

## **Ghana - European Community**

### **Country Strategy Paper and National Indicative Programme**

**for the period 2008 – 2013**

The Government of Ghana and the European Commission hereby agree as follows:

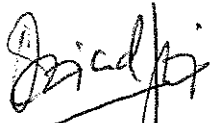
- (1) The Government of Ghana (represented by the Hon. Mr. Kwadwo Baah-Wiredu, Minister of Finance and Economic Planning, the National Authorising Officer) and the European Commission (represented by Mr. Filiberto Ceriani Sebregondi, the Head of Delegation of the European Commission to Ghana), hereinafter referred to as the "parties", held discussions in Accra, Ghana from March 2006 to October 2007 with a view to determining the general approach to cooperation for the period 2008–2013. During these discussions, the Country Strategy and an Indicative Programme of Community aid in favour of Ghana were drawn up in accordance with Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, as revised in Luxembourg on 25 June 2005. These discussions complete the programming process in Ghana. The Country Strategy and the Indicative Programme are annexed.
- (2) As regards the indicative programmable financial resources which the Community plans to make available to Ghana for the period 2008-2013, an amount of **€367 million** is scheduled for the allocation referred to in Article 3.2(a) of Annex IV to the ACP-EC Partnership Agreement (A allocation) and of **€6.6 million** for the allocation referred to in Article 3.2(b) (B allocation) for the first two years of the 10th EDF. These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of Annex IV to the ACP-EC Partnership Agreement.
- (3) The A allocation is intended to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community assistance. The Indicative Programme in Part 2 concerns the A allocation. It also takes into consideration financing from which Ghana benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B allocation is intended to cover unforeseen needs, such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. The B allocation will be triggered in response to specific mechanisms and procedures and therefore does not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of this Country Strategy and Indicative Programme upon the entry into force of the 10th EDF multi-annual financial framework for the period 2008-2013 of the revised ACP-EC Partnership but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of Ghana within the limits of the A and B allocations referred to in this document. Financing decisions can also be taken on the basis of Article 15(4) in conjunction with Article 4(1)(d) of Annex IV to the ACP-EC Partnership Agreement for support to non-State actors or on the basis of Article 72(6) of the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B allocation. Financing decisions will be taken and implemented in accordance with the rules and procedures laid down in the EC Council Regulations on implementation of the 10th EDF and in the Financial Regulation applicable to the 10th EDF and in Annex IV to the ACP-EC Partnership Agreement.

- (6) The European Investment Bank may contribute to implementation of this Country Strategy by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 2.c and 3 of Annex Ib to the ACP-EC Partnership Agreement regarding the 10th EDF multi-annual financial framework for the period 2008-2013.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation will undertake an annual operational review of the Indicative Programme and a mid-term and end-of-term review of the Joint Country Strategy and the Indicative Programme in the light of needs and performance at the time.  
The mid-term review will be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid-term and end-of-term reviews, the Community may revise the resource allocation in the light of prevailing needs and performance.  
Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased in accordance with Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.
- (8) The agreement of the two parties on this Country Strategy and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10th EDF multi-annual financial framework for the period 2008-2013, will be regarded as definitive within eight weeks of the date of signature, unless either party communicates the contrary before the end of this period.

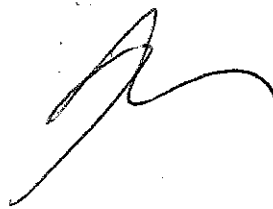
Done at Lisbon on 9 December 2007

For the Government of Ghana

For the European Commission



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## LIST of ACRONYMS

APRM	African Peer Review Mechanism
ACP	African, Caribbean and Pacific Group of States
CSP-NIP	Country Strategy Paper and National Indicative Programme
DFID	Department For International Development (UK)
DPs	Development Partners
DAs	District Assemblies
DACF	District Assembly Common Fund
ECOWAS	Economic Community Of West African States
EPA	Economic Partnership Agreement
EC	European commission
EIB	European Investment Bank
EU	European Union
FGM	Female Genital Mutilation
FY	Fiscal Year
FLEGT	Forestry Law Enforcement, Governance and Trade
G-JAS	Ghana Joint Assistance Strategy
GPRS I	Ghana Poverty Reduction Strategy
GoG	Government Of Ghana
GDP	Gross Domestic Product
GPRS II	Ghana Growth and Poverty Reduction Strategy II
ICT	Information and Communication Technology
IMF	International Monetary Fund
MMR	Maternal Mortality Rate
MDGs	Millennium Development Goals
MDAs	Ministries, Departments and Agencies
MDBS	Multi-Donor Budget Support
MDRI	Multilateral Debt Relief Initiative
NDPC	National Development Planning Commission
NEPAD	New Partnership for Africa Development
NGOs	Non-Governmental Organisations
OECD	Organisation for Economic Cooperation and Development
PRGF	Poverty Reduction and Growth Facility
PFM	Public Finance Management
PSR	Public Sector Reform
RSDP	Road Sector Development Programme
SMEs	Small and Medium-sized Enterprises
TVET	Technical and Vocational Education Sector
TSDP	Transport Sector Development Plan
TSPIP	Transport Sector Planning and Integration Programme
UEMOA	Union Economique et Monétaire Ouest Africaine
UN	United Nations
VPAs	Voluntary Partnership Agreements
WB	World Bank
WTO	World Trade Organisation

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# Summary

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Ghana, the “shining star” of Africa at independence in 1957, experienced political and economic shocks that led to a deterioration of living standards. From the mid nineties, macroeconomic stability has improved considerably and Ghana’s democratic gains were impressive. At the moment, Ghana faces no external threats and plays a key stabilising role in the otherwise troubled West African Region.

The country’s Growth and Poverty Reduction Strategy provides an agriculture-led industrialisation strategy aiming to achieve middle income status by 2015, with a proposed change in the economy through diversification from traditional cocoa to other cash crops for export markets, and recognising transport’s importance in serving economic development and growth. The GPRS advocates regional integration and recognises south-south trade as engines for growth, but the plan also suggests ‘interventionism’ in support of the private sector with not enough emphasis on the importance of civil service reform and budget processes improvement.

Ghana must address governance, private sector competitiveness and human development issues to achieve equitable growth and to reduce poverty in the context of sustainable development. Civil society involvement and increased accountability are key drivers of political governance reforms. Other risks, which could limit Ghana’s growth or have a potential destabilising effect, are unsustainable external commercial borrowing, the current energy crisis, and a spill-over effect stemming from further instability in neighbouring countries.

Income poverty levels have declined and Ghana is well placed to meet some of the MDGs by 2015. However, non-income dimensions of poverty point to continued weaknesses in human and social development. Of most concern are key infant and child health indicators and persistently high maternal health mortality. Poor management of natural resources is estimated to cost the country at least 1.1% of GDP every year, although Ghana has started addressing these issues by joining global initiatives such as FLEGT and EITI.

In the Harmonisation and Aid Effectiveness framework, most of Ghana’s Development Partners including the EC have worked out a Joint Assistance Strategy as a response strategy aimed at fully aligning the DPs’ support on the Country’s National Development Strategies. Within this context, the EC and Government of Ghana proposed to concentrate their cooperation strongly on “Transport Connectivity and Regional Integration”, “Governance through support to decentralisation, civil society and non-executive bodies” and “General Budget Support”.

In transport, the aim is to further clear the maintenance backlog of the trunk road network, and to provide access to markets and social services in rural areas (feeder roads through decentralisation). If deemed a priority in the sector strategic plan, EC may consider whether it is opportune to invest in urban areas, ports, harbours and railways.

In governance, the aim is to establish a more effective, transparent and accountable decentralised local government system; to engage civil society in national dialogue and decision making; and to strengthen the practice of democracy, particularly redressing the imbalance of power and resources between the executive branch and the legislature.

With general budget support, the aim is to support the Government’s macroeconomic stability and reform programme, thus contributing to poverty reduction, economic growth, equitable access to social services and improvement in public finance management. General Budget Support is provided in the context of the Multi-Donor Budgetary Support Programme (MDBS).

Non-focal sectors will cover Trade Facilitation, Regional Integration and support for Economic Partnership Agreements (including ICT); Migration, Security and the Diaspora; Natural Resources Management (including FLEGT); and the Technical Cooperation Facility.

# I. Country Strategy Paper

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This EC Country Strategy Paper <sup>1</sup>was drafted in the Harmonisation and Aid Effectiveness framework, hence the strategy was drawn up in concert with other development partners. However, the EC Country Strategy Paper provides more in-depth information in some sections than the Joint Assistance Strategy — for example on government strategy, learning from evaluation lessons, the environment and public sector reform.

## 1. Framework of relations between the EC and Ghana

### 1.1 General objectives of the EC's external policy

In accordance with Article 177 of the Treaty Establishing the European Community, Community policy in the sphere of development cooperation shall foster:

- the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- the smooth and gradual integration of the developing countries into the world economy;
- the campaign against poverty in the developing countries.

Europe should project a coherent role **as a global partner**, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security

The Union has developed a broad spectrum of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance and the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc.).

EU external action including the Common Foreign and Security Policy, common trade policy and cooperation with third countries provides a framework both for integrating all EU instruments and for gradually developing a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted the EU with even greater responsibilities, as a regional leader and as a global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies, which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine coherence between its domestic and its external agendas, contributing thereby to global security and prosperity.

### 1.2 Strategic objectives of cooperation with the partner country

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<sup>1</sup> This EC Country Strategy Paper was prepared in the context of the Ghana Joint Assistance Strategy. As such, the EC Country Strategy Paper includes relevant text from the Ghana Joint Assistance Strategy (attached). The Ghana Joint Assistance Strategy is an exercise carried out by development partners to improve the alignment of development assistance with government processes and with the political and partnership cycles.

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and Ghana shall pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of “ownership” of the strategy by the country and population groups concerned, and the essential elements and fundamental element as set out in Articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, with particular attention to the Millennium Development Goals (MDGs). Human rights and good governance are recognised as other important objectives.

Aid effectiveness is essential to achieving poverty eradication. Therefore the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner countries’ strategies and processes, common implementation mechanisms, joint donor-wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on new Member States’ experience to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The aim is that all EU non-aid policies should make a positive contribution to developing countries’ efforts to attain the MDGs. The principle of concentration will guide the Community’s country and regional programming. This means selecting priority areas for action, through the dialogue with partner countries, rather than spreading efforts in too many sectors. In this context, the Community will be primarily active in the following nine areas, taking into account its comparative advantages in a number of these: trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, territorial planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment. The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

In December 2005, the European Council agreed an EU Strategy for Africa. The Strategy provides a long-term, strategic framework for interaction between Europe and Africa at all levels: with pan-African institutions such as the African Union, regional organisations and national authorities. It defines how the EU can best support Africa’s own efforts to promote sustainable development and reach the Millennium Development Goals (MDGs). The Strategy rests on three pillars: (i) promoting peace, security and good governance as central prerequisites for sustainable development, (ii) supporting regional integration, trade and interconnectivity to promote economic development and (iii) improve access to basic social services and protection of the environment to reach the MDGs 1-6 faster.



## 2. Country diagnosis

Ghana, the “shining star” of Africa at independence, experienced political and economic shocks that led to a deterioration of living standards.

Economic reforms that started in 1983 reversed this decline, contributing to renewed growth and a recovery in exports. Growth also contributed to a significant reduction in poverty. Recent reforms have enhanced macro-economic and financial sector stability. Moreover, the political liberalisation that began in the 1990s culminated in 2000 with Ghana’s first peaceful political transfer of power. Today, a number of Ghana’s political rights, civil liberties and freedom of press indicators are as positive as those achieved by some middle-income countries.

Country assessments put Ghana at the top of the rankings in Africa,<sup>2</sup> but to realise its aspirations to become a middle-income country Ghana must address a number of key constraints to equitable and sustainable growth, most notably in governance, private sector competitiveness and human development.

### 2.1 Political situation

*Democratisation gains have been impressive, however, in order to achieve its goal of becoming a middle-income country, Ghana will need to reform its political arrangements, i.e. increase the accountability of the executive and introduce a more professional civil service. This is not easy, but Ghana has a window of opportunity to carry out these reforms successfully.*

**The democratic process has made impressive gains in Ghana over the last decade;** the advancement of democracy is perhaps Ghana’s most impressive achievement during this period.<sup>3</sup> Ghana’s gains in press freedoms are unmatched by other countries in the region or by countries with a similar income per capita.<sup>4</sup> Equally impressive are Ghana’s gains in civil liberties and its continued progress on political rights and the protection of human rights.

As a result, Ghana’s political rights, civil liberties and freedom of press rankings are not only amongst the best in Africa but are as good as or better than solidly middle-income countries such as Argentina, Brazil, Mexico or South Korea.<sup>5</sup> Democracy has become a strong comparative advantage.

**...but these achievements need consolidation.** The democratic gains in Ghana are substantial, popular<sup>6</sup> and have contributed to economic liberalisation but they are in need of consolidation. The first peaceful transfer of power in Ghana took place in 2000 after a post-colonial period which was marked by economic downturn and military takeovers. Ghana’s political stability is particularly important in a region that has experienced a general decline in political stability.<sup>7</sup>

**The government understands the need to consolidate political achievements, and it is actively participating in the African Peer Review Mechanism,** a governance initiative. Ghana was the first

<sup>2</sup> Including the Country Performance and Institutional Assessment (World Bank), the 2005/06 list of Top 10 Reformers in the Doing Business report (World Bank, 2006) and the EC Governance Profile.

<sup>3</sup> See “Drivers of Change in Ghana. Overview Report,” Booth et al. (May 2004, financed by DFID), p. 20, Ghana tables of indicators, 2006 EC (drafted for the CSP). The APRM also reports “Stakeholders generally believe that the protection of human rights is possibly Ghana’s most spectacular success since the return of democratic rule in 1992”, African Peer Review Mechanism, Country Review Report and Programme of Action of the Republic of Ghana, June 2005, NEPAD.

<sup>4</sup> Only Nigeria shows similarly impressive gains during 1996-2004 on freedom of press indicators (Freedom House).

<sup>5</sup> Table of Independent Countries, 2006, Freedom House.

<sup>6</sup> 2004 Afrobarometer survey finds that 82% of respondents see democracy as preferable to any other form of government.

<sup>7</sup> The most marked deterioration in political stability in the last decade was registered in Côte d’Ivoire and Benin, contrasting with improvements in Sierra Leone (Governance indicators, WBI).

country to be reviewed under this initiative, thanks to the strong support of President Kufuor and the involvement of all stakeholders.<sup>8</sup>

**Governance reviews have identified a number of structural weaknesses that militate against accountability and undermine the oversight role of the legislature.** In addition some kind of patron-client relations in the civil service has made it difficult to reform the executive.

**The African Peer Review Mechanism identified two key constraints to Ghana's political governance:**

**(a) Excessive executive powers.** Executive dominance, weak legislature, weak oversight institutions, and a weak judiciary resulting from inadequate resources to perform.

