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A dying nation? A historical review of foreign aid to Ghana, 1964 -1970

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ABSTRACT

This article examines the dynamics of foreign aid and development in Ghana between 1964 and 1970, a period marked by political transition, economic strain, and shifting international alignments. Drawing on qualitative historical analysis, thematic interpretation, and critical discourse analysis, it reconstructed how aid was mobilised, negotiated, and operationalised within the context of late Nkrumah-era governance and the post-1966 regime. The article argued that foreign assistance, while framed as a mechanism for economic stabilisation and development, functioned in practice within a constrained policy environment shaped by external conditionalities and domestic institutional limitations. Rather than producing sustained structural transformation, aid interventions often reinforced patterns of dependency and uneven development. By situating aid within its immediate political and administrative context, the article provides a historically grounded reassessment of the relationship between external assistance and state capacity in postcolonial Ghana. In doing so, it foregrounds the empirical and institutional dimensions of aid governance, highlighting how policy choices, bureaucratic processes, and international pressures intersect in shaping developmental outcomes. This article represents an earlier iteration of arguments subsequently developed by Nyarko (2025), who advances a more explicitly theorised account of foreign aid as a paradoxical development mechanism.

Keywords: Foreign Aid, Ghana, Economic Development, Debt Crisis, Historical Analysis.

INTRODUCTION

The reliance on external financing has exacerbated Africa's socioeconomic woes, leading to greater poverty and a debt crisis. By 2023, Africa's total external debt stood at $1.2 trillion, a figure that has continued to widen. The growing gap has long dominated diplomatic efforts. This issue has necessitated the need for ongoing support from developed donors to developing countries, especially in sub-Saharan Africa.[1] Between the era of independence and the close of the 20th century, African debt increased from less than $3 billion in 1960 to an estimated $225 billion in 2000, with 20% owed to private creditors,

[1] Nathan Andrews, "Foreign Aid and Development in Africa: What the Literature Says and What the Reality Is," *Journal of African Studies and Development* 1, no. 1 (2009): 8.

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and commercial and bilateral debts accounting for over half of the total.[2] The debt crisis phenomenon necessitated the relevance of the International Monetary Fund and its credit in the late 1970s and early 1980s, when Structural Adjustment Programmes and their related facilities became the critical determinants of inflows to Africa.[3]

This paper argues that changes in currencies—the Ghanaian Pound in 1958 and the Cedi on July 19, 1965, after abandoning the West African Pound—and the desire for rapid industrialisation marked the beginning of foreign aid in Ghana, laying the foundation for Ghana's economic crisis. It also examines the role of foreign aid in Ghana's socioeconomic development, particularly during its tumultuous period as an independent modern state. The paper further examined the role of leadership, global positioning and the conditionalities attached to aid in shaping Ghana's socio-economic trajectory during this turbulent period. The paper argues that foreign aid has been pivotal in Ghana's survival during its most turbulent times. It posits that the benefits of foreign assistance are contingent on a country's leadership vision and its significant position in the global arena. The paper further argues that rent-seeking in the global economy shapes who receives development aid.

In Africa, the economic woes that followed the oil crisis and the decline in commodity prices on global markets have underscored the need for external financing. This assertion is confirmed by the 'Berg Report', which states that African economic woes are associated with external shocks, population shocks, and government policy failures. It was based on such a diagnosis that the World Bank proposed the Structural Adjustment Programmes in the late 1970s and early 1980s. Nonetheless, this proposition has been rejected by Marxist-oriented scholars, who assert that socioeconomic problems are best understood as the outcome of long-term underdevelopment and short-term vulnerabilities stemming from dependency on the Western world and its established markets.[4]

Foreign aid has played a crucial role in shaping the political and economic landscapes of many developing countries, and Ghana is no exception. Foreign aid has been the subject of extensive academic and policy debates since the second half of the 20th century, particularly after the Marshall Plan, which provided more than $1.2 billion to rebuild Europe following World War II.[5] There are extant works on aid and development, but Nathan Andrews quizzes: "Is there any clear link between foreign aid and development or underdevelopment?"[6]In understanding aid and development, two major schools of thought exist—i.e., those who view aid as an 'external intrusion by more advanced societies' that serves as a precondition for economic take-off and the school that sees it as a disguised form of imperialism.[7] However, Ayittey asserts that the significance of aid to development centres on 'proper' leadership and the abolition of the 'vampire' or 'pirate' nature of the state occasioned in Africa.[8]

To begin with, it is necessary to understand the context in which the paper is situated. Accordingly, foreign aid is the voluntary transfer of resources from a developed country or international organisation to developing countries. Aid takes various forms, including grants, concessional loans, and technical assistance, which are provided for humanitarian, economic, or military purposes to support economic development, alleviate poverty, and provide relief during crises. The acquisition of foreign aid is influenced by the nature of diplomatic or relationship dynamics between and among countries.

In this paper, development is conceptualised as progress—economic, social, and cultural—that serves the necessities of the present and the future. Here, the necessities include the five interconnected freedoms outlined by Sen: economic opportunities, political freedoms, social freedoms, protective

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[2] African Development Bank group, " Annual Meetings 2024: Old Debt Resolution for African Countries—the Cornerstone of Reforming the Global Financial Architecture," News and Events, 2024, https://www.afdb.org/en/news-and-events/annual-meetings-2024-old-debt-resolution-african-countries-cornerstone-reforming-global-financial-architecture-70791.

[3] Alemayehu Geda Fole, "The Historical Origin of African Debt Crisis," *Eastern Africa Social Science Research Review* 19, no. 1 (2003): 59–89.

[4] Fole, "The Historical Origin of African Debt Crisis."

[5] Andrews, "Foreign Aid and Development in Africa: What the Literature Says and What the Reality Is." 96.

[6] Andrews, "Foreign Aid and Development in Africa: What the Literature Says and What the Reality Is."96.

[7] William Easterly, "Planners versus Searchers in Foreign Aid," *Asian Development Review* 23, no. 02 (2006): 1–35.

