problems faced by Ghana are similar to those faced in a developed country which attempts to privatise utilities and relate to the fact that many utilities are natural monopolies or are perceived to be.

[4] This is the exact opposite of the process in India beginning in 1991 where generally speaking it has been the SoEs that attract the most attention from investors that have been sold first

Water privatisation, particularly in the capital region (Accra), has been the most contentious privatisation in the country (Whitfield, 2006). Ghana has very large water reserves in its interior, however, within urban areas there has essentially been a water crisis for well-over a decade (Whitfield, 2006). In the late 1990's the World Bank proposed privatising Ghana's water system to deal with the crisis (Hooker, 2008). The issue appears to have stoked more civil society opposition than any of the prior privatisations with a host of non-governmental orgnisations (NGOs) coming into existence to fight the privatisation. After five years of heated debate, the World Bank and Ghana's Government implemented a compromise attempt at privatisation (Hooker, 2008). A private firm (Aqua Vitens Rand Limited, a joint venture of a South African firm and a Dutch firm) was given a contract to manage the water system in Ghana. The contract included clauses to improve service and financial sustainability, with the understanding that the primary means of doing this would be to reduce non-revenue water."[5]

By 2008, the privatisation was coming under increasing opposition from NGOs and opposition political parties. While the evidence is varied, the privatisation does not appear to have had any substantial effect on water provision in the capital. There was still a major water shortage, and the system may have improved in some areas while deteriorating in others. The private operator argued that the increased opposition was the result of them beginning to shut-down illegal taps and fixing broken meters. The World Bank argued that the failure to improve the water system was due to a lack of investment which would be true with or without privatisation (Hooker, 2008). In particular, the World Bank argued that the method of privatisation in the case of the water utility had not encouraged investment by the private operator. Anti-privatisation NGOs argued that the failures were due to a private firm only seeking profits. The government chose not to renew the contract after 5-years and the water system is again operated by the government.

Despite this failure in regard to the privatisation of water utilities there are still moves towards utility privatisation in Ghana. For example, the Government is now planning to privatise electricity generation and provision (GhanaWeb, 2015).

Public Support for Privatisation

Adams (2011) provides an extremely interesting poll of support for privatisation policy in Ghana. While the sample size is very small (approximately 200 people based on the question) and apparently not random, the survey does provide useful information about support for privatisation. In the poll, 66 percent of respondents support the government's privatisation efforts while 69 percent of respondents believe that other people do not support the government's privatisation efforts. The author suggests that this could be the result of recent protest marches against privatisation. Regardless, the conflicting results suggest that information about support for the policy is not widely available and that groups opposed to privatisation have so far dominated the rhetoric on the issue. Ultimately, though, privatisation is not an important issue among respondents in the survey. In fact, out of 11 issues related to the economy, respondents ranked privatisation as the least important. So, again, while there is not much opposition within the sample against privatisation, there also is not much concern one way or the other with the issue.

[5] Non-revenue water is any water which is unaccounted for and unpaid for. This mostly means water that is delivered but not paid for and water that is lost through broken or leaking pipes

Less surprising is that 61 percent of respondents believed that there was corruption in the privatisation process with a similar majority of respondents saying that politicians underpriced SoEs to sell to their cronies. However, 56 percent of respondents believed that the DIC is "independent and carries or its mission in accordance with the law." This again suggests a high level of uncertainty surrounding beliefs about privatisation among respondents. The results also showed that higher education is positively associated with support for privatisation. In particular, the finding that higher education is correlated with support for privatisation (and pro-market reforms in general) appears in a host of studies (Earle and Gehlbach, 2003; Hiscox 2006; Denisova et al, 2012). The common logic for this is that more educated people will benefit from a market economy and/or private ownership of firms as these economies place a higher value on education.[6]

According to Appiah-Kubi (2001) the fact that all the major bank privatisations and the privatisation of the Ashanti Gold Mines were at least in part done through public sales on the Ghanaian stock market helped to overcome local political opposition to privatisation. In particular, one of the claims of anti-privatisation politicians was that the policy would result in the concentration of national industry in the hands of foreign investors. However, by offering shares to the public, individuals felt that they had the opportunity to participate in the process. While this policy may have limited the ability of the newly privatised firms to operate due to extensively diversified ownership, it helped built support for privatisation among the public.

Outcome of Ghana's Privatisation Policy

As measures of the success of privatisation policy, it is important to analyse three dimensions of the policy's effect: 1) How privatisation affected employees? 2) How privatised firms perform relative to SoEs? and 3) How privatisation affected the larger economy? On all three accounts, non-utility privatisation appears to have been very successful in Ghana whereas privatisation of utilities never effectively got off the ground.