**(b) Weaknesses in the accountability, professionalism, and effectiveness of the civil service.** Informal political arrangements have contributed to a situation where “after more than 15 years of public sector reform programs, the Ghanaian public service remains large and weak.”<sup>9</sup> The weakness of the civil service contributes to a weak budget process and financial controls. So far, reforms have not generally changed attitudes but have only affected “formal” rules. As a result, the civil service is not able to perform its significant role in Ghana's development.

**Political governance arrangements affect corruption.** International corruption indicators do not appear high in Ghana relative to other countries.<sup>10</sup> However, a recent national survey found that 75% of all households regarded corruption as a serious national problem and 80% felt that it had worsened during the past few years.<sup>11</sup> The structural weaknesses in existing checks and balances limit the capacity of the executive and legislative oversight in the fight against corruption.<sup>12</sup>

**Decentralisation is essential to promote citizens' participation and to achieve better service delivery, but progress has been slow.** The government has stated its commitment to decentralisation, but it has opted for a top-down approach in devolving responsibilities. Political arrangements continue to provide strong incentives for keeping powers at the centre and not devolving resources and responsibilities to the districts. As a result, the devolution of fiscal responsibilities and rights is progressing slowly. Political reforms at local level are also not complete, as some members of the District Assemblies and the District Chief Executives have not yet been elected. In this context, the Citizen's Surveys report that citizens are not satisfied with the performance of District Assemblies.<sup>13</sup>

**Civil society is active and potentially a key driver of political governance reforms.** Farmers' movements, Trades Unions and Professional Associations have traditionally been involved in the nation's political process. More recently, other civil society organisations such as “home town” development associations, welfare clubs, parent-teacher associations, faith based organisations and groups providing social services are providing renewed vibrancy to civil society engagement.<sup>14</sup> The diaspora is also increasing its involvement and has formed Ghanaian Home Town Associations (HTA) overseas.<sup>15</sup> Moreover, some advocacy groups and think tanks are well rooted in society, though often

<sup>8</sup> GPRS II, APRM and “Drivers of Change in Ghana”, above.

<sup>9</sup> Country Assistance Strategy of the World Bank for the Republic of Ghana, February 2004.

<sup>10</sup> CPI Transparency International (2005). Ghana ranks 65th out of 159 countries, slightly ahead of Mexico, Turkey and Poland. See also Worldwide Governance Indicators 2005, Control of Corruption, World Bank.

<sup>11</sup> APRM, June 2005, p. 36.

<sup>12</sup> Ghana ratified the UN Convention against corruption in June 2007.

<sup>13</sup> “Citizens Assessment of the Quality of Governance” related to District Assemblies shows a dissatisfaction rating of 62% and a satisfaction rating of 27%, Draft 2005 Annual Progress Report GPRS I.

<sup>14</sup> “Drivers of Change in Ghana”, p. 30.

<sup>15</sup> For example, the Ghanaian Cooperative Society formed in Italy, whose main objective is raising money for investment in community projects in Ghana — Presidential Address, Accra Regional Forum on Remittances, March 30, 2006.

over-centralised in Accra.<sup>16</sup> Civil society groups offer great potential to strengthen the demand for good governance and social accountability in government processes.

**The government recognises that participation by different social groups in national development is limited and needs to be increased in order to reinforce national consensus and reduce social polarisation.** The government has made some progress to date<sup>17</sup> but there is more to be done to increase the voice of citizens in the development process, as proposed both by the GPRS and the APRM. The media is active and citizens are able to express their views on development issues, but they are often unaware of their rights vis-à-vis government and mechanisms for government/citizen engagement remain weak.<sup>18</sup>

**Progress in achieving gender equality goals has been weak.** Understanding of gender equality as a critical development issue is poor, as evidenced by women's exclusion from national processes, under-representation in public life and decision making and weak entitlements to economic assets. This appears at odds with Ghana's rising status as an economic and political role model in the region.

**Institutional protection of citizens' rights is still weak.** The government has introduced legislation and policies to protect the rights of women and children.<sup>19</sup> However, implementation has been weak. The African Peer Review Mechanism also found strong cultural impediments to the promotion and protection of women's rights. A number of protocols for the protection of the rights of children and women need to be ratified.

**Ghana has not suffered significant internal conflicts and has well defined conflict prevention institutions and mechanisms,** including security agencies and chieftaincy institutions. In the past, the military carried out a number of coups but their subordination to democratic institutions is now reasonably well established. There are no major ethnic or religious tensions and democratic principles are widely accepted within society. However, chieftaincy institutions are weak and politicised and there is the risk that disputes about land property rights, inheritance and succession may lead to local conflicts.<sup>20</sup> It is estimated that there are over two hundred major chieftaincy disputes across the country. There is also a risk that multi-party electoral contests will fuel local conflicts.<sup>21</sup>

**Ghana faces no significant external threats and plays a key stabilising role in the otherwise troubled West African Region.** President Kufour has invested considerable time and prestige in mediating the conflicts that blight the sub-region and on building friendly relations with neighbouring countries through a new policy of "good neighbourliness". Ghana is also a strong supporter of ECOWAS' regional integration and conflict reduction initiatives as well as an active participant in UN peacekeeping activities. However, the high level of political instability in many of Ghana's neighbours is a source of insecurity. Should the situation in these neighbouring countries have a spill-over effect, Ghana's social and economic development will likely suffer from e.g. large numbers of refugees and a further proliferation of small arms.

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<sup>16</sup> "The Not for Profit Sector in Ghana: A CIDA CDPF Development Document", J. Langdon, undated, 2005.

<sup>17</sup> Annual Governance Forum, the People's Assembly and consultations on national development plans.

<sup>18</sup> World Bank 2005 states that the provision of public goods is significantly higher in democracies with politicians that can make credible promises to voters, when citizens are well informed about what government does, and when society is not polarised.

<sup>19</sup> Affirmative Action Policy 1998, National Gender and Children's Policy, 2004, and the Early Childhood Care and Development Policy, 2004. Specific measures include (a) commitment to 40% female representation at all levels of government, (b) 30% female quota for employees of District Assemblies, (c) a women's desk in all government offices, (d) promotion of girls' education as part of free compulsory basic education, and (e) increased enrolment of girls at tertiary level.

<sup>20</sup> APRM.

<sup>21</sup> "Ghana Drivers of Change" refers in particular to the Dagbon crisis in the North.

## 2.2 Economic situation

### 2.2.1 Structure and performance

**Growth in the last twenty years has been good but not impressive, though it accelerated in 2005 and 2006, at around 6%.** Economic growth in 1984-2004 averaged a respectable 4.5% despite external shocks and stop-and-go policies during much of this period.<sup>22</sup> However, Ghana's real per capita GDP in 2000 was roughly the same as in 1960, due to large output declines (1975-1984) and population growth. In 1960, Thailand had a per capita income only half that of Ghana.<sup>23</sup> Growth in 2005 and 2006 was led by cocoa production and marketing; construction (industry); forestry and logging; gold; and transport storage and communications (services).<sup>24</sup>

**Despite the economic reforms over the last twenty years, the structure of the economy has not changed substantially.** The economy continues to be largely dependent on agriculture (40% of GDP and 50% of employment). Agriculture is constrained by low-tech farming practices, land tenure uncertainties, gender inequalities, limited access to inputs, and poor roads. The industrial sector also remains dominated by small firms with low productivity and capital labour ratios.<sup>25</sup> The recent figures of 2006 show the significant increase of foreign direct investment in Ghana thanks to its stable macroeconomic environment and reforms aiming at improving of the business environment, nevertheless, its level is still relatively low for an economy with Ghana's potential<sup>26</sup>. The reasons for this may lay behind the poor infrastructure, unreliable and high cost utility services and red tape with potential for corruption.

**Exports have recovered significantly but strong dependence on traditional exports remains.** After the initial decline in exports in the 1960s and 1970s, exports as a share of GDP have increased sharply in the last 15 years due to trade and exchange rate liberalisation, cocoa and gold production, favourable terms of trade and substantial increase in non-traditional exports (including pineapples, yams, wood products, cocoa products, canned tuna and palm oil).<sup>27</sup> However, the traditional exports (gold, cocoa, timber) still play a major role. In 2005, trade as percentage of the GDP was high internationally at 80%.<sup>28</sup>

**Remittances and tourism, both linked to the diaspora, have recently become the largest sources of foreign exchange.** Private transfers are currently about USD 1.5 billion and originate from Ghana's high rates of emigration of skilled workers.<sup>29</sup> Estimates indicate that private remittances originate mostly in the USA and Canada (50%) and the United Kingdom (25%).<sup>30</sup> Together with tourism receipts, estimated at around USD 1 billion,<sup>31</sup> they dwarf traditional exports and official development assistance and are equivalent to a quarter of GDP. The large increases in private remittances in 2004<sup>32</sup>

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<sup>22</sup> Discussion of economic growth partly based on Andrew McKay and Ernest Aryeetey, "Operationalising Pro-Poor Growth. A Country Case Study on Ghana", for AFD, BMZ (GTZ, KfW Development Bank), DFID, and the World Bank, October 2004.

<sup>23</sup> "Drivers of Change in Ghana", p.7. Ghana also had a per capita income higher than Egypt and India.

<sup>24</sup> Ghana: Statistical Appendix, IMF, August 2005.

<sup>25</sup> "Operationalising Pro-Poor Growth".

<sup>26</sup> In 2004, total FDI inflows into Ghana were estimated at USD 139 million, compared with USD 279 million in Rwanda, USD 545 million in Ethiopia and USD 585 million in South Africa (UNCTAD 2006), UNCTAD FDI Database.

<sup>27</sup> Exports of cocoa products have increased from USD 463m in 2002 to USD 1 071m in 2004.

<sup>28</sup> Trade intensity (exports and imports of goods and services as a percentage of GDP) was 117% in 2000. World Development Indicators On-Line, World Bank.

<sup>29</sup> Presidential Address, Accra Regional Forum on Remittances, 30 March 2006, USAID website.

<sup>30</sup> The rest of the EU accounts for 13%. See "The Macroeconomic Impact of Remittances", Addison, Director of Research Department of Ghana, September, 2004.

<sup>31</sup> Overview of Economic Policy and the budget, November, 2005, Ministry of Finance.

<sup>32</sup> Table 2, Private Remittances and Other Foreign Exchange Flows, IMF August 2005, Article IV. Remittances increased from USD 801 million to USD 1 287 million.

may have been partly a result of government's success in enhancing macro-economic and financial sector stability (see below). This is important because the human and financial resources of the Diaspora have an enormous potential to contribute to the development of the country.

**Poor government management of natural resources is reducing Ghana's economic growth potential by 1% each year**, due to resource depletion, while the continued tapping of Ghana's natural resources stocks is costing Ghana approximately 10% of GDP,<sup>33</sup> of which 3.5% is in forestry. Natural resources are a traditional source of growth in Ghana, accounting for 15% of GDP, 25% of government revenues and a substantial source of livelihood. However, the sustainability of this key sector and the prospects of economic growth are put at risk by the absence of both effective regulatory institutions and a strong political commitment to sustain the natural resource base. There is also the need to strengthen high-level inter-sector coordination to assess the environmental effects of all investments (see also section 2.5 and Annex 4).

**Large external inflows need to be absorbed without compromising the competitiveness of the export sector**, and this requires a strong drive to enhance the productivity of private sector investments and improve the productivity of public sector spending overall. The government defines its exchange rate regime as "managed float" but the nominal exchange rate has been stable in the face of large external inflows.

**Recently, electricity supply shortages have become another constraint** on scaling up growth and diversifying the economy, because of a lack of generation capacity and considerable losses in transmission. The unsatisfactory rain fall in 2006 caused shortages in electricity supply from the Volta hydropower installation and as such highlighted delays that have occurred in investment and reform in that field. However, GoG reacted promptly with a load-shedding programme that lasted from March till September 2007, and which was well communicated through the newspapers to businesses and population. Furthermore, GoG took necessary medium term and long term measures in order to ensure future supply potential: it committed to increase thermal power generation capacity and started development of the Bui dam hydropower scheme. The impact of this crisis is still difficult to assess, but it might hamper the Growth Agenda.

## 2.2.2 Public finance

**In the past, governments have had difficulty controlling inflation and public expenditure.** The reforms of the 1980s improved export performance but were not successful in controlling inflation, which ranged between 10% and 40% over the period 1990-2001, partly because of external shocks but also partly because of the difficulty of controlling public spending during election years (e.g. before the 2000 election).<sup>34</sup> High inflation and high interest rates constrained private sector development.

**Macroeconomic and financial sector stability has recently been enhanced, removing two key constraints to private sector growth.** Since the elections of 2000, the government has gradually improved fiscal accounts, partly as a result of increasing revenues (particularly petroleum taxes), high aid inflows (including debt relief)<sup>35</sup> and positive terms of trade. This has been done within the framework of a Poverty Reduction and Growth Facility concluded with the IMF in 2000. Tax

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<sup>33</sup> Ghana Country Environmental Analysis (2006) financed by the World Bank, France and the Netherlands; Ghana Natural Resources Management and Growth Sustainability (2005), World Bank, UK and Institute of Statistical, Social and Economic Research, Ghana.

<sup>34</sup> "Operationalising Pro-Poor Growth", p. 36.

<sup>35</sup> HIPC debt relief and the Multilateral Debt Relief Initiative are projected to provide about USD 40 billion in debt relief in 40 years, DFID Ghana PRBS, February 2006, DFID MDDBS, February 2006.

revenues are now amongst the highest in Africa and domestic debt has been reduced considerably.<sup>36</sup> The tax burden is high and government is taking measures to reduce direct taxation somewhat. Monetary growth also continued to slow. Inflation and interest rates have fallen rapidly, the nominal exchange rate is stable and domestic debt has more than halved, to 11% of GDP in 2005.<sup>37</sup> However, the government was not able to meet the end-of June 2005 IMF performance criterion for net domestic financing of government. The fiscal position has provided scope for a substantial increase in the share of credit to the private sector (Table 1). The financial sector is healthier, with banks generally liquid and meeting financial requirements.<sup>38</sup>

**The fact that spending in the run-up to the 2004 elections did not lead to an economic crisis is also likely to have contributed to the substantial increase in remittances and greater investor confidence.** More generally, the positive impact of macroeconomic and financial stability on the private sector cannot be overestimated.

**Ghana's debt outlook has improved substantially.** Ghana reached the enhanced Heavily Indebted Poor Countries completion point in July 2004. This paved the way for the country to benefit from the Multilateral Debt Relief Initiative (MDRI), which is expected to reduce the debt stock from USD 6.4 billion to USD 1.5 billion.

**A rise in public spending or in external non-concessional debt before the 2008 election would bring risks.** If Ghana does not manage its public spending or its external non-concessional borrowing, the economy will be vulnerable, since excessive spending may lead to large negative terms-of-trade shocks. The cost of losing macroeconomic and financial stability may be very high, in the light of large private and official transfer receipts. However, Ghana decided in early 2007 to borrow USD 750 million over three years on commercial terms to finance investments mainly in the energy and road sector.