[8] George B. N. Ayittey, "Why Africa Is Poor," in *Sustainable Development: Promoting Progress or Perpetuating Poverty*, ed. Julian Morris (London: Profile Books, 2002).

security, and transparency.[9] The absence or denial of these necessities and freedoms, or the lack of equal access for all members of the population, indicates underdevelopment. Therefore, to appreciate the connection between aid and (under)development, it is necessary to understand and appreciate the cultural norms and values of the people aid seeks to assist.[10] The rationale that aid ensures modernisation is a historical construct shaped by external narratives and assumptions that fail to understand that the present state of Africa is influenced by its history, structural conjectures, and development.

The history of foreign aid to Ghana from 1964 to 1970 provides a compelling narrative that aligns with both perspectives and reflects the broader dynamics of international relations and development strategies during the latter half of the 20th century. Emerging from the colonial era, Ghana was seen as a beacon of hope in Africa, with its first president, Kwame Nkrumah, promoting ambitious economic and social reforms. After achieving total independence, Ghana increasingly relied on external assistance to support its development goals. This period was characterised by significant shifts in aid strategies, influenced by global economic trends, the Cold War, and evolving ideologies surrounding development practices.[11]

However, following a series of political upheavals and economic challenges in 1961, the nation began to face difficulties in providing the essential commodities and services necessary for development, leading to a subsequent coup d'état on February 24, 1966.[12] To fully appreciate the role of foreign aid in Ghana's survival, it is essential to understand the political and socioeconomic contexts of the state between 1964 and 1970. The chosen time frame—1964 to 1970—provides a crucial context for understanding the varying phases of political governance, economic challenges, and global influences that shaped the national landscape. This period encompasses significant events, including the leadership of Kwame Nkrumah, military coups, economic instability, and the adoption of various economic policies that shaped Ghana's developmental trajectory. The economic trajectory of this period demonstrated the instrumental role of foreign aid in times of crisis; its impact varied depending on how the leadership used these resources.

By examining the history of foreign aid in Ghana during this period of decline, this paper provides insights into the broader implications of foreign assistance. It contributes to the broader discourse on aid effectiveness and economic development in Africa. It challenges the simplistic narrative that either praises or repudiates foreign aid in absolute terms, instead emphasising the nuanced ways in which external assistance interacts with domestic governance structures. As Ghana and other developing nations continue to navigate the challenges of socioeconomic development, the lessons from this period remain relevant for understanding the broader implications of foreign aid in shaping national trajectories.

METHODOLOGY

This study used a qualitative and historical analysis that relied on a meticulous review of primary and secondary sources to build a comprehensive narrative of the dynamics of foreign aid during this critical period in Ghana's history. Specifically, the study employed a multi-sourced approach, drawing on old newspapers, government publications, white papers, and secondary sources. Primary sources included archival materials from the Ghana Embassy in the United States, documentaries from the Ghana Broadcasting Corporation, the Hansard of the British House of Commons, newspapers such as the Ghanaian Times and the New York Times, other government documents, and reports from international organisations such as the World Bank and the International Monetary Fund (IMF). These sources provided first-hand accounts and empirical evidence on foreign aid flows and their intended purposes. Secondary sources included scholarly articles, books, and historical analyses that contextualised Ghana's economic conditions and the implications of foreign aid during the specified period.

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[9] Amartya Sen, "Development as Freedom (1999)," *The Globalization and Development Reader: Perspectives on Development and Global Change* 525 (2014).

[10] Andrews, "Foreign Aid and Development in Africa: What the Literature Says and What the Reality Is."8.

[11] Mahamudu Bawumia, "Understanding the Dynamics of Foreign Aid in Ghana," *Journal of African Economies* 7, no. 1 (1998): 65–90; Tony Killick, *Development Economics in Action: A Study of Economic Policies in Ghana* (London: Routledge, 2010).

[12] The New York Times, "Ghana Airways Interest Sold," *Business Financial*, February 21, 1961, 58; The New York Times, "Manpower Scarcity Hampering Ghana," October 12, 1961, 34; Akwasi Amankwa Afrifa, *The Ghana Coup: 24th February* (London: Frank Cass, 1966).

The materials used were obtained from the national archives of various government departments, agencies, and ministries, as well as from Google Books, Google Scholar, the U.S. Department of State website, the International Monetary Fund and World Bank websites, and the University of Cape Coast library. A thorough review of archival documents, including government reports, speeches, old newspapers, and policy documents, yielded primary data on Ghana's political and economic contexts during the specified period. These relevant materials were analysed to trace the flow of foreign aid, the conditions attached to it, and the outcomes. In addition, the author conducted a comprehensive review of scholarly articles, books, and policy papers to gather insights into the debates surrounding foreign aid and its implications for Ghana.

This study employed a thematic analysis approach to examine the complex interplay between foreign aid, governance, and economic outcomes in Ghana. Drawing on Andrews' theoretical perspectives, the analysis identified and interpreted themes related to leadership, economic policies, and aid conditionalities, providing a nuanced understanding of how these factors influenced Ghana's trajectory. In addition to thematic analysis, this article utilised critical discourse analysis (CDA) to scrutinise the narratives surrounding foreign aid in policy documents and media reports from the era. CDA provided a framework for understanding how language and power dynamics shaped perceptions of aid and development in Ghana.[13] By analysing the discourse of both local and international actors, the study highlighted how framing and rhetoric influenced the aid relationship and its implications for Ghana's socioeconomic conditions.

This study used deconstruction as a qualitative research methodology to critically analyse historical texts and narratives surrounding foreign aid to Ghana between 1964 and 1970. The approach of deconstruction is rooted in the philosophy of Jacques Derrida, which challenges hidden assumptions within texts and enables a deeper understanding of historical events and their interpretations.[14]The textual exploration of the primary sources served as contested sites of meaning. These texts were analysed to reveal the implicit power dynamics and ideological constructs that shaped the discourse on foreign aid.

This study situates the texts within their socio-political context, examining how external factors and Ghana's aspirations shaped aid narratives and acknowledging the interplay between local agencies and external pressures. The deconstruction method is significant for the study as it interrogates not only the explicit content of historical records but also what is omitted or marginalised. The approach allows for a nuanced critique of how foreign aid was framed as a tool for development or control during a pivotal period in Ghana's history. The method is significant because it transcends empirical analysis to uncover deeper ideological undercurrents shaping historical narratives.