Effect of Privatisation on Employees

According to Bank of Ghana (2005) employment in privatised SoEs has increased by 59 percent. Asiedu and Folmer (2007) and Centre (1998) also find that workers at privatised firms earn significantly more than their counterparts at comparable SoEs that were not privatised. In several firms employment has doubled since being privatised (Appiah-Kubi, 2001). These gains are due to the increased investment in the firms (Centre, 1998), but also to the general improvement in the Ghanaian economy since reforms began in the late 1980's. Thus, while the government expended enormous amounts of money on severance packages to cut redundant workers prior to privatisation (so much so that many newly privatised firms may have been understaffed), after privatisation employment increased rapidly.

Based on a survey of workers at major privatised and comparable SoEs that were not privatised, Asiedu and Folmer (2007) find that workers at privatised are significantly more

[6] It should be noted that in regard to free trade, Hiscox (2006) actually makes the argument that the correlation between education and support for trade is the direct result of education in the form of economic courses in college as opposed to anything related to the individual's skill set and beliefs about how free trade will benefit them as individuals

satisfied with their jobs than workers at SoEs. However, it should be noted the authors find that this effect is almost nonexistent for women which is in line with other studies that suggest women and the least educated suffer under privatisation (Birdsall and Nellis, 2003).

This is because these groups often benefit from mandatory quotas at SoEs.

Effect of Privatisation on Firm Performance

Tsamenyi et al. (2010) perform an in depth analysis of two major privatisations in Ghana and find that the performance of firms substantially improves after privatisation. While the study is limited due to the analysis of only two firms, the effect of privatisation is large. The authors score the privatisations on five dimensions: financial, customer service, internal business process, learning and growth, and the community. The authors find that privatisation improved results on all five dimensions. Furthermore, the authors find that the privatisation and subsequent improvements in performance were accompanied by changes in accounting and control systems. The authors suggest that this may be accounting for the improved performance although they are not able to document this with their data.

Appiah-Kubi (2001) argues that the improved performance of privatised SoEs in terms of investment, installed capacity, capacity utilisation, management, and personnel training cannot be denied. Perhaps more interestingly, the author argues that privatisation has dramatically improved the performance of SoEs that have not been privatised: The fear of divestiture or being put on the divestiture list has encouraged management of most SoEs to adopt better management practices to enhance efficiency.Because of this, there are very few SoEs in Ghana which continue to require government subsidies. However, it should be noted that simple restructuring of SoEs as happened in some cases does not appear to have benefitted SoE performance at all. In an in depth study of a single SoE (Ghana Food Distribution Corporation) Neu et al. (2005) finds that World Bank-sponsored reforms of the firm did not substantially change budgetary practices. According to authors, budgeting remained politicised, delayed, directionless and ineffective even after reforms.

The quality of most goods manufactured at privatised firms also substantially improved post-privatisation (Centre, 1998). Additionally, many privatised firms that did not export while SoEs began to soon after privatisation (Centre, 1998).

Effect of Privatisation on Ghanaian Economy

Despite the limited revenues of privatisation in Ghana (after accounting for costs incurred from settling debt and employee severance packages), the policy has improved the government's fiscal position dramatically. This is the result of two factors: 1) The government no longer needs to provide subsidies to failing SoEs; and 2) The government is now able to tax the privatised firms. An example of this latter point is that dividend payments from the government's minority shares leftover after privatisations increased by over 6 million dollars between 1993 and 1998. This is despite the government owning a fraction of the total equity that it had in 1993 (Appiah-Kubi, 2001).

Appiah-Kubi (2001) also highlights the positive effect of privatisation on the Ghanaian stock market. By creating massive publicly traded domestic corporations, privatisation produced the foundations of a liquid equity market in Ghana as can be seen by the fact that five former SoEs accounted for over 75 percent of market capitalisation on the Ghana Stock Exchange.

Additionally, domestic investors participated in 169 out of 212 divestitures, thus creating a base of domestic equity investors. Although, it should be noted that this participation was concentrated in the smaller and less valuable firms that foreign investors had little interest in.

Failures of Privatisation in Ghana

In 1996, the DIC outsourced much of the technical work required to implement privatisation such as valuing SoEs and determining methods of privatisation for a given firm. The government signed 21 outsourcing contracts for privatisation and spent over 1.8 million dollars on consulting fees (Appiah-Kubi, 2001). However, according to the DIC the outsourcing was a complete failure and substantially added to the cost of implementing privatisation while providing almost no returns (Appiah-Kubi, 2001). I am aware of no outside evaluation of the effectiveness of the outsourcing, though, and one can imagine that the DIC's claim may simply be the result of a bureaucracy attempting to maintain control of process.

Another failure in terms of implementation comes from the pace of privatisation in Ghana. In particular, there is often a long period between when an SoE is put on the list of firms to be privatised and the actual privatisation (Appiah-Kubi, 2001). During this interval, SoEs often perform so badly that their value at privatisation is significantly reduced. The reason for this is the prolonged uncertainty that delays in the process creates. SoEs that are on the list to be privatised in the future have difficulty accessing credit from banks, signing new contracts, and motivating their workforce. This uncertainty causes a substantial decline in firm performance even when privatisation appears to improve performance.