## Structure and quality of public expenditure

**Government reports that budget expenditures are increasingly in line with the national plan.** Poverty-related expenditure increased from 6.5% of GDP at the end of 2003 to 8.5% in 2005. The largest items in the budget are spending on education and health wage bills and domestic debt interest payments. The IMF has expressed concern over the relatively high government wage bill (8.9% of the GDP).<sup>39</sup> Government capital expenditures have doubled to 12% of the GDP since 2003, though in the past these expenditures fluctuated depending on the availability of domestic financing.<sup>40</sup> However, the efficiency of public investment remains low.<sup>41</sup> The absence of strategic plans in many sectors is also noticeable.

**Underfunding, weak strategies and recent economic growth have left infrastructure in a poor state to cope with demand.** The vast majority of freight and passengers are transported by road. Government has focused on building roads rather than on network maintenance, resulting in only 34% of roads being in good condition. The reliability of power supplies has been identified as a constraint on growth. In terms of communications, the price remains very high, and quality remains relatively low.

<sup>36</sup> Interest as a share of budget expenditure has fallen from 21% in 2003 to 12% in 2005, the reduction of domestic debt to GDP being the nominal fiscal anchor of the PRGF arrangement with the IMF concluded in 2003

<sup>37</sup> Interest rates on 90-day T-bonds declined from 35% in July 2003 to about 10% three years later.

<sup>38</sup> However, the difference between active and passive rates is still large.

<sup>39</sup> Fourth and Fifth Review of the Poverty Reduction Growth Facility, IMF, June 2006.

<sup>40</sup> Ibid.

<sup>41</sup> Operationalising Pro-poor Growth. This recent study shows that these investments are "driven largely by the revenue flows and political expediency and do not reflect any particular commitment to policies and expected growth outcomes".

**Overall, the PFM system is performing at an average standard** and in some areas at an above-average level.<sup>42</sup> Whilst predictability of overall revenues and expenditures has been maintained on aggregate over the last three years, the credibility of the budget is undermined by significant in-year variations across budget headings. There is an increased emphasis on budget transparency and comprehensiveness, particularly in the budget statement, and external scrutiny has been strengthened through more timely completion of the Auditor-General's reports.

**Public expenditure management improvements have been limited.** The donor-supported Public Finance Management Reform Programme (initiated in 1997), the Budget and Public Expenditure Management System and the Medium-term Expenditure Framework have shown limited results so far.

**Ghana's fiduciary risks are still an issue,**<sup>43</sup> because of poor budget execution, (overspending on payroll, lack of predictability in releases to line ministries) and because of weak parliamentary oversight. The weakness of the civil service also makes it difficult to ensure consistent enforcement of financial management rules and procedures, including internal audits.

**Government is committed to improvements in public financial management and to the new programme for public sector reform.** Recent assessments indicate that Ghana meets 8 of the 16 expenditure management benchmarks (compared to only 1 in 2001). It has also recently prepared a three-year strategic plan for the public finance management reform programme, including an

#### **Progress Reported in Financial Public Management**

- Laws on procurement, financial administration and internal audits.
- Improvements in the timeliness and reconciliation of monthly expenditure reporting
- Comprehensiveness and transparency of the budget and improved commitment controls which are linked to fund availability and have thus improved budget discipline.
- Earlier budget submission to Parliament and alignment with the financial year.
- Strengthening of external auditing functions leading to timely production of external audit reports on the budget.
- Establishment of all planned tender committees at municipal and metropolitan levels plus 60% of all Tender Review Boards envisaged under the Public Procurement Act.

undertaking to extend the government's accounting system (BPEMS), the rollover of the management system and devolving Treasury functions to line ministries.

**...but there is a need to monitor the implementation of new laws** as the introduction of public financial management laws has low political costs while the implementation of these laws is more demanding. Similarly, the implementation of the accounting system must be coordinated closely with the civil service reform process.

## 2.2.3 Assessment of reforms

### Limited progress in civil service reform

**Institutional reforms in the public sector have had only limited success and have a likelihood of hindering growth.** Policy formulation, programme implementation and the capacity to coordinate

<sup>42</sup> Taking a C as the average level, nearly half of the indicators are above this level (i.e. C+ or above), Public Expenditure and Financial Accountability (PEFA) desk study conducted by DFID as part of their mandatory Fiduciary Risk Assessment, 2006.

<sup>43</sup> PEFA 2006. A previous study financed by DFID concluded that "the expenditure side of the budgetary process is so weak as to be essentially ritualistic, with limited bearing upon reality", Drivers of Change in Ghana.

donors remain weak. Despite numerous donor-supported interventions over the last decade,<sup>44</sup> the capacity and productivity of the public service has not improved.<sup>45</sup> The efficiency of public spending is low, while the lack of significant progress in civil service reforms has become a constraint to sectoral reforms. The public sector remains an unofficial employment vehicle for government, while low-level corruption is endemic and even tolerated as a strategy to enhance inadequate salaries.<sup>46</sup> Key civil service areas (the National Development Planning Commission) have a very high staff turnover. Generally, the accountability of the civil service to citizens is low.

**Institutional reform has been difficult to implement because of the constraints derived from political governance arrangements.**<sup>47</sup> Studies suggest that real changes in the public sector require broad-based consensus.<sup>48</sup> The Government agrees, as “...the reform process cannot proceed effectively without sustained and palpable political commitment, the enforcement of agreed upon proposals for reform from a political and official level and provision of adequate resources.” Evaluations point to the need to focus on the political economy, economic incentives and the participation of citizens in the reform process, rather than only on technocratic issues.

**Our analysis suggests that the slow implementation of civil service reforms may be the key constraint on Ghana’s long-term economic growth,** as it affects the productivity of the private sector, public spending in all areas and even the management of natural resources. The Government also recognised the importance of civil service reforms in GPRS I.

**The Government passed a public sector reform act in 1999 and has recently set up a Ministry of Public Sector Reform.** The recent action plan includes (a) enunciation of a civil service wage policy to reward performance, (b) creation of subsidised agencies and elimination of activities in non-priority areas, (c) decentralisation, and (d) implementation of recent laws and regulations on public expenditure and financial management. However, in addition, there is the need to increase the transparency of reform and to enhance citizens’ participation in the process. The results-oriented action plan for public sector reform should be publicly monitored. The slow progress of public sector reform is not consistent with Ghana’s aspiration to become a middle-income country by 2015.

**In the absence of a strong consensus for reform, what may be needed are highly focused, pragmatic interventions** that take advantage of the willingness to reform and are grounded on political realities and capacity constraints.<sup>49</sup> These civil service reform interventions need to be monitored closely with a focus on measurable results and implementation indicators rather than measuring changes in “formal” rules. They also need strong participation by civil society.

### Significant progress in the financial sector (especially since the 1990s)

Commercial banks are generally liquid and meet prudential requirements. The ratio of non-performing loans to total loans has fallen to 16% and the provision for bad loans has increased. Many banks are now highly profitable. Interest margins are still very high but expected to narrow due to increased competition for borrowers and savers and the entry of more banks into the market. Credit to

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<sup>44</sup> National Institutional Renewal Programme comprising the Public Sector Management Reform Programme, the Public Finance Management Reform Programme and the Civil Service Performance Improvement Programme, the National Governance Programme (NGP).

<sup>45</sup> “Despite a number of significant improvements, empirical observation suggests that the public service overall has no more capacity and is no more effective than five years ago”, GPRS I.

<sup>46</sup> DFID, Ghana: Poverty Reduction Budget Support 06/07-08/09 Submission, February 2006.

<sup>47</sup> A recent World Bank review of public sector reforms explains that public service reforms worldwide have achieved little changes in behaviour, “as the ills that they sought to treat – non-meritocratic civil services, weak financial controls, opaque or incoherent budget processes – are deeply rooted in local political and institutional arrangements that favour the status quo”, *Economic Growth in the 1990s. Learning from a Decade of Reform*, World Bank 2005, p. 23.

<sup>48</sup> “Drivers of Change” and “Evaluation of DFID Country Programmes: Ghana 2000-2005”, 2006.

<sup>49</sup> “Economic Growth in the 1990s. Learning from a Decade of Reform.”.



the private sector has increased sharply. Progress on these reforms is partly a result of a stable macro-economic environment and the implementation of recommendations on bank and insurance supervision. Legislation against money laundering and terrorism is currently under consideration. The Financial Sector Strategic Plan focuses on strengthening the legal, regulatory and judicial frameworks and on central bank capacity to enforce prudential and fiduciary requirements (including new minimum capital requirements by end-2006). It also encourages competition through the entry of new banks.<sup>50</sup> There is still a need for more progress, as intermediation is relatively low and available and accessible low cost credit is lacking.

### Progress on private sector climate reforms

**Ghana ranks amongst the top 10 reformers in the most recent Doing Business report** (World Bank, 2006) **but important constraints still remain.** In 2005 Ghana also ranked fourth in Africa in the growth competitiveness index of the World Economic Forum and during 2002-2004 it reduced the time required for business registration by 50%. However, the sector is still affected by a state-owned sector that weighs heavily on the economy, unreliable and high-cost utility services, poor infrastructure, red tape and corruption, and weak trade facilitation.

**Many of these weaknesses are related to the capacity and politicisation of the civil service.** Governing parties have not managed to avoid the perception that "in the management of the economy they have a bias towards businesses associated with the ruling party to the detriment of businesses thought to be aligned to the opposition, or even non-aligned groups."<sup>51</sup> The current government has promised to usher in a "golden age" for the private sector. However, it is always difficult to break the structural patron-client mould for government-business relations,<sup>52</sup> particularly in the context of some popular attitudes to competition, foreign investment and privatisation.

**There has been progress in the reform of public sector enterprises.** Financial and operational performance of public enterprises has improved, including the production of timely information. Government has plans for cost-recovery pricing for public utilities and for reforms of the Tema Oil Refinery and the Ghana Water Company. On the other hand, the IMF reported that there are also plans for providing subsidised power to the Volta Aluminium Company.

**There has been progress in the deregulation of petroleum-product pricing.**<sup>53</sup> The government adjusted prices by 50% in February 2005. However, subsequent changes in ex-refinery prices have been relatively small compared with the changes in world oil prices (partly because of under-prediction of prices). The government is now committed to price adjustments on a monthly basis.

### Progress in transport sector under way

In 2005 and 2006, government booked considerable progress with the preparation of the National Transport Policy, covering all modes of transport (air, rail, water and roads). Early in 2007, a draft White Paper on National Transport Policy was presented for consultation with relevant stakeholders (including donors), and is expected to be translated into a Cabinet Paper later this year.

This policy will be the basis for the integrated sector strategic planning process, to start in March/April 2007 with support from the 9<sup>th</sup> EDF Transport Sector Planning and Integration Programme (TSP/IP): the Transport Integration Plan will be the basis for the Transport Sector Development Plan (TSDP)

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<sup>50</sup> IMF, June 2006.

<sup>51</sup> Operationalising pro-poor Growth..

<sup>52</sup> Drivers of Change in Ghana.

<sup>53</sup> IMF June 2006, Ghana.

2008-2011, as a follow-up to the current Road Sector Development Plan, which will be closed at the end of 2007. TSPIP also includes a study for the Ministry of Transportation, defining a transport sector strategic set of performance indicators by the end of 2007, which will be based on current DANIDA-supported work on a comprehensive data set and compilation of a scientific database. This database will include indicators monitoring the transport sector's impact on poverty reduction, the fight against HIV/AIDS, environment, gender, employability, etc. The Intervention Framework attached to the NIP may need to be upgraded and updated to reflect the outcomes of this sector-strategic planning process.

It should be noted that the regular sector dialogue has widened substantially, now including MDAs for aviation, ports, railways and roads, and also cross-cutting ministries such as those for public sector reform, local government (decentralisation), and finance and economic planning. Given the current level of dialogue in the sector, it is envisaged that TSDP will be the future infrastructure platform securing government and donor resources to the transport sector for investment and/or policy support measures.

### Slow progress on decentralisation<sup>54</sup>

**Ghana started a process of local government reforms in 1988 to decentralise government functions and ensure grassroots participation in decision-making.** However, a top-down approach to favour coalition building for the ruling party was adopted. Devolution of resources and responsibilities to District Assemblies has not taken place, and District Assemblies have limited spending authority.<sup>55</sup> Capacity for local planning and programme implementation has remained weak. Some progress has taken place on political devolution through the establishment of District Assemblies and the operation of the District Assembly Common Fund. However, some members of the District Assemblies and the District Chief Executives have yet to be elected. The National Decentralisation Action Programme was introduced in 2003 and is gradually being implemented with the support of a number of donors. Some administrative and technical deconcentration of public service delivery has taken place but in an ad hoc manner.

## 2.2.4 Trade policy and regional cooperation agreements

**Ghana's trade regime can be characterised as open and liberalised and progress has been made in simplifying the tariff system and non-tariff regulations.** This is the result of Ghana's trade liberalisation policy during the 1990s and its efforts to comply with ECOWAS trade protocols. However, the institutional set-up and non-tariff protections and incentives still remain complex and insufficiently transparent. Simplification of the trade system is necessary to promote a level playing field for producers and to attract foreign investment. More generally, the sustainability of further liberalisation will depend on the resilience of Ghanaian producers faced with increased foreign competition and their ability to exploit improved access to regional and world markets.

**The Government's National Trade Policy was launched in December 2004, while in late 2005 the Cabinet approved the Trade Sector Support Programme,** including an implementation plan for 2006-2010. The programme includes 27 inter-related projects and 10 policy areas and aims to create a private sector environment conducive to sustaining high export growth. This includes simplifying and standardising trade-related regulations and providing storage and transport facilities for major exports. It is expected that this programme will provide an adequate framework for donor support.

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<sup>54</sup> See also previous section.

<sup>55</sup> In 2006, the share of government revenues budgeted to be released to the District Assemblies Common Fund was about 5% of the total tax revenue.

**Ghana is a strong advocate of regional cooperation and integration.** Ghana is a major trading partner with its three neighbours, is committed to the ECOWAS regional framework, and hosts the West African Monetary Institute (to oversee the implementation of the West African Monetary Zone).

**The implementation of ECOWAS' Common External Tariff** among the five Anglophone West African countries, Guinea and Cape Verde is scheduled for January 2008. This will require streamlining of Ghana's tariff structures. The common tariff is also a pre-condition of the EU's Economic Partnership Agreement (EPA). Studies<sup>56</sup> have identified some of the benefits and potential difficulties in the implementation of the common tariff and the EPA. Potential difficulties include: opposition from internal producer groups, lack of urgency to conclude an EPA<sup>57</sup> amongst ECOWAS members, scepticism from some stakeholders, weak complementary production opportunities in ECOWAS and drifts between ECOWAS and UEMOA. In 2005, Ghana suffered a temporary import ban on a number of commodities by Nigeria. Although this was later reduced, this ban illustrates some of the potential difficulties for regional integration. Ghana is also seeking to improve on inter-ministerial linkages and coordination in trade issues.