Although this study is robust in its historical analysis, it acknowledges certain limitations. Reliance on archival documents poses challenges related to data completeness and accuracy, as they are often shaped by the perspectives and agendas of their authors, potentially introducing bias or missing information. Additionally, the subjective nature of the selected sources may introduce personal biases that could affect the findings. However, to mitigate the limitations identified, the study triangulated data from various sources to produce a more comprehensive understanding of the impacts of foreign aid. Reliance on historical documents may introduce biases inherent to the sources; furthermore, focusing on a specific timeframe may miss the long-term effects of foreign aid beyond 1970.

Despite these limitations, the methodological rigour employed in data collection and analysis ensures a comprehensive understanding of the complexities of foreign aid in the Ghanaian development narrative. This methodological framework positions the study to effectively analyse the intricate relationship between foreign aid and Ghana's socioeconomic landscape during a crucial period in its history. By integrating qualitative data with theoretical insights, the research contributes to broader scholarship on aid and development, particularly in sub-Saharan Africa, as well as to the political and social dynamics that influence these outcomes.

[13] Teun A. Van Dijk, "Critical Discourse Analysis," in *The Handbook of Discourse Analysis* (Wiley, 2015), 466–85, https://doi.org/10.1002/9781118584194.ch22.
[14] Derek Attridge, "Deconstruction Today," *Études Anglaises* 58, no. 1 (2005): 42–52.

PRESENTATION OF FINDINGS AND DISCUSSION

Pre-Economic Tragedy, 1952-1962

With the attainment of self-government and the appointment of Kwame Nkrumah as Prime Minister on March 21, 1952, the stage was set for development, despite the country's dependence on agriculture.[15] Ghana attained political independence from the colonial powers on March 6, 1957, under the leadership of Kwame Nkrumah. He began to pursue an ambitious, transformative industrialisation—an auto-centric economy—to avoid dependency on the Western world, which determined the welfare of the Ghanaian economy and its populace, and to drive rapid socioeconomic development; between 1957 and 1960, gross domestic product increased from $750 million to $1,395 million.[16]

This move by Nkrumah was necessitated by the reality that, in 1959, according to the Report of the United Kingdom Trade and Industrial Mission to Ghana, over ninety per cent of Ghana's import trade was controlled by outsiders—Europeans, Indians, Lebanese, and Syrians—with less than one-tenth controlled by Ghanaian merchants.[17] Between 1950 and 1960, imports into Ghana almost tripled from £48 million to £130 million, while debts ballooned from less than $1 million to $26 million.[18] This reality compelled the Nkrumah government, following Ghana's attainment of republican status in July 1960, to establish the Ghana National Trading Corporation in 1961 to address the situation. The corporation's functions included taking over the management of imports and distributing domestic products.[19] With this move, the monopoly held by these non-Ghanaians was broken.

After becoming a republic, Ghana received $11.5 million in foreign aid between 1960 and 1962. Ghana experienced political upheavals beginning in 1962, which began to impact the country's economic fortunes and development. For example, in the 1961/62 fiscal year, the financial gap was ₵161 million, forcing polemicists to warn Ghana's creditors. The situation culminated in Nkrumah on September 28, 1962, to impose censorship on media dispatches leaving the shores of Ghana and the expulsion of two British correspondents, Walter Partington and Richard Beeston of The London Daily Express and The Daily Telegraph, respectively, to salvage the economic turbulence which Nkrumah believed was orchestrated by Western sloganeers.[20]

The economic decline of Ghana began in 1960 when foreign reserves declined from approximately £149 million to £74 million in 1961, and the current account deficit recorded a deficit of £34 million in 1960 to a staggering deficit of £53 million in 1961, compared to a current account surplus of £11 million in 1958.[21] Thus, by 1961, Ghana faced an external payment deficit of £132 million, largely due to liberalisation.[22] The situation was worrying because the total government revenue stood at £513 million, representing approximately 26% of total revenues.[23] Following the increase in import spending, in August 1961, Ghana's Parliament passed the Foreign Exchange Control Act 1961 to impose an embargo on consumer goods and stimulate local production, thereby reducing the deficit to less than £30 million by 1962.[24] The passage of the act led to increased tariffs on essential commodities, raising revenues and enabling the establishment of approximately 150 companies, including steelworks, glass and electronics factories, gold refineries, and cement plants.[25]

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[15] Kwame Nkrumah, *Dark Days in Ghana* (New York: International Publishers, 1969).88.
[16] US Department of Agriculture, " Ghana: Projected Level of Demand, Supply and Imports of Agricultural Products in 1965, 1970 and 1975," *Economic Research Services: Foreign Agricultural Services*, March 1964.
[17] Kwame Nkrumah, *Africa Must Unite* (New York: International Publishers, 1972).
[18] UK Parliamentary Hansard, "Ballot for Notices of Motion-Ghana (Finance)," *House of Commons Debate*, April 14, 1965.
[19] World Trade Organisation, "General Agreement on Tariffs and Trade. 1964 Consultation Under Article XVIII: 12 (a) with Ghana. BOP/39," October 2, 1964.
[20] The New York Times, "Ghana Puts Curb on Outgoing News; Censorship Linked to Fears for Nation's Economy," September 29, 1969.
[21] US Department of Agriculture, " Ghana: Projected Level of Demand, Supply and Imports of Agricultural Products in 1965, 1970 and 1975."
[22] World Trade Organisation, "General Agreement on Tariffs and Trade. Consultation Under Article XVIII: 12 (a) With Ghana," *Statement Made by Mr. R. Darko-Sarkwa at the Meeting of the Council on 26 February*, April 6, 1962.
[23] Naseem Ahmad, "Some Aspects of Budgetary Policy in Ghana," *The Economic Bulletin of Ghana* 10, no. 1 (1966): 3–22.
[24] Parliament of Ghana, " Act of Ghana. Exchange Control Act, 1961 (Act 71): 6-7. Enacted August 1, 1961.," n.d.; Parliament of Ghana, " Acts of Ghana. Foreign Enlistment Act, 1961 (Act 75). Enacted August 17, 1961.," n.d.
[25] National Development Planning Commission, *Ghana: Seven-Year Financial Years 1963/4-1969/70* (Accra: Office of the Planning Commission, 1964).