The government also did not pay sufficient attention to employees of privatised firms (Appiah-Kubi, 2001). The government did not develop any plan for taking care of affected workers before beginning to implement the policy. After large-scale protest from workers at SoEs, the government hastily created a retraining and redeployment programme that cost over US$85.7mn but had only a minimal impact retraining workers (A. Marc, 1995).[7]

Additionally, there were massive delays in providing severance packages to retrenched employees at SoEs (Appiah-Kubi, 2001). Thus, as is often the case in privatisation programmes, those who are not likely to perform well in a private employment market suffer whereas workers at SoEs who are skilled and ambitious often benefit by being paid severance and then earning more money than their previous positions in the private sector (Duch, 2001).

In line with this, as discussed above, firms increased hiring post-privatisation, however, there is no reason to believe that those who were hired post-privatisation were the same people that were let go prior to privatisation. Those employees who were older or lacked marketable skills would have been less likely to be rehired by firms' post-privatisation and it is likely these people suffered from the policy.

The government also did not do an adequate job in explaining privatisation policy to the public and making the process sufficiently transparent (Appiah-Kubi, 2001). In the early privatisations there was no stated method for choosing SoEs for privatisation, for evaluating bids from investors, or even what bids were. Furthermore, the bids were not public and

[7] Similarly, the government only established a committee to regulate utility pricing policies in 1998 after large-scale protests against price increases after privatisation (Appiah-Kubi, 2001)

interested investors were told to contact the DIC. This lack of transparency led to opposition claims of bureaucratic and political corruption in the privatisation process and likely to a reduction in support for the policy. While this process improved over time, the early failures likely hurt the credibility of privatisation with the general public.

Lastly, the privatisation of utilities in Ghana has been less successful if not a complete failure, in particular in the case of water privatisation. Observers disagree on who is to blame for the failure, although the root cause is the lack of investment in infrastructure according to most sources (Hooker, 2008). This failure has led to widespread protests in urban areas and to the government not renewing contracts with private water providers, effectively, renationalising water provision in 2011. Currently, the government is considering privatising power provision in the country which may also lead to extended protests.

Conclusions

Ghana's experience with privatisation is mixed. The nation was able to implement the policy fairly effectively in industrial sectors, but less so in the utilities. Furthermore, the pace of privatisation in Ghana has been relatively brisk with all major SoEs having been privatised since 1989. Thus, while not perfect, Ghana's privatisation policy has been relatively rapid and complete and relatively successful in terms of economic returns.

There are two factors which appear most important in explaining why privatisation in Ghana has been relatively successful. Firstly, the PNDC in the late 1980's and early 1990's did not have to respond to the general public or vested interests in the same way that weaker dictatorship or a democracy might. The PNDC was able to stifle opposition from trade unions through the threat of force and through cooption, and while the party did have to respond to political demands, those political demands came from within the party as Ghana was a one-party state in the early stages of privatisation. This is in line with a large theoretical and empirical literature which argues that painful stabilisations and economic reforms are most likely when the executive is powerful and there are few veto players to affect policy (Alesina et al., 2006; Hertog, 2010; Dethier et al., 1999). Of course, authoritarianism is not being advocated as a means of implementing reforms, however, in this case it is an important factor in why privatisation in Ghana occurred.

Secondly, the economic collapse that preceded privatisation allowed the government leeway in implementing the policy and pressure to do so from international lenders. This is often the case in economies that are on the brink of collapse. Under conditions of economic collapse the general public is: 1) much more concerned with economic issues that are closer to home and threaten their daily existence, and 2.) the public is more likely to believe that any policy which changes the *status quo* that led to economic decline is a good policy. This is also in line with a literature which argues that poor economic conditions allow governments to implement painful economic policies because they can pass the blame on to other parties such as prior governments (Pierson, 1996) or even foreign creditors such as the World Bank and IMF (Stark, 1991).

The economic success of privatisation in Ghana stems from these political factors. The government was less subject to demands that would have limited the scope of the policy or the method of sale. For example, the government was not forced to maintain strategic control of the enterprises due to vested interest or public opposition to private ownership. Similarly, the government was able to sell assets to foreign firms despite opposition because the government did not have to be responsive to this opposition.

While an authoritarian government and an economic collapse are clearly not positive scenarios for a nation to find itself in, they can lead to a smoother process of pro-market reforms such as privatisation. In the case of Ghana, this is exactly what occurred. An authoritarian government takes over during a period of economic collapse and is given relatively free reign to implement policies. The World Bank and IMF would only provide loans if a certain set of policies were carried out and, due to the government's ability to ignore opposition, the policy is implemented in a manner fairly close to what was initially proposed.

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