**Ghana's non-traditional exports must also expand into growing regional markets.** Currently, exports to the EU and the USA account for 53% and 7% of total Ghanaian exports, while Africa accounts for 11% of total exports.<sup>58</sup> The growth of regional markets requires greater integration of transport and communication systems among ECOWAS countries and increased harmonisation of fiscal and regulatory policies. ECOWAS efforts to put in place common external tariffs and custom facilitation measures will enhance trade and regional integration. Regional programmes such as USAID's West Africa Trade Hub and the forthcoming Economic Partnership Agreement (EPA) with the EU are expected to play a useful role in facilitating stronger regional integration and contributing to address supply-side and competitiveness constraints.

**Government is strongly supportive of sub-regional and broader integration as it is counting on international trade as one of its main tools for achieving middle-income status by 2015.** The government expects the Economic Partnership Agreement (EPA) to be instrumental in facilitating regional integration and to help address supply-side and competitiveness constraints including trade facilitation. Studies have also identified supply-side issues that would maximise Ghanaian benefits from the EPA and trade opportunities, by supporting private sector upgrading and export expansion through (a) sanitary and phytosanitary standards and other voluntary-code requirements, (b) other quality issues and marketing, (c) institutional strengthening to designated laboratories, and (d) support for professional organisations and business representatives for logistic issues and dissemination of information (on EU voluntary codes of practice and self-regulating bodies such as Eurep-GAP).

**Ghana was the first country to ratify the treaty that established the African Economic Community and has provided strong leadership to the ECOWAS.** However, some of the regional integration issues have not progressed because of insufficient commitment from some regional leaders.

Since independence, Ghana has actively supported UN peacekeeping forces and has served in 11 missions around the world, most recently in Liberia and Sierra Leone. Ghana has also been involved in the peace processes taking place in Côte d'Ivoire and Liberia. Ghana has played a leading role in establishing peace in the West Africa region, and this is particularly important in light of the fragility

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<sup>56</sup> Two studies have been carried out: (a) Apoteker, "EU market access opportunities for Ghana and position for EPA negotiation," funded by the EC, and (b) Prof. Cletus, Lodonou, Analysis of the impact of establishing a free trade area with the EU on the Ghanaian economy, financed by the Commonwealth Secretariat.

<sup>57</sup> 13 of the 15 ECOWAS countries are beneficiaries of the "Everything but Arms" initiative.

<sup>58</sup> "EU market access opportunities for Ghana and position for EPA negotiation".

of the region and concerns regarding ethno-religious conflicts. In this context, donor support to Ghana contributes to the consolidation of peace in the region.

## 2.3 Social situation<sup>59</sup>

**While income poverty levels have declined, non-income dimensions of poverty point to continued weaknesses in human and social development.** This is reflected in the gap between Ghana's HDI rank (138 in 2005) and its gradually increasing GDP per capita rank.<sup>60</sup>

**Recent years have seen some important positive trends.** Recent progress in the education sector has meant increasing numbers of children entering school and progressing through the system. A major breakthrough was the abolition of mandatory school fees for basic education and the introduction of capitation grants across the country in the 2005/6 academic year. Non-salary expenditure allocations to deprived regions almost doubled over the GPRS1 period.<sup>61</sup> As a result of some of these changes Ghana is judged to be on track to achieve MDG2 (universal primary education) by 2015.<sup>62</sup> The gender parity index has also narrowed, although Ghana missed the interim goal of achieving gender parity in primary enrolment (MDG3) by the end of 2005.

**There are significant and persistent challenges that need addressing to improve access to and quality in basic education.** These include ensuring that children outside the school system (estimated presently at about 700 000 children) are enrolled and those at risk of dropping out are encouraged to complete primary education. Access problems are exacerbated for at-risk groups, including girls, children from deprived regions, disabled children and the extremely poor in rural and urban areas. It is also a persistent challenge to improve the quality of learning through increasing and monitoring the distribution of inputs. The number of qualified teachers, core textbooks and classrooms in good condition must keep up with increased enrolment. All these interventions require increased and sustained per-student funding at primary level in real terms over the next ten years, together with increased and targeted programmatic funding addressing these policy priorities.

**Gradual improvements in the delivery of a number of critical health outputs have taken place.** A pre-paid National Health Insurance Scheme introduced in 2004 marks a new direction in health financing for poor and vulnerable groups. However, the present funding mechanism will need to address the issue of its long-term financial sustainability. To reach the MDGs, the health sector will need further support and monitoring. Recent indications are that the HIV prevalence rate may be dropping; although it is too soon to discern a trend. Malaria, however, remains a significant cause of mortality and costs the equivalent of 3% of GDP annually.

**Of most concern is the stagnation in key infant and child health indicators and persistently high maternal mortality rates.** Current estimates show an increase in neonatal mortality between 1998

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<sup>59</sup> This section relies exclusively on the analysis carried out for the Ghana-Joint Assistance Strategy, including contributions from the World Bank and the UK (DFID).

<sup>60</sup> Ghana's HDI value was 0.531 in 1995, 0.556 in 2000 and 0.520 in 2003 (below the figure for 1995). The ratio of Ghana's HDI rank to its per capita GDP rank (PPP) is currently -11.

<sup>61</sup> APR 2005 Table 6.14.

<sup>62</sup> Figures for Gross Enrolment Ratio or GER (total enrolment/school age population x 100) vary, with estimates ranging between 86% and 110% depending on the data source, especially for population estimates. The internationally agreed indicators for attainment of MDG2 are the Net Enrolment Ratio (NER) and the Primary Completion Rate (PCR), which are not routinely calculated or published in Ghana. However, official household survey data and informed estimates suggest that both are increasing. The NER in primary education is officially reported at 69.2% in 2005/2006 in the 2006 Education Sector Performance Report from the Ministry of Education, Science and Sports. Elsewhere it is variously put at 63% (DHS), 70% (CWIZ) and 84% (WB OED).

and 2003.<sup>63</sup> Progress in reducing infant and under-five mortality levels stalled during GPRS1. Child malnutrition also remains a significant problem, accounting for up to 60% of cases of child mortality and pointing to the need for a comprehensive approach to building food security, especially amongst the poorest households. Infant mortality and maternal mortality are inextricably linked. Nationally estimated maternal mortality stands at 214 deaths per 100 000 live births, although the adjusted figure published by the UN is 540 deaths per 100 000. In either case Ghana is off track in achieving the MDGs on both MMR and Infant Mortality Rate counts. Of particular concern is that these trends have coincided with a period of increased health sector financing.<sup>64</sup> The next opportunity to take stock of trends will be the DHS in 2008. In the future, higher priority for pro-poor health service policies should be ensured.

**Children (0-18 years) make up more than 50% of the population, and the 3.3 million children under 5 bear the greatest burden of ill health in the country.** As a result, some 76 000 children die every year before the age of 5. Some 350 000 people live with HIV/AIDS in Ghana; 15% of them are children under 14 years. Although the net school enrolment rate is 61%, 57% of children from 5 to 14 are engaged in work, often in hazardous conditions. 28% of girls marry before the age of 18, many of them forced into marriage. Female genital mutilation is still practiced despite existing legislation. *Trokosi*, a slavery practice traditional to several ethnic groups and still common along the coast of Ghana, is also of great concern. There are at least 2 500 such slaves, it is reliably reported. There is evidence of a high level of child labour and child trafficking in Ghana. According to the 2003 ILO Ghana Child Labour Survey, an estimated 1.2 million children in Ghana were engaged in activities classified as child labour.

**With regard to employability and decent work, the GPRS II emphasises private sector employment creation and skills training as priority areas.** The Technical and Vocational Education Sector (TVET) shows some major weaknesses, namely a fragmented institutional framework, and low quality and limited outreach of training at different levels. The relatively well developed informal sector is predominant in manufacturing, repair services and other services. Support for skills development in the informal economy, which is by far the largest destination for school leavers, is virtually non-existent in Ghana. Social protection initiatives like social assistance programmes and social grants have been in existence for some time. The new National Social Protection Strategy, published in September 2006 by the MMYE, aims at enhancing the productive capabilities of poor men and women.

**While gender disparities are steadily declining in some basic service areas, they remain high and burdensome in areas such as reproductive health and water provision.** While these problems are being addressed through a range of government interventions, many of which are supported by development partners, Ghana remains a long way off from significantly reducing such disparities, especially in the poorest regions. Ghana has ratified both the core ILO conventions on discrimination, but societal discrimination against women is widespread in the work place.

## 2.4 Poverty reduction

**Living-standards data place Ghana on track to meet the MDG on eradicating extreme poverty by 2015.** The latest comprehensive estimates show that the poverty headcount declined from 52% in 1991, with 36% of Ghanaians living in extreme poverty, to 40% in 1999 and 27% living in extreme poverty in 1999. Results from the most recent Core Welfare Indicators Questionnaire,<sup>65</sup> which uses an

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<sup>63</sup> The latest DHS report states that the changes are small and hard to verify statistically. Problems of measurement and inaccurate birth and death data make accurately tracking mortality trends difficult.

<sup>64</sup> Health Sector Programme Evaluation.

<sup>65</sup> CWIQ uses an asset-based measure of poverty rather than the consumption-based measure used in the Ghana Living Standards Survey (GLSS).

asset rather than an income-based poverty measure, point to a 7 percentage point reduction from 42% in 1997 to 35% in 2003. The two trends are indicative of general progress, although they are not directly comparable with one another. More detail on the most recent income poverty trends must wait for the results of the GLSS due in early 2007.

**While meeting the MDG target of halving income poverty by 2015 is within reach at current growth rates, tremendous regional and socioeconomic disparities remain.** There is a strong urban/rural differential in poverty indicators, with deprivation levels substantially higher in rural areas. The severity and depth of poverty is highest in three northern regions (Northern, Upper West and Upper East) and the rural coastal zones.<sup>66</sup> However, recent urban poverty trends are causing concern with most of the benefits of recent growth fuelling the movement of people from rural to urban areas and concentrated in sectors with limited employment prospects for those living in poverty.

### Progress towards the MDGs

Table 3 shows that Ghana's progress towards the MDGs has been steady but not transformational. Achieving transformational change consistent with Ghana's aspiration to be a middle-income country will depend on consistently improved performance and service delivery across the public sector and on outreach to non-state actors through public-private partnerships.

Table 3: Ghana's Progress towards the MDGs<sup>(1)</sup>

	MDG Indicator & Target	Baseline 2000	2002	2003	2004	Status
Extreme Poverty & Hunger	Halve the proportion of people below the national poverty line by 2015	39.5%	39.5%	35.8	33.4%	On track
	Halve the proportion of people who suffer from hunger	12%	12%	11%	11%	Off track
UPE	Gross national primary school enrolment	79.5%		85.7%	86.3%	Some progress
	Net primary school enrolment rate	60.7%		69.9%	57.9%	
Gender equality	Eliminate gender disparity in primary education by 2005 <sup>(3)</sup>	93%		98%	94%	Missed <sup>(6)</sup>
	Eliminate gender disparity in secondary education by 2005 <sup>(3)</sup>	81%		85%	83%	Missed
Under-5 mortality (per 1000 live births)	Reduce under-5 mortality by two thirds by 2015	112	112	112	112	Off track
Improve maternal health	Reduce MM by three quarters (MMR per 100 000 live births)	540			241 (2005)	
	Skilled attendance at delivery (proxy)	49%		51.8%	55%	Good progress
HIV/AIDS & Malaria	Halt and reverse the spread of HIV/AIDS by 2015	2.3%	3.4%	3.6%	3.1%	Potentially on track
	Halt and reverse the incidence of malaria					Lack of data
Percentage rural access to safe water		40%		46.4%	51.7%	On track

<sup>1</sup> See Ghana Joint Assistance Strategy.

<sup>66</sup> "Operationalising Pro-Poor Growth".

## Natural resource sustainability

Ghana's natural resources, upon which so much of the country's economic activity and the population's livelihood depend, are being depleted at an alarming rate: forests are threatened by agriculture, mining and non-regulated wood industry. Crop yields have stagnated, and productivity has declined because of rampant soil erosion. Fish, timber, and non-timber forest product stocks are decreasing rapidly. Coastal towns face severe water shortages during the dry season. Wildlife populations and biodiversity are in serious decline. Health-related pollution—indoor and outdoor air pollution, and water and sanitation issues—has emerged as serious health threats for the majority of the population. The cost of soil degradation due to soil erosion has been estimated to be worth at least 1.1% of total Ghana's GDP, mostly affecting poor rural communities. Ghana is currently taking steps to address these issues, partly through joining the Forestry Law Enforcement, Governance and Trade (FLEGT) initiative and Voluntary Partnership Agreements (VPAs), to reduce illegal logging.

Ghana's ecosystems and biodiversity are highly sensitive to natural and anthropogenic changes due to their high complexity. The existing rate of destruction of biodiversity in Ghana will lead to further food insecurity, poverty in rural areas, erosion of genetic resources, and inability of the natural environment to cope with natural and human-made changes

The Country Environmental Profile and the Country Environmental Assessment recommend:<sup>67</sup>

- a) Strengthening environmental governance. In rent-seeking sectors such as forestry and mining, more transparent and accountable management is required. Generally, better regulation and management,<sup>68</sup> and less wasteful utilisation of natural resources, is required. A review of the regulations for the management of national parks and reserves is necessary.
- b) Removing policy, regulatory, and institutional bottlenecks to reduce the vulnerability of the poor, through the use of cleaner and low-tech options in land resource management and in the urban environment.
- c) Reinforcing coordination and dialogue at the highest level to mainstream environmental and natural resources management, possibly through the creation of an environmental oversight mechanism; increasing the engagement of local communities in natural resource management.
- d) Supporting the decentralisation process, for example by training at district and community level in land management, sustainable use of water, and forest resources management.

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<sup>67</sup> The Country Environmental Analysis, Final Draft, June 2006 (World Bank, AFD and Netherlands) and the EC's Country Environmental Profile are part of Ghana's strategy development process in the environmental sector, which will also build upon the earlier SEA from the GPRSII.

<sup>68</sup> As also concluded in the Evaluation of the Environment and Forest Regulations (2004).

## Ghana: Environmental Assessment

### 1. Forestry and Wildlife

Satellite imagery shows southern Ghana as a mosaic of depleted reserves, surrounded by “off-reserve” agriculture. The policy to date has been to allow the conversion of the off-reserve high forests to agriculture, and these have been a major source of timber for the timber-processing industry. In the wildlife sector, theoretically the state controls exploitation through licensing, but in practice it has not been able to effectively regulate at the local level. The state’s inability to properly manage forest reserves and guard Ghana’s protected areas has facilitated an open access system for wildlife hunting, with few benefits to communities. The wildlife resource effectively belongs to, and is managed by, no one. The “empty forest” syndrome and the loss of savanna wildlife populations, off reserve, are symptoms of poor management of common property. Ghana has already started preparations for the FLEGT initiative and VPA.

The potential of the timber industry has not been realised. Industry has captured much of the value of forests, but in an inefficient way. Too little processing for high-value export markets occurs, and estimates indicate that the primary processing would be value-subtracting if timber were priced at world market prices. Over the last 15 years, the government of Ghana’s policy on plantations has been in disarray.