Following the perceived economic failure, a coup attempt occurred in July 1962. The coup was aborted when papers detailing the coup plot were seized.[26] According to John Cordle, the MP for Bournemouth, East and Christchurch, the situation was such that it was in the UK's and Ghana's best interests for Ghana to be assisted, as the seriousness was reflected in Ghana's foreign reserves.[27]

Solutions to Economic Quagmire, 1963-1966

The precarious nature was significantly attributed to a high reliance on investments in the manufacturing sector to provide import-saving goods. Nkrumah's attempt to remedy the economy culminated in the launch of the industrialisation policy—the Seven-Year Development Plan—and the establishment of committees to oversee domestic production, which increased output of light industries such as beer, soda, cigarettes, and baked goods.[28] The Ghanaian Government, in promoting industrialisation, ensured that cheap electricity was available; hence, the Akosombo Dam, which produced 768,000 kilowatts, was completed.[29]

The Seven-Year Development Plan was to cost $2,844,800,000. The Plan depended on private investments to help actualise it; thus, to borrow Dr. Nkrumah's words, "We do not intend or desire to limit private investment. We continue to look to the outside world to contribute to our national development."[30] The Plan was expected to raise $1.5 billion from foreign investors and private Ghanaians. The plan was heavily focused on sectors that would not provide direct, immediate revenue to Ghana. The Plan called for heavy investment in education, such that secondary school attendance was to increase from 23,000 to over 78,000 by 1970, and university attendance was to soar from 2,000 to 5,000 by the close of 1970.

Following the launch of the development plan that focused on increasing industries' contribution to GDP above 20%, Ghana's official development assistance from abroad increased to $18,010,000 in 1963 alone.[31] The most significant aid came from the United States for the Volta River Project, which aimed to catalyse Ghana's industrialisation. The Volta River Project led to the construction of the Akosombo Dam and township, resulting in savings of $46 million compared with the initial estimate of $196 million.[32] Accordingly, Senator Allen J. Ellender of Louisiana, during the December 18, 1963, Senate Debate, remarked, "The only one that looked promising was the Volta River Project in Ghana. In that case, the Ghanaian Government paid half the cost, and the interest rate we receive is above the amount we pay."[33]

Nkrumah's desire and pursuit of industrialisation in 1963 further exacerbated the series of economic troubles that would follow in the mid-1960s. The quest for industrialisation was not the problem but rather the uncompleted projects due to difficulties in civil engineering works, acute balance of payment challenges, unchecked devotion of large resources and loans in rapidly propelling industrialisation, coupled with the falling prices of cocoa on the global market, as Ghana depended significantly on cocoa, which provided approximately three-fifths of Ghana's revenues.[34]

Although Ghana attempted to industrialise its economy, most industries were agriculture-related or focused on consumption and reducing the country's overdependence on cocoa. For instance, in December 1964, Ghana established the Ghana Cocoa Products Corporation Factory at Takoradi through foreign assistance to process 18,000 tonnes of raw cocoa beans. However, the factory was managed by Stahlunion, a West German company, for 5 years for $3.02 million, with an annual interest rate of 4%.[35]

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[26] Ghanaian Times, "Secret Report Read to Special Court—A Letter Plan to Overthrow Govt," August 31, 1963.
[27] UK Parliamentary Hansard, "Ballot for Notices of Motion-Ghana (Finance)."
[28] National Development Planning Commission, *Ghana: Seven-Year Financial Years 1963/4-1969/70*.
[29] Nkrumah, *Dark Days in Ghana*.83.
[30] Ghana News, "Ghana Embarks on Gigantic Seven-Year Development Plan," April 1964.
[31] World Bank, "Net Official Development Assistance Received (Current US$)—Ghana," accessed March 15, 2025, https://data.worldbank.org/indicator/DT.DOA.ODAT.CD?locations=GH.
[32] Ralph. P. Ware, "Ghana's Akosombo Dam. American Society of Civil Engineers," 1964; World Bank Group Archives, "President George D. Woods Travel Records-Ghana-Volume 1-November-December 1964. 1770137. WB IBRD/IDA EXC-03-4529S," *Records of the Office of the President. Washington DC.*, December 4, 1964.
[33] Ghana News, "Ghana Faces the Future with Confidence," March 1964.2.
[34] The New York Times, "Ghana Takes Some Confident Steps Towards Her Goal of Major Industrialisation," January 20, 1964; UK Parliamentary Hansard, "Ballot for Notices of Motion-Ghana (Finance)."
[35] Cocoa Processing Company Limited, *Annual Report—Ghana* (Accra, 2002).11.

Despite these interventions, Ghana began to face insufficient bargaining power in the global market, as its cocoa prices fell to below £150 per tonne, even as cocoa production reached 571,000 tonnes.[36] This greatly affected the economy because the level of industrialisation pursued lacked the required manpower and skills, and many factories had not fully commenced operations. This situation occurred because the vast majority of cocoa consumers were in Europe, which often manipulated prices, causing economic distress in Ghana.[37] The 1963/64 fiscal year showed a budget deficit of approximately £70 million, the first since independence, largely due to low global cocoa prices and increased expenditure on social services and development plans.[38]

The foreign policy pursued by Nkrumah also struck a nerve in the United States, and America decided to destroy the economy of Ghana. Accordingly, the declassified CIA documents from the Department of State revealed that Special Assistant for National Security Affairs Robert W. Komer wrote to then-president Lyndon Johnson that Nkrumah "was doing more to undermine our interests than any other black African."[39] In January 1964, the US government provided aid to Ghana to further its agriculture under Krobo Edusei, the Minister of Agriculture. Through the USAID Mission, a farm institute and a farm mechanisation training centre were opened in Accra. With this aid, Ghana benefited from three farm institutes and five mechanisation training centres from the US, all aimed at improving the country's agricultural productivity, especially as total reserves stood at $122,112,800 compared to about $418 million in 1957. As Ghana's imports were mostly food-related, aside from spare parts for the manufacturing sector, this support was particularly valuable.[40]

Additionally, through the Ghana-Japanese Technical Assistance Programme, the Government of Ghana established a $560,000 textile training centre in Tema in February 1964. The centre provided two years of training in dyeing, weaving, and printing to students who intended to be employed in the newly established textile factories. The training centre was conducted by eight trainers, four from Ghana and four from Japan. The genesis of this training centre began on May 23, 1963, when the Nkrumah administration sought to expand industrial capacity and create more employment opportunities for the populace.[41]