### 2. Mining

Ghana continues to have important geological potential and has recently adopted a new mining law. However, Ghana has missed some of the opportunity to significantly increase its revenues from royalties without affecting the competitiveness of the mining sector. Metal prices have risen greatly in the last two years. Gold prices more than doubled in the last three years. Royalty rates in Ghana can range between 3% and 6%. However, current calculation procedures fix rates prior to the start-up of the mine, and usually at a lower rate, and increases in metal prices mainly translate into benefits for the operations already established.

The concerns and needs of stakeholders involved in and affected by mining, especially artisan and small-scale mining and those related to land compensation and post closure restoration, must be addressed.

### 3. Land Resources

Sustainable utilisation of the country’s land resources is critical for Ghana. Several low-input, site-specific technologies and conservation practices that substantively reduce land degradation while enhancing productivity are currently applied in Ghana. However, large-scale adoption of these practices continues to be elusive due to a number of barriers. Land degradation and sustainable land management elements are weakly integrated into the key policies, strategies and action plans. The existing regulatory framework is characterised by a plurality of land tenure and land management systems and by a multitude of laws and regulations, often outdated or in contradiction among each other. The existing incentive framework — characterised by weak tenure security, inadequate access to credit, inappropriate pricing of resources, and poorly functioning markets — does not provide adequate incentives to farmers for long-term investments in land management. It also does not provide a clear direction for land utilisation and management. Weak institutional capacity for land management has been identified as one of the main constraints to enforcement of policies and regulations.

### 4. Urban Environment

#### *Water Supply*

Costs related to mortality and morbidity from inappropriate water supply, sanitation, and hygiene practices amount to almost 2.1% of Ghanaian GDP in 2004. More than 8 000 people die every year from diseases related to poor water supply, sanitation, and hygiene conditions. Seventy percent of the morbidity in Ghana is attributed to the same shortcomings. The supply of piped water is inadequate. A low proportion of the poor urban population has access to potable water, and the supply to those who are connected suffers from frequent interruptions because of leaks and the like. Sale of water through unregulated secondary vendors and improper storage of the water in households frequently result in serious health-related problems.

#### *Sanitation and Solid Waste Management*

The number of sanitation facilities continues to be quite low. Estimates suggest that 30% of the population in the largest cities have household latrines, and 30% use public toilets. In some poor communities, less than 10% of households have latrines. Moreover, the quality of sanitation facilities in urban areas remains far from satisfactory. At the household level, poor hygiene practices by individuals and communities are compounded by weak hygiene education. Vector-borne diseases such as malaria and bilharzia are rife because of the virtual absence of vector control programmes for pests and disease. Partly as a result, more than half of all reported diseases are related to poor environmental sanitation and the attendant social and economic costs. In addition, flooding from broken pipes causes major damage to public infrastructure and private property.

The situation in solid waste management is worse. Ninety-one percent of the population faced unsafe methods of solid waste disposal. Less than a third of the daily refuse generated is decently disposed of, and the rest is abandoned to pollute the environment. Even the existing disposal sites and landfills are poorly managed; some of them are leaking polluted water into the surroundings and becoming a breeding ground for mosquitoes, parasites, and the like.



## 2.6 Ghana's national strategy

### 2.6.1 Overview of government strategy (GPRS II)

Ghana's first national Poverty Reduction Strategy (GPRS I) was finalised in 2002 with the aim of generating growth, controlling inflation and increasing expenditure on programmes targeting the poorest and most vulnerable in society. GPRS II was produced by the government<sup>69</sup> in late 2005 with an ambitious overarching goal of raising average per capita income levels to middle-income levels by 2015, i.e. from about USD 400 to about USD 1000. This requires policies that place a greater emphasis on growth. This is to be achieved, according to GPRS II, through an agriculture-led strategy with a change in economic structure through diversification from the traditional cocoa to cereals and other cash crops for export markets — including mangoes, papaya, pineapples, cashews and vegetables. This policy will target poor farmers currently in the non-cocoa agriculture sectors.

The plan also identifies sectors considered to have long-term potential, including: tourism, information and communication technologies, light industry based on textiles, garments, and adding value to metallic and non-metallic minerals. Support services (transportation, energy, and science and technology) would facilitate improved productivity in agriculture and agro-industry.

The agriculture-led growth strategy will be complemented by policies in the following areas:

- macroeconomic stability, domestic revenue mobilisation and efficient expenditure; increased aggregate investment; and population growth management;
- improvement of incentive structures and meeting input requirements for increased productivity, particularly in agriculture (and recognising and limiting the costly degradation of renewable resources);
- broad-based human resource development, social protection and attention to the empowerment of women;
- good governance, public sector reform and increased civic responsibility;
- opening of channels with global capital markets, including equity investment, to attract skills, science and technology.

The GPRS II incorporates the following sector plans: (a) Education: Basic Improvement Programme and the 2004 White Paper in Education Reform (b) Private Sector Development Strategy and Ghana Trade Policy (c) Agriculture Sector Development Programme and (d) National Gender and Children's Policy. In late 2006, a set of priority indicators was developed that will help monitor GPRS II implementation and results.

See Annex 2 for more detailed information on GPRS II.

#### Risks to the GPRS, as identified by the government

The risks to the government's agriculture-led industrialisation strategy include:

- (a) lack of accessible and affordable technologies to overcome unreliable rainfall;
- (b) problems with: bushfires, post harvest losses and uncertainties, storage, transportation and marketing; and
- (c) insufficient, unaffordable credit. The government proposes "strenuous" government interventions to mitigate these risks, including nine actions in the agricultural sector.

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<sup>69</sup> Growth and Poverty Reduction Strategy (GPRS II) (2006-2009). November 2005, National Development Planning Commission, Republic of Ghana (219 pp).

## Regional integration and multilateral agreements in the national strategy

Ghana is a strong supporter and active participant of regional organisations and initiatives, including the African Union, and fully participates in the regional integration processes through ECOWAS. Ghana was also the first country to subject itself to the governance review of the African Peer Review Mechanism, an initiative of NEPAD. In addition, Ghana has been an active member of the World Trade Organisation since January 2005. The government has also stated that it expects that the Economic Partnership Agreement with the EU will be instrumental in facilitating regional integration and contributing to addressing supply-side and competitiveness constraints, including trade facilitation.

## Policies for the diaspora and the national strategy

Ghana is a country with extremely high levels of emigration of skilled citizens, particularly in the health sector. The emigration of health personnel may partly explain the recent weak outcomes and results in the sector. However, the diaspora also provides substantial foreign exchange through both remittances to Ghana and tourism. Construction is a leading growth sector in the economy and is partly financed by remittances.

The national strategy does not include specific policies to maximise the human and financial resources of the diaspora, or to minimise the impact of the “brain drain.” However, in 2001 the Homecoming Summit of about one thousand professionals working outside Ghana produced an action plan for harnessing the diaspora’s resources.<sup>70</sup> Recently, the law changed to allow double nationality and in 2006 Ghana extended the voting franchise to Ghanaians living abroad and created a Ministry for Tourism and Diaspora Relations.<sup>71</sup> The Government is in need of short-term action to harness the human and financial resources of the diaspora and to mitigate the costs of the “brain drain”.

## 2.6.2 Assessment of the national strategy (GPRS II)

**The plan is comprehensive, and sets a clear overall objective and strategy.** The national development plan benefits from a clear and demanding overall objective, i.e. to bring the per capita income of the average Ghanaian to middle income levels by 2015. The plan makes difficult choices, as it commits to private sector agriculture-led growth and to the diversification of the Ghanaian economy.<sup>72</sup> It submits other policies to these objectives. The plan is comprehensive as it incorporates sector plans, presidential special initiatives and the recommendations of the African Peer Review Mechanism.

**The plan is based on conventional policies for growth but also on the role of institutions.**<sup>73</sup> It includes macroeconomic stability, domestic liberalisation and openness but also a focus on governance and transparent public financial management. The plan rightly argues that growth is an essential tool for poverty reduction and is explicit about the importance of empowering citizens and promoting peace and stability in the body politic. The plan also includes some of the recommendations

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<sup>70</sup> See S. Grey, Creating a Conducive Environment for Diaspora Contributions, National Population Council, and Ministry of Interior, “Migration Policy: A Critical Factor in Development Strategies”.

<sup>71</sup> Diaspora here includes the old diaspora from both Africa and Ghana.

<sup>72</sup> Possibly growth could also come from other areas such as services, particularly tourism, etc. It is unclear how much government should intervene in support agriculture vis-à-vis other sectors such as services, including tourism.

<sup>73</sup> “Economic Growth in the 1990s” suggests that successful growth experiences require: (1) rapid accumulation of capital, (2) efficient resource allocation, (3) technological progress, and (4) sharing of benefits of growth (p. 12).

of the African Peer Review Mechanism that are essential to improve institutions and strengthening checks on government policy discretion.

**However, the plan also suggests “interventionism” in support of the Private Sector.** It relies on the private sector as the engine of growth in the economy. However, in a number of instances, the plan supports “vigorous” government interventions without spelling out the rationale and criteria for these interventions. For example, a key policy is “to accelerate the development of strategic sectors.”<sup>74</sup> Neither does the plan show where the capacity to implement these interventions successfully will come from.

**Participation of non-state actors:** the GPRS II was prepared by planning groups that included state and non-state actors.<sup>75</sup> The public consultation process included the submission of an early draft to Parliament (April 2005), workshops with Parliamentary select committees (June 2005), (Poverty Reduction, August 2005), regional and district level consultations (May-June 2005), national level consultations (July-October 2005), and a review by policy think tanks and the private sector (August 2005). However, a review of the participatory nature of this process has not been carried out as yet.

**Strategies and actions in the plan are not given a priority, a sequence or an indicator of success.** Sector strategies/actions have not been ranked according to their contribution to the overall objective, or provided with a sequence of implementation or a link to time-bound measurable outcomes. Strategies in different sectors (and “pillars”) appear fragmented, as their complementarities are not spelled out, i.e. the effect of civil service reform, public financial management or decentralisation on delivery in health, water or sanitation or infrastructure.

Strategies and actions should be ranked according to their cost and likely contribution to objectives, i.e. giving priority to actions with high returns and low costs, considering their technical and political requirements. This is consistent with the recommendation to address “whatever is the binding constraint on growth, in the right manner and in the right sequence.”<sup>76</sup> Instead, the plan is loaded with too many actions, i.e. the private sector development sector includes 44 “strategies” even in the GPRS II Ghana Partnership Results Matrix.<sup>77</sup> The successful implementation of the national plan requires a focus on a few (simple) actions/strategies at a time — given the substantial political obstacles to reform and the weakness of the civil service.<sup>78</sup> These actions need to be embedded in a results-based framework, with clear and measurable indicators of success and with an understanding of the institutional requirements.

**The national plan underestimates the importance of civil service reform and improved budget processes** (planning and implementation) to achieve plan objectives, efficient social expenditure and donor harmonisation. These reforms have not been successful in the past as the political price of their implementation is high. Experimentation and learning are part of the growth process and this requires a “professional” civil service.

**The costs of the national plan and their linkage to the budget are still inadequate.** The costs of the plan are relatively “unconstrained” and require greater integration with the medium-term expenditure framework and the annual budget process.

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<sup>74</sup> GPRS II, p. 29.

<sup>75</sup> The work of these groups started in September 2004. The GPRS II was submitted to Parliament in October 2005.

<sup>76</sup> World Bank report on Economic Growth in the 1990s.

<sup>77</sup> The government endorsed Ghana’s Partner Strategy Results-Matrix linked to Development Partner contributions that included some measurable outcomes and greater prioritisation of “strategies and actions”, Consultative Group, November 2005. This matrix was somewhat smaller than the initial GPRS II matrix. The Government is currently working on identifying monitoring indicators for the GPRS II.

<sup>78</sup> Political obstacles to reform have been identified by “Drivers of Change”. “Economic Growth in the 1990s: Learning from a Decade of Reform” notes “Clearly not everything can be right at once, and not everything needs to be “right” for growth to take place”, p. 12.

**The plan does not include sector outcomes and progress indicators, making it difficult to monitor and evaluate its implementation.** However, the government is committed to including these indicators in an updated GPRS II Monitoring and Evaluation plan.

## 2.7 Viability of current policies and medium-term challenges

**The macro-economic, financial and external debt position gives the government strategy basic viability.** In particular, the strength of the external sector has improved substantially.<sup>79</sup> The government should be able to cope with some external negative shocks (prices of export commodities, remittances, tourism or official flows), provided that the fiscal stance does not weaken in the run-up to the 2008 elections.

**However, the viability of the GPRS II overarching objective,** i.e. to become a middle-income country by 2015, **requires structural political governance reforms** such as beginning the transition towards a “professional” public service, reducing its politicisation, enhancing the oversight of the executive, accelerating political, administrative and fiscal decentralisation and improving the governance of natural resources — which at the moment is tapping resources stocks at 10% of GDP each year.

**Ghana has an unusually positive political and economic environment in which to achieve its ambitious goals,** however, it is likely that this window of opportunity for success will not be available for too long, given the current relatively thin basis of macroeconomic stability, which profited from high world commodity prices in the recent past (gold, cocoa, timber), and other risks mentioned below, including the spill-over effects of regional instabilities.

**The current Road Sector Development Programme approach has resulted in some improvements in road sector management and network conditions,** but has not fully addressed poverty reduction, maintenance issues or multi-modal and regional factors.<sup>80</sup> Hence the importance of the current exercise to adopt a comprehensive transport strategy, based on consultation with all stakeholders, which will lay the foundations for meeting medium-term challenges.

Other risks to the government strategy are unsustainable external commercial borrowing, compromising the improvements in debt sustainability and the benefits of debt relief (see Annex VIII on Debt Sustainability Analysis). The current energy crisis may delay economic development and growth and need important investments to implement long term sustainability. Regional instability may also affect the viability of current policies.

### Alignment of the EC Country Strategy Paper to the national plan (GPRS II)

The EC Country Strategy Paper has been drafted in the Harmonisation and Aid Effectiveness framework and is mainly based on the Ghana Poverty Reduction Strategy II and the Programme of Action of the governance review carried out by the African Peer Review Mechanism. The EC Country Strategy Paper is fully aligned with the national plan and the activities of other donors as developed in the Ghana Joint Assistance Strategy, signed by 16 donors including the EC in early 2007. Wherever possible, the EC Country Strategy and the National Indicative Programme provides budget support to strengthen government systems.

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<sup>79</sup> The projected net present value of external debt at end-2006 of about 12% of GDP is about one third of the level at end-2002, IMF, June 2006.

<sup>80</sup> DANIDA Joint Evaluation.

## 3. Overview of cooperation and political dialogue

### 3.1. Results and lessons of EC past cooperation<sup>81</sup>

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#### 9<sup>th</sup> EDF: Revised allocation of funds

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after End-of-Term Review (€m)

Transport and Infrastructure	77.8
Rural Development	103.5
Budget support	102.2
Non-Focal sectors	32.3
Total National Indicative Programme	315.8

Source: End-of-Term Review 2006.

The 9<sup>th</sup> EDF, 2002-2007, included an initial A allocation of €231 million. The B allocation was €80 million. The 2004 mid-term review led to the transfer of €32 million to the A allocation. The table above shows the revised allocations after the end-of-term review. The A allocation totalled €315.8 million while the B allocation was about €3 million.<sup>82</sup>

In the first year of devolved management of EC cooperation in Ghana, 2005, payments reached the highest level ever, €67 million.

### General results

**This Country Strategy Paper has been drafted after a careful review of the results and lessons of past EC cooperation.** However, it should be pointed out that the discussion in the following subsections refers to assessments of operations mainly under the 8<sup>th</sup> EDF or even previous funds. Note that, in some cases, the EC would have already taken corrective measures to enhance the effectiveness of its interventions.

**The Country Strategy Evaluation concluded that the Commission's strategy was appropriately designed to contribute to government's objectives** of sustainable growth and poverty reduction. However, the evaluation recommends that the new strategy should be based on in-depth and comprehensive analysis of the country challenges.

**Budget support interventions contributed to improving the country's macroeconomic situation,** though the support of pro-poor social sector spending was more difficult to achieve.

**EC interventions have often achieved their intended outputs but they have generally not been effective in supporting the diversification of the Ghanaian economy,** including interventions in rural development, mining and private sector development. Moreover, it has been difficult to assess the exact contribution of EC interventions in the absence of reliable baseline studies. These studies are critical to assess effectiveness.

**Implementation has generally been satisfactory** except for delays due to administrative procedures and poor design. **Sustainability, however, varies across sectors** and is lower in the transport and

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<sup>81</sup> Mostly based on the "Ghana Country Strategy Evaluation", April 2005, EC, and a few more recent evaluations.

<sup>82</sup> Ghana is benefiting, inter alia, from the 9<sup>th</sup> EDF Intra-ACP Energy facility and a number of the projects within COOPENER.

social sectors. Similarly, there is no overall strategy to ensure consistent coverage of governance, gender and environment issues.

**EC regional and national strategy** links do not appear well identified and exploited.

**Complementarity between the EC strategy and that of other donors is high**, due to a number of effective coordination mechanisms.

## Results on focal sectors (9th and previous EDFs)

### Rural development

The EC strategy was to support agriculture, the environment, water and sanitation, and micro-projects, particularly in the Northern region. Infrastructure such as schools, clinics, markets and water and sanitation facilities were provided.

*The EC Small Town Water Supply Project* provided water systems to 30 small towns and more than 350 000 people. The Rural Water Supply and Sanitation Project in the Northern Region drilled 40 boreholes in the exploratory phase.<sup>83</sup> Today, the project reports that it has drilled 250 boreholes. Moreover, the mid-term project review noted that EC support had provided water access to over 600 000 people. However, the evaluation also noted that use has been building up more slowly than access. These projects have contributed strongly to institutional development as Water & Sanitation Development Boards are reported to have functioned well. In addition, the 5<sup>th</sup> Micro-projects Programme was also highly effective in building boreholes and standpipes.

*The Cocoa Swollen Shoot Virus Disease* project to control the most important cocoa disease resulted in relatively little replanting or increase in land productivity (compared to targets).<sup>84</sup> However, the most recent evaluation found that the project's removal of nearly 30 million trees contributed to limiting the spread of the disease, though its approach had a number of limitations. The evaluation also concluded that sectoring and surveying reached a satisfactory level, though its judgement on the replanting phase was more reserved. The impact of the programme was greater for farmers who maintained their farms well, not poor farmers with very small farms.

*Micro-projects* with the overall objective of increasing local capacities completed the construction of about 283 schools, contributing to a 15% increase in enrolment.<sup>85</sup> However, their impact is not possible to assess. Micro-projects also built 64 clinics, but no data is available on changes in clinic attendance. The final evaluation<sup>86</sup> reports that 1950 micro-projects were near completion, technically reaching the physical targets of the intervention: 777 in education, 2021 in health, 580 in water and sanitation and 355 in other sectors. However, their impact was limited on sustainability, replicability, and building capacity for operations and maintenance, because of the parallel institutional architecture and the programme's excessive focus on urban and peri-urban areas. The evaluation found that the involvement of District Assemblies, particularly in setting priorities, was critical to project success. Micro-projects were particularly successful when replacing existing infrastructure and reducing non-utilisation rates, also when focused on community-centre support.

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<sup>83</sup> However, it is not possible to estimate coverage at this point. EC Ghana Country Strategy Evaluation.

<sup>84</sup> Ghana: Country Strategy Evaluation, EC, April 2005.

<sup>85</sup> However, the mid-term evaluation does not provide a comparable figure for other schools in the same locality, because of the lack of a meaningful baseline survey – Ghana Country Strategy Evaluation, EC, April 2005.

<sup>86</sup> Final Evaluation of the 5<sup>th</sup> Microprojects Programme, 8<sup>th</sup> European Development Fund, July 2005.

Rural development has been implemented with reasonable achievement for many years through a project approach. The Paris Declaration and the European Consensus on Development strongly recommend the use of budget support as the preferred aid modality. Sector budget support to decentralisation is therefore seen as a better approach to rural development in the future as it will support national policy, provide nationwide coverage, and favour ownership in rural communities.

## Transport

EC support was part of the Road Sector Development Programme to rehabilitate trunk roads, to reduce maintenance backlog, and to improve feeder roads, in order to provide access to markets and social services in rural areas. The programme included the setting up of two weighbridge stations to control axle loads, and technical assistance geared to harmonising and improving maintenance planning and budgeting processes in the different departments and agencies for Ghana's road transport sector.

All DPs active in the road sector (including the EC) provided project support through commitments to the RSDP, under the coordination and full ownership of the Ministry of Transportation. A constructive dialogue with government was centred on this RSDP, with regular meetings and a joint evaluation supported by DANIDA.

Baseline studies and monitoring of the RSDP's impact on poverty reduction found that complete and maintained roads mean: (a) a 20% increase in trips to hospitals; (b) a 23% increase in the price of maize received by farmers; (c) a 65% reduction in the cost of travelling to market; and (d) a 41% reduction in the cost of travelling to welfare facilities.

The Country Strategy Evaluation (published in early 2005) found that institutional changes in the Ministry of Transportation had been slow, and that there was uncertainty about the effectiveness of EC-supported technical assistance with maintenance and hence the sustainability of technology transfers.

At that time the country evaluation was unable to report progress to control axle loading, although later, in April 2005, the revised policy and action plan on axle load was issued and main elements of it are being implemented. Furthermore, the new Road Traffic Act was adopted in December 2004, and in autumn 2006, the Regulations for Axle Load Control were sent to the Attorney General for consideration under that Act.

The evaluation further noted that, while the EC contributes to improving network conditions by rehabilitating and upgrading trunk and feeder roads, the mix of conditions targeted for 2005 (70 good/20 fair/10 poor) would only be achieved in 2015. This is partly the result of a large backlog of periodic maintenance, while progress in implementing rehabilitation projects is rather slow, and, according to the DANIDA evaluation, because periodic maintenance falls well short of needs and planned targets.

The evaluation found that EC support to the Roads Sector Development Programme was highly effective,<sup>87</sup> but at the same time, the decentralisation of road sector management was proceeding slower than anticipated.

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<sup>87</sup> These conclusions are very similar to those provided by the Ghana Follow-Up Study of the Joint Evaluation of the Road Sub-Sector Programme 1996-2000, Denmark Evaluation Department, January 2006.

The EC contributed to improvements of the North-South international corridor linking northern Ghana (and Burkina Faso) to the port of Takoradi (and Accra/Tema), but there are no baseline studies assessing the impact of interventions on international traffic and international trade.

The 9<sup>th</sup> EDF Transport Sector Planning and Integration Programme (TSPiP) aims at partly addressing the concerns of the Country Evaluations of 2004 and earlier. The purpose of TSPiP is to provide a sound planning framework for the transport sector, informing the sector's service and investment priorities, and meeting needs stemming from poverty reduction and economic development, regional integration and social cohesion, as defined in the national development agenda and at ECOWAS sub-regional level (infrastructure and facilitation).

The Programme will, inter alia, result in a National Transport Master Plan and a Strategic Environmental Assessment of this Master Plan, aiming to ensure future sustainability of plans and projects in transport sector, and to identify mitigating measures where necessary. A study of performance indicators for the transport sector will be able to provide a monitoring link to current issues such as maintenance financing, road condition mix and axle load control, employment creation, decentralisation, gender, etc. The programme will also offer the sector technical assistance with capacity development for policy and planning, and for public finance management, with the aim of enabling sector budget support in the transport sector.

## Macro-economic support

Since 2001, general budget support has progressively moved from targets around non-wage recurrent expenditure in social sectors to a focus on the implementation of the entire government strategy, and operates within the framework of Multi-Donor Budget Support.

In that context, two three-year general budget support programmes (Poverty Reduction Budget Support 1 under the 8<sup>th</sup> EDF (€41.6 million) and PRBS 2 under the 9<sup>th</sup> EDF (€62 million)) have been implemented for a total amount of disbursement reaching €91.9 million from 2003 to 2006, of which €55.2 million was funded under the 9<sup>th</sup> EDF. Indeed, in 2006 the EC assessment of the Progress Assessment Framework (PAF) 2005 concluded that two triggers had not been met while other donors assessed that only one trigger had not been met. Donors therefore withheld part of their performance tranche. In compliance with the technical annex, the EC withheld 40% of the tranche. The experience gained under the MDBS shows that harmonisation and coordination enhanced the predictability of budget support and the quality of the political dialogue with the Government. It happened, however, that some of the requirements of the EC guidelines on budget support could not always be fulfilled, for instance the use of result-based indicators to trigger disbursements.<sup>88</sup> This led to a certain trade-off between the unanimity principle of MDBS and the results-oriented nature of budget support. A further three-year programme (PRBS 3), amounting to €49 million and covering 2007-2009, has been programmed and will ensure transition with the 10<sup>th</sup> EDF.

EC interventions in macro-economic support and public finance management contributed to improving the macro-economic framework and public finance management capacity. Substantial progress remains to be achieved, but the EC interventions have contributed to a reduction of macro-economic imbalances that constrained Ghana's growth. Public finance management reforms have also supported public finance discipline and some improved budget practices. EC support to the Ghana Audit Service was rated very effective.

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<sup>88</sup> In June 2006 the EC could not consider the PAF 2006-2008 a sufficiently solid basis for the disbursement of its performance tranche under the new PRBS III. However, in order not to break the consensus under the MDBS arrangement, it was agreed with the Government to have only a base tranche for the first two years of the new programme (2007 and 2008).



The capacity of the EC to mainstream public spending on social sectors and the poor was constrained by the difficulties experienced by ministries and agencies in incorporating GPRS targets into a mid-term action plan. EC interventions have contributed to the implementation of the GPRS but policy dialogue on and monitoring of the budget support programmes take place at levels which make it difficult to distinguish their impact on social sectors.

## General recommendations

This Country Strategy Paper has analysed and considered the recommendations proposed by the Country Strategy Evaluation in the light of the interventions of other donors, recent developments and the Harmonisation and Aid Effectiveness framework. Recent developments include the substantial contribution of the Millennium Challenge Account to rural development and to the agricultural sector, and a strong focus by development partners on the social sectors.

Key recommendations of the Country Strategy Evaluation were:

- The focus on rural development, transport and general budget support should continue.
- Transport: the EC should only consider major upgrading or new construction if there is compelling evidence of significantly enhanced economic and social benefits. The EC should introduce specific road maintenance and institutional reform conditions into its programmes. HIV/AIDS and road safety measures should be included in all operations. Institutional support should be provided jointly with other donors.
- Rural development: Operations have done much to tackle poverty reduction (micro-project and water and sanitation) but there is a need for greater focus on economic growth.
- Private sector development and trade should be included as key transversal issue in all interventions. Regional issues should also be considered in all interventions.
- Gender and environmental issues should be mainstreamed by identifying baselines and setting performance indicators.

### 3.2. Complementarity with other donor programmes

The Country Strategy Evaluation found that donor cooperation mechanisms were generally efficient and seek complementarity in their actions. Generally, there is a good cooperation among the donors towards division labour allowing them to concentrate on the areas where they have comparative advantages. For example, the EC no longer focuses on HIV/AIDS, because funds and activities by other donors and NGOs already cover most of the country's needs in this area. The similar approach applies to e.g. energy and fight against corruption where other donors are leading (see annex on JAS). The evaluation also finds that the transport sector is another good example of complementarity. However, this is not the case for agriculture and food security.

### 3.3. Political dialogue

The EU maintains high level political dialogue in Ghana under Articles 8 and 13 of the Cotonou Agreement, through meetings between EU Heads of Mission and Ministers and senior officials (regular meetings, ad hoc meetings, monthly lunches, and EU Troika demarches). These meetings include discussions on human rights, the rule of law, the anti-corruption initiative, migration issues, West-Africa regional integration, public finance, and public sector reform. This informal dialogue provides for an effective exchange of information and views.

The EU also maintains high level political dialogue through the Annual Consultative Group and Partnership Meetings, at which the EU and other OECD donors discuss with their Ghanaian official counterparts the national development strategy, including governance, decentralisation and public sector reform. In 2006, the government also agreed that the President of Ghana should hold twice-yearly high-level political dialogue with development partners (in June and December).

However, there is a need to enhance the participation of non-executive and civil society organisations in political dialogue and to include social governance-related matters in the dialogue.

### 3.4 EU policy coherence

**Policy and programming documents do not generally discuss EU development policies along with other EU policies.** However, trade, fisheries, migration and the common agriculture policy are the areas most likely to affect EC cooperation strategy. In particular, the protection and subsidies given to EU and American farmers may affect the sustainability of the incomes of Ghanaian food crop farmers. 90% of Ghana's exports to the EU are free of duties and have benefited from ACP trade preferences.

**Ghana has not benefited from the EU Fisheries Agreement or from the new Fisheries Partnership Agreements (EU)** because of legal impediments, i.e. under Ghanaian law, only Ghana-owned companies are eligible to obtain fishing licences. However, European vessels and other international vessels have access to Ghana fisheries resources through agreements with local companies. This situation results in the unsustainable exploitation of Ghanaian marine resources and poor coordination in the sector. The government is currently reviewing its fisheries policies and is exploring the possibility of acceding EC support (Partnership Agreement or a pilot support initiative) as to improve its institutional and regulatory capacity in the fisheries sector.

**The migration environment and policies in the EU and the US also have a significant impact on the Ghanaian economy** (Migration Profile). The profile points to a significant "brain drain" to the US and the EU, particularly of health and other skilled workers. In the health sector, there is some indication that the emigration of doctors and nurses is affecting productivity and possibly affecting health outcomes. Migration also has an impact on the high level of child trafficking in Ghana. However, diaspora resources (financial and human capital) also offer enormous potential to contribute to Ghana's economic development.