Furthermore, in February 1964, the Ghana–Canada Technical Programme established another trade training centre for $ 560, 000 to teach courses in carpentry, joinery, electricity, masonry, painting, and decoration. Through the programme, six Ghanaians underwent a year of technical training in Canada in connection with the centre, which also offered courses in beauty culture and a nursery for girls.[42] The American government, through Kaiser Engineers, also began discussions in February 1964 on critical matters relating to the Volta River Dam and the operation of VALCO, which was to operate the smelter at Tema. This marked Ghana's first significant instance of foreign assistance.[43]

In March 1964, under an economic cooperation agreement between Ghana and Czechoslovakia, Ghana established the Komenda Sugar Factory for $150 million, aiming to significantly reduce the country's sugar imports. This agreement was signed by Mr A. Y. K. Djin and Mr Rudolf, the Minister of Foreign Trade of Ghana and the Head of the Division of the Czechoslovakian Ministry of Foreign Trade, respectively. The agreement was of great significance, as it enabled the Ghanaian government to import certain goods on credit, utilising proceeds from sales to support the civil engineering works of the mill. This mill played a crucial role in creating wealth in Ghana.[44]

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[36] World Bank, "Development Policy-Commodities-Cocoa-March 1974-July 1976," *Office of the Chief Economist. WB IBRD/IDA DEC-01-08* (Washington DC, July 2, 1976), 4; World Bank, *Ghana Views on Cocoa Prospects and Policies* (Washington DC.: Office Memorandum., 1974),2.

[37] The New York Times, "Cocoa Producers Lose Market War, Section F," February 7, 1965, 5.

[38] The New York Times, "Nkrumah Presents 7-Year Growth Plan," March 12, 1964, 13.

[39] Robert W. Komer to Lyndon Johnson, memorandum, March 12, 1966, Johnson Library, National Security File, Memos to the President, Robert W. Komer, vol. 21, available at https://history.state.gov. A handwritten *L* on the source text indicates that the memorandum was seen by Johnson.

[40] Ghana News, "News in Brief—U.S. Aid to Agriculture," February 1964, 7.

[41] Ghana News, "560,000 Dollars Textile Centre for Tema," 1964, 8.

[42] UNESCO, " Ghana. International Bureau of Education," 1966, 154-155; Ghana News, "Trade Training Centre for Ghana," February 1964, 8.

[43] Ghana News, "Vice President of Kaiser Engineers Confers with Dr. Nkrumah," February 1964, 8-9.

[44] The New York Times, "Ghana Is Pushing a Sugar Project; 3-Year Study Shows Use of Flood Plains Is Feasible," January 10, 1964, 64; Ghana News, "Work on $150 Million Sugar Mill to Begin," March 1964, 6.

Despite these milestones, by November 1964, life had become unbearable for most Ghanaians, leading to tighter control as the economy struggled. The economy was so dire that the 1965 budget, scheduled for October 1964, was postponed to January 1965, as the Nkrumah government explored new sources of revenue and considered austerity measures if necessary. The trouble could be partly attributed to America's failure to provide aid to Ghana following Nkrumah's labelling of the United States as a 'Fascist-Imperialist', according to a New York Times article dated November 7, 1964. These remarks further strained the already tense relations between Ghana and the U.S., which had become apparent in April 1964 when Nkrumah asserted that "even massive American aid is regarded as a scheme to make profits at Ghana's expense or subvert the people."[45]

The economic conditions were so dire that all members of Ghana's 10,500-strong army had their dues deducted from their pay, and no wage increases had been implemented since 1962, while the cost of living had risen by 25% in 1964. Essential commodities such as sugar, milk, rice, wax print, pharmaceutical products, and foodstuffs such as maize, plantain, cassava, onions, and yams became scarce, leading to hoarding and profiteering becoming the new normal. Meat, canned chicken, and pickles, all imported goods, were in short supply, and by January 1965, the Ghanaian economy was faltering. The issue escalated to the point where Ghana's request for food surplus from the United States was ignored. The rejection of the food surplus, which persisted throughout the year, was influenced by Nkrumah's book, "Neo-Colonialism: The Last Stage of Imperialism."

According to a January 25, 1965, New York Times article, the paper posited that "Ghana, which had £200 million ($560 million) in its exchequer when it became independent in 1957, is struggling to stave off a financial crisis." [46] The economic situation worsened further because government consumption increased significantly, as the number of publicly paid employees rose from 140,000 in 1957 to almost double by 1965, despite the presence of 53 state enterprises and 12 public boards. The problem was that these public investments had no significant impact on per capita GDP due to flawed investment decisions, mismanagement, and the inflationary effects of import restrictions amid the cocoa price collapse in 1965. Therefore, in February 1965, agricultural aid became a significant source of aid for Ghana. According to Krobo Edusei, aid from the United States helped Ghana make steady progress toward its agricultural goals. Aid came in the form of technicians and equipment.

The American government set up six agricultural institutes and mechanisation training centres, equipped with farm shop tools, farm machinery, textbooks, audio-visual aids, materials, seeds, feeds, and fertilisers, and staffed these centres with American advisors who assisted the Ghanaian officers in charge of teaching. The United Nations Special Fund also assisted the Ghana Academy of Science in supporting the Fisheries Research Institute with an approved sum of $1.4 million and an additional $700,000 for the Food Research Institute, all aimed at enhancing food supply and availability to salvage Ghana's economic efforts following the decline in cocoa prices in 1965.[47]

Additionally, by the first quarter of 1965, Ghana's foreign reserves had been depleted, and the heavy borrowings undertaken by Nkrumah in his quest for rapid industrialisation had ballooned Ghana's debts to $600 million. Most of these debts had short maturity terms, which affected Ghana’s balance of payments position. The dire economic crisis led Nkrumah to invite the IMF to aid Ghana in March 1965. Hence, in April 1965, a three-man mission from the IMF arrived in Ghana, where they discussed the possibility of renegotiating with Ghana's supplier credits to spread payments over long periods and to set up an aid consortium in Washington, D. C., under the auspices of the International Bank for Reconstruction and Development to help finance Ghana's Seven-Year Development Plan.[48]

Dr Kwame Nkrumah, in explaining the rationale for inviting the IMF, retorted that it was to provide insurance to foreign investors against potential risks associated with financial assistance to

[45] The New York Times,“Economic Plight in Ghana Growing; Tighter Curbs Also Weigh Heavily on Population,” November 8, 1964, 37.

[46] The New York Times, “Ghana, Oldest of the New African Nations Is in Desperate Financial Condition: Short-Term Debt Is Main Problem,” *African Business Review*, January 25, 1965, 54.

[47] Ghana News, “US Experts Aid Ghana to Diversify Agriculture,” *February*, February 1965, 7-8; Ghana News, “Volta Project Will Boost Ghana’s Economy,” February 1965, 7.

[48] Ghana News, “International Monetary Fund Delegation Visits Ghana,” April 1965, 10.

Ghana's development, of which these investors were a part.[49] However, the Nkrumah government, after deliberations with the IMF delegation, rejected an IMF programme to salvage the economic crisis. The rejection of the IMF's proposed solution stemmed from the Fund's austerity measures. The austerity contrasted with his fiscal expansionary drive.

Following the outright rejection of an IMF programme in April 1965, Ghana faced balance-of-payment difficulties and budget deficits, increased external and internal debt, almost depleted external assets, and rising inflation. The situation worsened the already existing economic winter. The economic woes Ghana faced in 1965 can be attributed to prioritising growth and development over financial stability through non-productive investments. According to the World Bank's September 1967 report, the fundamental changes implemented in July 1965, including the introduction of the new cedi, led to serious economic difficulties.[50] Therefore, on August 24, 1965, Dr Nkrumah, in his Address to Parliament, remarked that "it is not humanism or altruism only…we must devote our energies to the establishment of a strong and progressive socialist society, which can fulfil the aims and aspirations of our people."[51] Dr Nkrumah argued for a series of legislative acts designed to create a "legal framework of all development and to protect our achievements with the full legal support of our people."[52]

In January 1966, the economy was stagnant and moribund, with enormous external debts and rising unemployment. The economic crisis under the Nkrumah administration was predominantly attributed to the short maturity of foreign supplier credits and the heavy reliance on them, which caused debt problems. Hence, by the end of December 1965, external debts had risen to approximately $700 million, of which over 80% consisted of supplier credits due for payment. This was due to imports resulting from large development expenditures and high consumer demands, since by the end of 1965, Ghana had undertaken 222 separate commitments for loans and credit from 22 foreign countries in respect of specific projects involving a total expenditure of some $870 million; most of these contracts called for repayment in 5–8 years.[53]

Militaristic Solutions to Economic Comatose, 1966-1969

Following the inability to salvage the economy, a military-police coup occurred on February 24, 1966, which toppled the Nkrumah government led by Colonel Emmanuel Kwesi Kotoka, the mastermind, Major Akwasi Amankwa Afrifa, and Inspector-General John Willie Kofi Harley.[54] The primary cause of Ghana's prolonged economic decline, which ultimately led to the coup, was the implementation of inadequate economic policies. The first significant step taken by the military regime, the National Liberation Council (NLC), was to undertake an IMF programme in May 1966, cut spending in various forms, and privatise non-paying state enterprises. Through the IMF programme, the NLC secured a $37 million stabilisation credit and a three-month respite on heavy foreign debt payments.[55] The NLC also appealed to Western donors to assist Ghana in overcoming the economic conundrum between March and May, which led to its securing of $14 million from the U.S., West Germany, and Canada.[56]

Following the pleas, a moratorium on medium-term debts and a debt rescheduling agreement were implemented in December 1966. This agreement called for a resumption of debt service in 1967/68, as no debt service payments were required in 1966/67, compared to a debt repayment of N₵50 million

[49] Ghana Broadcasting Corporation Archives, "President Nkrumah's New Year Message," *Documentary*, December 31, 1965.
[50] International Bank for Reconstruction and Development and International Development Association, *Annual Report 1966/67. No. 10897*, 1967.
[51] Ghana Broadcasting Corporation Archives, " President Dr. Kwame Nkrumah Opening Address to Parliament," *Documentary*, August 24, 1965; Reuters, "President Nkrumah and His Wife Arriving at the Parliament Building. The President Addressing Parliament," August 26, 1965.
[52] Ghana News, "Highlights of President Nkrumah's Address to Parliament," August 1965, 11.
[53] International Monetary Fund, *Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1966* (Washington, DC., 1966), 106.
[54] Nkrumah, *Dark Days in Ghana,* 21.
[55] Central Intelligence Agency, *Reconstruction Continuing in Ghana. Weekly Review: Top Secret Trine. SC No. 00775/66* (Washington, DC: Directorate of Intelligence, 1966), 21.
[56] The New York Times, "Ghana Opens Way for U.S. Capital; High Official in New Regime Cites Investment Range," *Business & Finance*, May 21, 1966, 38.

in 1965 and negative foreign reserves.[57] Thus, there was a surplus in the balance of payments available for development, which had slightly decreased from N₵20.3 million to N₵14.6 million.

Thus, from February 1 to 19, 1967, the government organised the first Ghana International Trade Fair to attract foreign aid, in addition to joint private-state partnerships.[58] The Fair attracted 2000 exhibitors from 33 countries, including the United States, Japan, Guinea, East Germany and Norway. According to Colonel Afrifa, the fair was intended to demonstrate Ghana's ability to identify and address its economic problems, provide a means of reinforcing efforts to stimulate external confidence in the economy, and serve as a forum for discussing Ghana's economic policy to attract new investment.[59] To Colonel Afrifa, foreign aid was to enable Ghana to progressively relax its import controls and improve its foreign exchange position if the economy was to be salvaged. He went on to admonish that foreign aid and commercial diplomacy with Ghana should take into account Ghana's current and temporary difficulties.[60]

As a condition for stabilising credit, the NLC implemented an IMF programme and undertook tax reforms, while reviewing its basic economic policies. The reforms and reviews aimed at developing national resources, as the NLC remarked: "In seeking to develop national resources, it is absolutely essential that firm and definite public policies be laid down and pursued."[61] The NLC introduced a liberalised system that restricted imports. Under this economic policy, import licensing sought to place greater emphasis on economic criteria. This was significant because Ghana had suffered serious structural maladjustments, making it difficult to rely on the free play of market forces to ensure a rational allocation of available exchange. The NLC also devalued the new cedi, introduced in July 1967, by 30%.[62]