International scientific cooperation policy is mostly developed at bi-regional level, e.g. in dialogue with the ACP ministers of science and technology in follow-up to their Johannesburg Declaration adopted in July 2002. In terms of practical scientific cooperation, 124 Ghanaian teams participated in competitive research proposals under the 6<sup>th</sup> Research Framework Programme (2002-2006), of which 19 were successful. The EC contribution to their participation was € 2.75 million. The total value of the projects researching mostly food security issues, natural resources, and other environment concerns was €100 million, not to mention the international knowledge networks this participation afforded to Ghanaian researchers.

The EU Strategy for Africa, the European Consensus on Development, and the GPRS II point to the importance of employment in poverty reduction, recognising that economic growth is not sufficient and that pro-active, demand-driven labour market initiatives are required.

## 4.0 Donors' response strategy

### 4.1 Joint principles and response, quality of donor partnership<sup>89</sup>

Under the Harmonisation and Aid Effectiveness framework, the donors agreed in early 2007 on the Joint Assistance Strategy as a response strategy aimed at fully aligning donor support to the country's national development strategies such as the GPRS II and the Ghana Partnership Strategy. To boost progress, G-JAS partners including the EC and 15 donors have identified a set of *strategic principles and commitments*.

The broad strategic principles are:

- G-JAS partners will increase their use of common arrangements to plan, deliver and monitor their development assistance.
- Partners will work through sector working groups to share information and, as far as possible, plan policy dialogue, financial and technical assistance with each other and with government as sector strategies permit.
- As part of common arrangements, partners will aim to use country systems to manage and implement their assistance, and seek to strengthen these systems in a coordinated way where this is not yet possible.
- Partners will focus on the achievement of results through nationally driven monitoring and evaluation frameworks and support improved decision-making through strengthened national statistics and systems for monitoring and evaluation.

Development partners are already working together through a range of coordinated programmes and common arrangements. Progress is, however, variable, in part because of the lack of fully developed government strategies and results frameworks in a number of sectors, the absence of clearly prioritised annual work plans and the absence of a clearly articulated aid policy in which government sets out its preferences for working with donors at central, sector and local government levels. At sector level, progress with coordinated working is most advanced for Multi-Donor Budget Support, private sector development, transport, health and education and decentralisation. Development partners reached an agreement in June 2006 setting out common practices and proposed common allowance rates. Sector working groups are also in the process of being rationalised. Delegated partnerships have been agreed between EC and DFID in transport and education.

The Ghana Aid Harmonisation and Effectiveness Matrix and Action Plan is an effort to combine the commitments reached at global level, in the Paris Declaration, at local level (February 2005).<sup>90</sup> The matrix adapts the 12 Paris indicators of aid effectiveness and proposes Ghana-specific targets and actions to achieve these indicators. The aid effectiveness matrix is intended to be the working tool for improving harmonisation efforts in support of the national development plan. Table 4 of the G-JAS summarises the commitments that G-JAS partners have made as part of the Harmonisation Action Plan. These commitments will be implemented and reported on as part of the broader Harmonisation Action Plan process.

The Ghana Joint Assistance Strategy does not involve joint programming as yet (see G-JAS for the planned next steps). However, it includes joint programming principles:

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<sup>89</sup> Full details for this section are provided in Chapters 4-6 of the Ghana Joint Assistance Strategy.

<sup>90</sup> Harmonisation in Practice — Memorandum of Understanding (February 2005): Government and donors committed themselves to a common approach to harmonisation and alignment.

- Working through sector groups within sector programme frameworks and within programme-based approaches (where they exist) to identify programming priorities and dialogue issues as early as possible in the programming and planning cycle.
- Increasing predictability through making multi-year commitments wherever feasible, and sharing projected information on financial flows and strategic planning options with development partners and the government as early as possible.
- Developing coordinated technical assistance approaches, including a commitment to untying and pooling technical assistance wherever feasible.

The broad joint response of the Ghana Joint Assistance Strategy (See Ch. 5 of the G-JAS) includes action on private sector competitiveness, human resource development, good governance and civic responsibility. EC country strategy is fully aligned with the G-JAS, in which the EC delegation has been one of the initiators and leading partners. EC actions on transport (p. 30), governance (p. 31) and budget support are explicitly included in the G-JAS joint response and they complement the activities of other partners. The complementarity of EC operations with those of other development partners is shown in Annex 3 (Retrospective and prospective matrix of donors). The mid-term evaluation of the country strategy might give an opportunity to enhance the division of labour among donors in line with the Paris Declaration.

## 4.2 EC response: choices and concentration

The EC and the Government of Ghana proposed to concentrate their cooperation strongly in the following two areas and budget support. Other sectors will cover only 6% of the programme.

- Area 1: Transport Connectivity and Regional Integration
- Area 2: Governance: decentralisation, civil society and non-executive governance
- General Budget Support.

EC activities will include a strong focus on cross-cutting issues such as:

- a) **private sector development** and local employment;
- b) **decentralisation**, to improve delivery in rural areas and to increase local accountability;
- c) **democracy, good governance**, human rights, the rights of the child, the rights of the disabled and the rights of indigenous peoples;
- d) **civil society and non-state actors** — both for service delivery and social accountability;
- e) **gender equality**;
- f) **environmental sustainability**, including the commitment to carry out a strategic environmental assessment in each relevant focal sector;
- g) **decent work principles, notably regarding child labour**.

Success in focusing on these priorities will require initial baselines and progress indicators to be identified for all EC interventions.

## Area 1: Transport connectivity and regional integration

The EC has supported Ghana's transport sector since the 7<sup>th</sup> EDF. An efficient transport network would directly contribute to the government's key development and poverty reduction strategy, i.e. diversification of the economy combined with trade and regional integration. While past evaluations have identified a number of weaknesses in the sector (see above), the government is now drafting a number of policies (e.g. an integrated National Transport Policy and an institutional reform action plan).

Development Partners are working well together with government in the Transport sector group. The EC is the group leader<sup>91</sup> and has been involved in the last two years in a process to improve the policy environment in the sector. The EC is also supporting the drafting of the National Transport Integration Plan, including the National Transport Master Plan linking the GPRS II with transport services and infrastructure development needs.

The Transport group also has a strong joint monitoring and evaluation process, with sector indicators defined at the May 2006 Growth Workshop for Transport. There are still a number of uncertainties but donors agree on the need to focus the policy dialogue on the government's commitments for the implementation of institutional reforms, establishment of a good policy and strategic planning environment, and sustainable financing of road maintenance.

If the current strategies and reforms are implemented adequately (including a commitment to maintenance), this will provide an adequate policy environment for EC interventions under the 10<sup>th</sup> EDF. The lessons from evaluations recommend adequate maintenance, rigorous cost-benefit analysis of new interventions and ensuring that transport interventions support private sector development, the capacity of local rural communities and rural employment.

EC interventions will cover three areas:

- trunk roads, other infrastructure and regional integration;
- feeder roads (under the decentralisation programme);
- studies and capacity building.

**Objective:** Lower transportation costs, integrate rural economies, generate savings in travel time, and enhance regional cooperation and trade through cross-border road infrastructure development (GPRS II); establish Ghana as a transport hub in the sub-region. The government intends to achieve these objectives by ensuring the provision, expansion and maintenance of transport infrastructure of all kinds (including ports, harbours and railways, urban network), and by promoting private sector financing and improving the capacity of the domestic construction industry.

## Area 2: Governance <sup>92</sup>

The national plan (GPRS II), the African Peer Review Mechanism and governance indicators show that Ghana has made impressive democratic gains in recent years. The EC has a strong mandate to support these achievements and the 10<sup>th</sup> European Development Fund now includes substantial and additional incentive financial support for countries committed to strengthening democratic governance, as identified by the African Peer Review, the EC Governance Profile, etc. In the case of

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<sup>91</sup> The EC also has a silent partnership with the UK (DFID) in this sector.

<sup>92</sup> The Governance and Civic Responsibility area is derived directly from Ghana's national development plan, the GPRS II.

Ghana, political governance reforms will also contribute to relaxing key constraints on high economic growth and to meeting Ghana's middle-income ambitions. The EC is well positioned to support Ghana in reforms of political governance as the EC has a strong mandate from Member States to support democracy and good governance. It has also accumulated development experience in this area.

The EC has, for some time, had a number of effective rural development programmes supporting local communities, such as the small towns and rural water supply projects, micro-projects and feeder road programmes. In addition, together with other donors (Denmark is the leader of the donor sector group) the EC is strongly supporting the implementation of the National Decentralisation Action Plan (particularly the component supporting partnership with civil society to help build an accountable local government) as a way to improve both local governance and better service delivery.<sup>93</sup> In other sectors, the EC is collaborating closely in decentralised delivery using the experience of other donors, i.e. on feeder roads the EC will closely follow the 10-year Danish experience with decentralised implementation.

EC operations will cover three areas, all of which will strongly contribute to *rural development*:

- **decentralisation**: Support both for the overall decentralisation policy framework and the implementation of district investment plans including feeder roads, water and sanitation, social infrastructure and rural development interventions, through decentralised mechanisms;
- **support for civil society** to complement the decentralisation process by strengthening social accountability;
- **capacity-building for non-executive governance institutions**, including Parliament.

## Decentralisation

The EC will support government decentralisation policy by providing support both for the decentralisation framework (particularly in strengthening districts' capacity for engagement with citizens) and for districts and rural communities using government systems and procedures, i.e. sector budget support for decentralisation and decentralised activities.<sup>94</sup> Through the Ministry of Local Government, Rural Development and Environment (MoLGRDE), its Decentralisation Secretariat, and other MDAs, the government prepared a comprehensive policy framework, which was presented to Cabinet in July 2007.<sup>95</sup> In the development of this policy framework, MoLGRDE plays a key role in ensuring policy and action plan development in line with national sectoral strategies. It might also include the adoption of a District Development Funding Facility as a way to support the use of national procedures, increase transparency and accountability and harmonise donor support for decentralisation. Sector budget support will be provided to decentralisation if the eligibility conditions are met (maintaining a stability-oriented macroeconomic policy framework; demonstrating progress in the implementation of a credible public financial management reform strategy, and formulating and ensuring continued progress in the implementation of the sector policy). In case they are not met, the EC would need to revert to providing support through another type of aid.

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<sup>93</sup> Other key donors working on similar programmes under the National Decentralisation Action Plan include Government Accountability Improves Trust II (US), the Danida Civil Society Fund, Denmark (IBIS) and Germany (GTZ). The World Bank also supports community development and social accountability (particularly in the Northern Region). Donors are beginning to work closely together in this area as part of the decentralisation process. Other donors also support civil society often through Accra-based organisations. Many of these funds are listed in the RAVI Directory of Funds in Ghana, March 2005.

<sup>94</sup> Some donors have carried out a number of decentralised interventions, e.g. district-wide approach by Canada, feeder roads and water projects by Denmark, community-based development projects by the World Bank, Germany and France. Other donors provide support for the planning and management systems of District Assemblies, (UNICEF, Denmark, Canada, UK).

<sup>95</sup> Trigger of the 2006 Multi-Donor Budget Support.

## Civil society

The EC will provide support for complementing the decentralisation process by strengthening social accountability, and for the capacity of civil society organisations (non-state actors) to engage with local governments, on dialogue, the provision of services and monitoring — including a “watch-dog” role and social accountability. The focus will be on social entrepreneurship (for sustainability), financial accountability and “grass roots” membership. The support will be mostly focused on “grass-roots” rural organisations and their networks (as reviews suggest that donor support is too often concentrated in the capital).<sup>96</sup> However, some support may be provided to national organisations in areas such as public sector reform and tackling corruption.

## Strengthen the oversight capacity of non-executive governance institutions, including Parliament

The EC will build on its effective support to the Ghana Audit Service and help to strengthen its links to parliament and civil society.

## Objectives

The objective is to empower non-state actors to participate in the development process and to collaborate in promoting peace and stability in the body politic, including the promotion of effective, accountable state machinery with the capacity to engage civil society in policy formulation and implementation (GPRS II). In particular, the EC will support the following government objectives:

- a) More effective, transparent and accountable decentralised local government systems to increase citizens’ participation and more effective delivery of public services at community level.
- b) Civil society engagement in national dialogue and decision,<sup>97</sup> particularly to complement the decentralisation process, provide greater social accountability and to increase public awareness and advocacy at local level.<sup>98</sup>
- c) Strengthening the practice of democracy<sup>99</sup>, particularly redressing the imbalance of power and resources between the executive and the legislature and strengthening the oversight role and capacity of parliament and other non-executive governance institutions.<sup>100</sup>

## General budget support

In case the eligibility conditions continue to be met, the general budget support will be provided to support the macroeconomic framework, the implementation of the national plan (GPRS II) and sector and institutional reforms as part of Multi-Donor Budget Support. This will therefore contribute to reducing poverty and to promoting economic growth while supporting macro-economic stability and progress in public finance management. In this context, the EC will pay special attention on service delivery in social sectors (in connection with the MDGs), the public sector and public finance reform process, private sector development and trade (including support to the Economic Partnership Agreement).

The EC will support improvements in the implementation of these reforms and the engagement of civil society in the reform process.

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<sup>96</sup> J. Langdon, “The Not for Profit Sector in Ghana: A CIDA CDPF Development Document”, undated, 2005.

<sup>97</sup> APRM, Objective 5b, Issue 1, p. 183.

<sup>98</sup> GPRS II, Policy Matrix, Appendix II.

<sup>99</sup> GPRS II, Policy Matrix, Appendix II.

<sup>100</sup> APRM Objective 4, issue 2, p. 181 and GPRS Results Matrix

As public sector reform is the most binding constraint on Ghana's growth and on effective service delivery, the EC will seek to ensure the transparency of these reforms (particularly in decentralisation) and the engagement of civil society in the reform process.

## Other areas of cooperation

- Trade facilitation, regional integration and support for Economic Partnership Agreements (including ICT). The EC will support private sector development and reforms aiming at removing supply-related constraints limiting the country's capacity to respond positively to liberalisation and regional integration.
- Migration, security and catalysing resources of the diaspora for development.
- Natural Resources Management (including support for the FLEGT).
- Technical Cooperation Facility.

## Implementation arrangements for the EC programme

The EC is committed to increasing the use of **budget support** in Ghana. General budget support will be provided in line with the conditions stipulated in Cotonou Agreement and as a part of multi-donor budget support. Sector budget support will be provided to decentralisation if eligibility conditions are met and would replace the project approach to water, feeder roads and micro-projects (social infrastructure) with the use of outcome benchmarks in the relevant sectors. Similarly, if the necessary conditions are fulfilled, budget support will be provided for other sectors.

The EC will provide **project financing** as part of a sector approach to trunk roads, other transport and regional integration. Project financing will also be provided to support civil society and social accountability and for non-executive governance institutions (possibly jointly with other donors). Support for non-focal areas will also be generally provided in the form of project financing.<sup>101</sup>

For the monitoring and evaluation framework, whenever possible, the national statistical services will be used to produce the necessary information.