The import licensing regime under the NLC focused on food commodities, including rice, wheat, flour, maize, sugar, milk and cream, meat and meat products, and fish and butter. With the security of an IMF credit, Ghana's foreign aid increased substantially compared to that in 1965; that is, official development assistance increased from $46,220,001 in 1965 to $62,189,999 in 1966.[63] The United States resumed its food aid to Ghana, and the aid was substantial. It also provided Ghana with imported manufactured goods, mainly textiles and tobacco. These two items accounted for approximately 70% of Ghana's imports from the U.S. With some economic respite, the balance of payments improved steadily, from a deficit of $69 million in 1965 to $56 million in 1966 and $55 million in 1967. Merchandised imports also declined from $434 million in 1965 to $279 million in 1967.[64]

However, international reserves dwindled from $29 million in 1965 to $17 million in 1967. The economic stabilisation programme under the IMF reduced gross fixed investment by almost half; however, it did not lead to higher government savings. The reduction in fixed investments was primarily in the public sector, aimed at addressing over-expanded resource claims and aligning public investment with the country's manpower needs. This action helped improve Ghana's balance of payments and ensured a stable supply of basic consumer goods, as prices stabilised in 1967 due to bumper food crops and increased private consumption. Under this stabilisation programme, real GDP also improved significantly, reaching 3% in December 1967.[65]

The NLC reduced the overall budget deficit to approximately N₵30 million by reducing development expenditures to eliminate the public sector's involvement in dubious government schemes. In its 1966/67 Budget, the overall budget deficit declined by close to three-tenths to N₵60.8 million, of

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[57] International Bank for Reconstruction and Development and International Development Association, *Economic Stabilisation in Ghana. Report No. AF-75a: Africa Department* (Washington, DC, 1968).
[58] Reuters, "Ghana: Trade Fair Fashions in Accra," February 9, 1967.
[59] Ghana Broadcasting Corporation, "Ghana Holds First International Trade Fair," February 1967; Reuters, "Colonel Afrifa with Officials Inspecting Various Exhibits," January 22, 1967.
[60] The New York Times, "$600,000 in U. S. Goods Sold at Ghana Trade Exhibit, Section B," February 20, 1967, 75.
[61] Ghana News, "Ghana to Review Tax System," January 1967, 1.
[62] Ghana News, "Post-Devaluation Import Measures," July 1967, 5.
[63] World Bank, "Net Official Development Assistance Received (Current US$)—Ghana."
[64] International Bank for Reconstruction and Development and International Development Association, *Economic Stabilisation in Ghana. Report No. AF-75a: Africa Department,* 1-2.
[65] International Bank for Reconstruction and Development and International Development Association, *Economic Stabilisation in Ghana. Report No. AF-75a: Africa Department,* ii.

which N₵48.7 million was financed through external borrowing and domestic borrowing from the Cocoa Marketing Board and the Social Security Scheme, as well as reduced net borrowing from the banking systems from N₵65.1 million in 1965 to N₵13.9 million. Despite these improvements, economic policies led to the dismissal of approximately 70,000 public-sector employees, predominantly employed in construction and state farms. It also led Ghana's net foreign reserves to be virtually negative.[66]

The major hurdle facing the NLC was obtaining sufficient foreign exchange to cover $50 million annual food imports and the raw materials, spare parts, and machinery required for the restoration and improvement of the industrial and transport sectors. The inability was in part due to depleted foreign reserves and additional short-term borrowing, both of which were limited by the IMF programme. Thus, the NLC relied heavily on U.S. aid and loans, as foreign aid was reduced by over $16 million in 1967. For example, in 1967, the U.S. provided approximately $35 million in loans and commodity import loans. Under this loan agreement, the U.S. supplied 10,000 metric tonnes of rice and 10,000 metric tonnes of wheat flour each, 9,000 bales of cotton, 4,500 metric tonnes of indelible tallow, and 500 metric tonnes of tobacco. The receipt of agricultural commodities contributed substantially to alleviating the acute shortage of essential food items, which characterised the period from 1964 to 1965 before the coup.

Despite this, the inability to repay debt continued due to foreign exchange constraints. In April 1967, Ghana and France reached an agreement to settle Ghana's $21.84 million debt to France following a six-day meeting in Paris. The agreement provided an 8-year payment period, with December 31, 1968, as the consolidation date, and a grace period from January 1, 1969, to June 30, 1971. These rescheduled debts were incurred to build a textile factory, a hotel (Meridian Hotel), and worker housing estates. It also secured similar agreements in London in February 1967 to settle its $70 million debt to the British government.[67]

The World Food Programme also assisted Ghana with $2.8 million to provide adequate food for the people, especially those affected by the Volta River Project, numbering over 300,000, until they could make their own provisions.[68] Following the secured $35 million loan from the American Government in June 1967, $20 million was granted to Ghana to rebuild and stabilise the economy. The loan was used to repurchase American commodities, including vehicles, spare parts, textile products, plastic raw materials, dried seeds, condensed milk, chemical products, industrial and agricultural machinery and equipment, feed and fodder, DDT, pesticides, vaccines, iron and steel products, tyres, and cement. The loan was repayable over 40 years, with a 10-year grace period and an interest rate of 1% during the grace period and 2.5% thereafter—i.e., a total debt of $64,750,000 to be paid thereafter.[69]

For the National Liberation Council, foreign aid served as a source of financing to bridge external financing gaps and improve living standards for the population. For example, in 1967, the financing gap stood at N₵95 million ($96,938,776). Aid in 1967 stood at just over $45 million, indicating that aid was still below the level considered necessary for the full success of Ghana's economic rehabilitation. This situation was echoed by Emmanuel Noi Omaboe, Chairman of the Economic Committee of the NLC, when, in September 1967, during a meeting between Ghana and the IMF in the presence of eight donor countries—the United States, the United Kingdom, the Federal Republic of Germany, Japan, France, Italy, Canada, and Denmark–in Accra, he asserted that the economy would rely on external assistance "for many years to come, " adding that it would depend on how such assistance was utilised. The meeting

[66] US Department of State., "Foreign Relations of the United States, 1964-1968, Volume XXIV, Africa. Ghana's Political and Economic Malaise. Special Memorandum Prepared in the Central Intelligence Agency. " (Washington, DC: Office of the Historian, July 19, 1967).

[67] UK Parliament Hansard, " Ghana (Medium Term Debts). Volume 745: Debated on Wednesday, 19 April 1967.," 1967; Ghana News, "France and Ghana Agree on Debts," April 1967; The National Archives, "Kew. FCO 65/109. United Kingdom/Ghana Debt Rescheduling Talks in Ghana," December 1968.

[68] Ghana News, "News in Brief," January 1967, 9.

[69] US Department of State, " Document 266. Memorandum From the President's Special Assistant (Rostow) to President Johnson" (Washington, DC., May 11, 1967).

aimed to determine how much of the balance of payment support, which stood at N₵90 million, had been bridged since the last meeting in Paris.[70]

The financial credits and loans offered to Ghana did not suffice to improve the economic quagmire; as a result, on February 22, 1968, Emmanuel N. Omaboe reiterated that Ghana needed $88.2 million in foreign aid to maintain and improve the economy. According to the Chairman of the Economic Committee, Omaboe, Ghana could not have developed at a reasonable pace without aid. This depiction led the British Government to grant a 25-year, approximately $6.8 million loan in May 1968. The loan was used to import pharmaceuticals, medical equipment, machinery, spare parts, and industrial raw materials, as well as to pay for essential goods and services, such as railway, road transport, electricity, water treatment chemicals, fertilisers, and insecticides.[71] However, by the end of the year, Ghana received approximately $71.2 million in total aid.

Ghana became so broke that since the February coup that toppled the Nkrumah administration, the NLC received a paltry $73.7 million from the IMF as credit standby as these loans were medium-term in nature as well as took $58.9 million in the form of commodity loans, where annual repayments were as low as $2.6 million and repayment to take effect in 25-40 years at a 2.5% interest rate per annum. Due to the paltry aid Ghana received, the NLC launched a two-year development plan, "*From Stabilisation to Development*," in August 1968, involving a total investment of $217,168,000. The Plan sought to maintain internal financial balance in Ghana's external trade, consistent with economic health, and to reduce unemployment and migration to urban areas. This was critical because, for many years, very little attention had been paid to rural development despite nearly three-fourths of the population residing in rural areas; therefore, to J. K. Harley, "It is…necessary that the fruits of our economic development be shared with them."[72]

During the tenure of the NLC-administered Ghana, total imports declined steadily in the first two years, from N₵307.6 million in 1967 to N₵296.6 million in 1968, before increasing to N₵337.4 million in 1969. Aid, excluding private suppliers, increased from N₵30.1 million in 1967 to N₵71.1 million in 1969.[73] In November 1968, the government secured new terms for the repayment of external debts such that Ghana was expected to be paying an annual instalment of $19.6 million to about $25 million from 1969 to 1972, representing 20% of the amount Ghana ought to have paid and the remaining 80% spread over 8 years with a two-year grace period compared to the $98 million Ghana should have paid each year toward settling its debts.

By December 1969, the economy, which had a trade balance of $2 million and a balance of payment deficit of $35 million in 1965, had seesome recovery, largely attributable to standby credit arrangementsnt from the IMF, which concentrated on stabilisation by containing inflation and easing constraints on the balance of payment and rehabilitating the badly damaged economic infrastructure while preparing the ground for a comprehensive restructuring of the economy to ensure an adequate and sustainable rate of economic growth. Manufacturing became a significant contributor to exports, accounting for 14% of the total. In contrast, agriculture's share of GDP declined from 60% in 1957 to 46% in 1969, as there was no clear policy to support its development, which was crucial to the newly established industries, most of which relied heavily on imported raw materials. External debts under the NLC did not increase significantly, as Ghana's debts soared to N₵90 million.

Despite these feats, Ghana was unable to make its $750,000 repayment to the IMF in 1969; hence, the IMF decided not to disburse credit to Ghana in 1970, although its balance of payments stood at $40 million, which represented an improvement from the deficit of $55 million at the end of 1965. However, the overall balance stood at $2 million due to shortfalls in export receipts and seasonal factors, resulting in a substantial deficit.[74] The economic picture was vividly described by E. N. Omaboe in December 1968, when he asserted that economic problems would persist for some time and continue to

[70] International Monetary Fund, *Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1967* (Washington, DC., 1967).
[71] Ghana News, "United Kingdom Loan for Ghana," May 1968, 7.
[72] Ghana News, "Ghana's New Development Plan Is Launched," August 1968, 4-5.
[73] Government of Ghana, *Ghana's Economy and Aid Requirements, 1968 and 1969* (Accra: Government Printing Corporation, 1970).
[74] International Monetary Fund, *Annual Report of the Executive Directors for the Fiscal Year Ended April 30, 1969* (Washington, DC., 1969), 103-109.

engage the serious attention of future governments despite the enormous opportunities available to solve the difficulties. To Omaboe, the solution was "unless we help develop services within our communities, we shall be condemned to low standards of living and thereby remain poor for generations to come."[75]

CONCLUSION

This study elucidates the intricate interplay between external assistance and a nation's socioeconomic development trajectory, revealing that while foreign aid has been instrumental in sustaining Ghana during periods of political turmoil and economic hardship, its efficacy has often been compromised by domestic leadership failures and the overarching conditions attached to aid. As the analysis has demonstrated, the dichotomy between viewing aid as a catalyst for growth or a mechanism of dependency is not merely academic; it carries significant implications for policy formulation and international relations. The paper has further demonstrated that the benefits derived from foreign assistance are contingent not only on the timely allocation of resources but also on the vision and governance capabilities of national leadership. Effective leadership, free of corruption and characterised by a commitment to sustainable development, emerges as a critical factor in the successful integration of aid into development strategies. Furthermore, this study has reinforced the necessity for recipient nations to advocate for a more equitable global aid framework that prioritises their unique socioeconomic contexts over externally imposed conditions. The insights drawn from Ghana's experience highlight the urgent need for both donor countries and recipient nations to engage in a more collaborative partnership that emphasises capacity building and institutional resilience. Therefore, the historical narrative of Ghana serves as a poignant reminder that the path to economic viability does not lie solely in the flow of foreign funds but rather in cultivating sound leadership and robust governance structures that harness and direct such aid toward meaningful development.

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