In addition to EDF funding, Ghana is also eligible for:

- budget line funding, i.e. support for decentralised cooperation, support for NGOs;
- global funds, e.g. HIV/AIDS, malaria and tuberculosis;
- special initiatives such as water, energy and infrastructure facilities;
- the regional indicative programme for West Africa.

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<sup>101</sup> Nevertheless, the possibility of budget support may be considered after taking into account the lessons learned from the ongoing Private sector and trade enabling project financed under the 9th EDF.



## II. Ghana's National Indicative Programme for the 10<sup>th</sup> EDF

On the basis of the cooperation strategy presented (Part I) and in accordance with Article 4 of Annex IV to the Cotonou Agreement, the Indicative Programme has been drawn up as a set of tables showing the intervention framework for each sector, the financial programming timetable and a schedule of activities for listed programmes over a three-year rolling period.

In compliance with paragraph 115 of the European Consensus on Development, “the Community will consistently use an approach based on results and performance indicators”.

Amounts referred to in this chapter give the overall breakdown of funds between the focal sectors, macro-economic support and other programmes. The breakdown may be adjusted in the light of operational, mid-term, final or ad hoc reviews. However, for any adjustment resulting in a substantial change to the structure of the response strategy, a formal decision in the form of an addendum to the strategy document is required.

### 1. Financial arrangements

The EC's cooperation strategy with Ghana will be implemented using several financial instruments. The following is an indication of their mobilisation as currently envisaged. **The 10th EDF A allocation of €367 million** will cover long-term programmable development operations under the strategy. This is the main programmable basis for the NIP.

10th EDF GHANA	Amount in euro millions	% of total	Type of financing
<b>1: Transport Connectivity and Regional Integration</b>	<b>76</b>	<b>21%</b>	Project
(a) Trunk roads, other infrastructure and regional integration	75	21%	
(b) Feeder roads	p.m.	p.m.	(See decentralisation)
(c) Studies	1		
<b>2: Governance</b>	<b>95</b>	<b>26%</b>	
(a) Decentralisation framework and implementation (feeder roads, water and sanitation and rural infrastructure and devt.)	83	23%	Budget support and project
(b) Civil society capacity, social accountability (rural areas)	8	2%	
(c) Non-executive governance institutions	4	1%	
<b>General Budget Support</b>	<b>175</b>	<b>48%</b>	
<b>Other Programmes (of which):</b>	<b>21</b>	<b>5%</b>	
(a) Trade facilitation, regional integration and Economic Partnership Agreement support	9	3%	Project and possibly budget support
(b) Migration, Diaspora and Security	2		
(c) Environment and Natural Resource Management (incl. FLEGT)	8	2%	
(d) Technical Cooperation Facility	2		
<b>Total</b>	<b>367</b>	<b>100%</b>	

**The 10th EDF, B allocation, €6.6 million** (indicative amount for the first two years of the 10th EDF), will cover unforeseen needs such as emergency assistance where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of operational or ad hoc reviews.

**Investment Facility:** in addition, the 10th EDF also includes an Investment Facility managed by the European Investment Bank. It is not part of the NIP. Some other specific activities may be supported by the Centre for the Development of Enterprise (CDE) and the Centre for the Development of Agriculture (CTA).

**The 10th EDF regional indicative programme** will cover long-term programmable development operations under the regional strategy for the West Africa region. The allocation is not part of the National Indicative Programme but may have repercussions at national level depending on Ghana's participation in the programmes proposed for the region.

**Other financial instruments:** specific activities may be supported by external actions funded by the budget of the European Communities under the financial framework for 2007-2013 (e.g. thematic budget lines, water/energy/infrastructure facilities) and out of the EIB's own resources. However, this financing is subject to a special procedure and depends on the availability of funds. Ghana might also benefit from special initiatives like the Energy Facility, the Water Facility, the EU-Africa partnership on infrastructure, and the Global Funds.

**Monitoring and evaluation:** Monitoring of the results and evaluations of the impact of individual activities (programmes and projects) under this CSP will be undertaken in line with the technical and administrative provisions attached to each individual Financial Agreement concluded to implement this CSP.

The results and impact of the Community's cooperation with Ghana under the NIP and other external action funded by the general budget of the European Community may be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

## 2. Focal sectors for EC programmes

### Area 1: Transport connectivity and regional integration

#### Objectives

The policy objective is to establish Ghana as a transport hub in the sub-region. The government intends to achieve this objective through ensuring the provision, expansion and maintenance of transport infrastructure of all kinds. The EC intervention aims to further clear the maintenance backlog of the trunk road network, and to provide for access to markets and social services in rural areas (feeder roads through decentralisation). If deemed a priority in the sector strategic plan, the EC may consider the opportunity for investing in ports, harbours and railways. Studies and capacity development may aim to further prepare for investment in the sector, but may also contribute to promoting private sector financing and improving the capacity of the domestic construction industry.

## Rationale of EC intervention

The EC has supported Ghana's transport sector since the 7<sup>th</sup> EDF. An efficient transport network would directly contribute to the government's key development strategy, i.e. diversification of the economy combined with trade and regional integration. It would also contribute to poverty reduction.<sup>102</sup>

Donors work together with government in the transport sector group. The EC leads this group<sup>103</sup> and has been involved in the last two years in a process to improve the policy environment in the sector.<sup>104</sup> The EC is also supporting the drafting of the National Transport Integration Plan, including the National Transport Master Plan linking the GPRS II with transport services and infrastructure development needs. The Transport group also has a strong joint evaluation process.

## Main activities proposed

The EC will build on its past experience in the sector and a renewed focus on regional integration and support the following sectors:

**a) Trunk roads and other infrastructure:** The EC proposes to support the rehabilitation of trunk roads in western Ghana, as already identified in the RSDP. Past evaluations have recommended that major upgrading or new construction of trunk roads only be carried out after compelling economic, social and environmental analysis, and, furthermore, its contribution to regional interconnectivity should be positively assessed. In case feasibility studies show insufficient evidence to justify the planned intervention, investment in other trunk roads (e.g. continuation of the Eastern Corridor), or in other modes of transportation, may be considered, in compliance with the strategic directions of the national Transport Integration Plan and the Transport Sector Development Plan (TIP, TSDP under preparation), and in close coordination with other donors. If necessary, the EC may also provide some budget support to strengthen the institutional changes in the sector.

**b) Feeder roads (subject to decentralisation).**

**c) Studies and capacity building:** the EC proposes to continue to support the planning and implementation capacity of the Ministry of Transportation, particularly in the context of its institutional reforms. The EDF will provide €1 million to support capacity development and studies in the transport sector, based on TIP and TSDP, covering all modes of transport – roads, railways, ports and waterways, and aviation.

## Size of the programme

As an indicative amount, approximately €76 million (or 21% of the total programme) will be set aside for this focal area (excluding support for feeder roads, see below).

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<sup>102</sup> Baseline Studies and Monitoring of RSDP Impact on Poverty Reduction (RSDP 2004): (a) a 20% increase in trips to hospitals; (b) a 23% increase in the price of maize received by farmers; (c) a 65% fall in costs of travelling to market; and (d) a 41% fall in costs of travelling to welfare facilities. There is also evidence of increased international land traffic over the past decade and especially since the breakdown of security in Côte d'Ivoire in 2002.

<sup>103</sup> The EC also has a silent partnership with the UK (DFID) in this sector.

<sup>104</sup> The EC is also supporting the drafting of the National Transport Integration Plan, including the National Transport Master Plan linking the GPRS II with transport services and infrastructure development needs.

## Implementation instruments

The implementation mechanism has not been identified as yet, and will depend on coordination and programming with other donors. However, it is likely that these operations will require project financing, perhaps with the participation of other donors or in partnership with the private sector. It is expected that the feeder roads will be provided through budget support for decentralisation.

## Policy measures and government commitments

The Ghana Country Strategy Evaluation identified a number of weaknesses in the sector. In the last two years the government has shown its commitment to drafting an integrated National Transport Policy covering roads, air, railway and water. The Government is also drafting an institutional reform action plan. Donors have worked well together and have maintained regular dialogue with the government. The future level of donor support will be determined by the government's commitment to implementing necessary sector reforms.<sup>105</sup>

These reforms should provide more effective inter-sector planning and implementation, clear separation between policy, regulation and implementation, and enhanced public finance management.<sup>106</sup> Effective donor support to the transport sector requires the formal adoption of the National Transport Policy and the implementation of a results-oriented action plan for institutional reforms. The Ministry is at a crossroads and needs to take firm control of the policy development agenda.

The Communiqué signed at the 2005 Annual Road Donors' Conference commits the government to the above, including support to the domestic construction industry and enhancing the revenue base and financial management of the Ghana Road Fund as critical to the performance of the sector — through an increase in the fuel levy and other road user fees, and if viable, through the expansion of the toll road network and increases in toll rates.<sup>107</sup>

There are still a number of uncertainties but donors agree on the need to make their action conditional upon the implementation of institutional reforms, the establishment of a good policy environment, and sustainable financing of maintenance needs (including close monitoring of contributions to and expenditure from the road fund). Moreover, the EC is working closely with Denmark in understanding the conditions for decentralised delivery of feeder roads using budget support.

Finally, government needs to implement the Axle Load Control Policy action plan, i.e. construct the planned weighbridges, complete the pilot studies, out-sourcing weighbridge operations to the private sector on a 24/7 basis, and put the lessons learned into practice.

## Mainstreaming cross-cutting issues

**Environment:** Ghana's law classifies road projects as environmentally critical and thus these projects are subject to an Environment Impact Assessment. Results of feasibility studies, to include a comprehensive Environmental Impact Assessment, will be shared with development partners. Road projects require a permit from the Environmental Protection Agency before the start of construction works.<sup>108</sup> Environmental aspects should be monitored carefully during supervision (particularly

<sup>105</sup> Ghana Follow-Up Study of the Joint Evaluation of the Road Sub-Sector Programme 1996-2000. Denmark Evaluation Department. January 2006.

<sup>106</sup> The reforms will complement the Road Sector Development Programme (RSDP 2001-2005, extended to 2006), which provides a useful framework for donor coordination. The EC is supporting the follow up of the RDSP (National Transportation Master Plan and the 2006-2010 Strategic Plan).

<sup>107</sup> Government commitments to the Road Fund were set out in the Communiqué issued by the Minister for Road Transport at the close of the 2005 Road Sector Donors' Conference.

<sup>108</sup> The impact of feeder road operations will be covered by the strategic environmental assessment of the physical master plan, to be drafted as part of the Transport Sector Planning and Integration Programme (9<sup>th</sup> EDF).

through the use of benchmark indicators). The Country Environmental Assessment suggests that the relative environmental impact of potential operations needs to be considered (particularly vis-à-vis forest degradation). The 9<sup>th</sup> EDF-supported Strategic Environmental Assessment for the Transport Master Plan will enable further internalisation of these cross-cutting issues and propose additional mitigating measures.

**Private Sector Development:** The Ministry is committed to supporting the local construction industry (see the Road Sector Communiqué). However, the capacity of private domestic contractors to carry out quality work is regarded as weak. The Government will support the capacity of the domestic construction industry partly by promoting joint ventures but also by strictly enforcing contract conditions. In addition, government and donors will consider the private sector financing of road projects, particularly through Reconstruct-Operate-Transfer schemes.

**Support for non-state actors:** Government commitment to involving non-state actors in the design and implementation of interventions in this sector should be monitored.

**HIV/AIDS, gender and safety issues:** following past evaluations, the EC will consider these issues carefully in project design and implementation. The impact of HIV/AIDS is particularly strong and EC-supported projects in the sector will include provision for it in project design and implementation, as well as line items in the bills of quantities for works contracts to cover additional costs for contractors. In addition, financial incentives could be provided to contractors to mitigate risks or improve gender balance. These cross-cutting issues will be monitored by supervision consultants.

**Governance, financial accountability:** strong commitment to improving public finance management in the sector is required.

**Decentralisation** (see next section on feeder roads).

## Area 2: Governance

### Objectives

Empower state and non-state actors to participate in the development process and to collaborate in promoting peace and stability in the body politic, including the promotion of effective, accountable state machinery with the capacity to engage civil society in policy formulation and implementation (GPRS II). In particular, the EC will support the following government objectives:

- a) more effective, transparent and accountable decentralised local government system to increase citizen participation and more effective delivery of public services at community level;
- b) civil society engagement in national dialogue and decisions,<sup>109</sup> particularly to complement the decentralisation process, provide greater social accountability and increase public awareness and advocacy at local level;<sup>110</sup>
- c) strengthening the practice of democracy,<sup>111</sup> particularly redressing the imbalance of power and resources between the executive branch and the legislature and strengthening the oversight role and capacity of parliament and other non-executive governance institutions.<sup>112</sup>

### Rationale of EC intervention

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<sup>109</sup> APRM, Objective 5b, Issue 1, p. 183.

<sup>110</sup> GPRS II, Policy Matrix, Appendix II.

<sup>111</sup> GPRS II, Policy Matrix, Appendix II.

<sup>112</sup> APRM Objective 4, issue 2, p. 181 and GPRS Results Matrix.

For some time the EC has had a number of effective rural development programmes supporting local communities, such as the small towns and rural water supply projects, micro-projects and feeder road programmes. In addition, the EC, together with other donors (Denmark is the leader of the donor sector group), is strongly supporting the implementation of the National Decentralisation Action Plan (particularly the component supporting partnership with civil society for accountable governance) as a way to improve both local governance and service delivery. In other sectors, the EC is collaborating closely with other donors that have experience in decentralised delivery, e.g. on feeder roads the EC will closely follow the 10-year Danish experience with decentralised implementation.

Decentralisation has progressed slowly, but there is a strong momentum in government plans, and the EC will strongly support government decentralisation policy and plans by supporting all new activities e.g. support for water, feeder roads, social infrastructure and rural development, using government systems and procedures, i.e. by providing sector budget support for decentralisation. In addition, to strengthen the decentralisation process, the EC will also increase its support for building the capacity of civil society organisations and their networks to engage with local government on dialogue, the provision of services or monitoring and “watch-dog” functions (for social accountability), focusing on “grass-roots” rural organisations. The focus is on rural organisations because reviews indicate that donor support is often concentrated in the capital.<sup>113</sup>

Finally, and to complement its support to improve governance, the EC will support the oversight capacity of non-executive governance institutions, including Parliament. The EC will build on its effective support for the Ghana Audit Service and help to strengthen its links to parliament and civil society.

## Main actions proposed

### a) *Decentralisation*

The EC will provide support for the implementation of the decentralisation policy and framework and for the decentralised implementation of rural infrastructure investments. Strengthening the role of district assemblies and local institutions in the management and monitoring of delivery of services (e.g. community water supplies, schools, clinics and feeder roads) is a way to improve implementation — sustaining the positive outcomes of EC interventions in water and micro-projects. This support will help to develop transparent and accountable local government management, citizens’ involvement and participation, and stronger links between the various tiers of governance and public authorities and civil society.

The EC will support the decentralisation policy framework and the implementation of the National Decentralisation Action Plan to ensure:

- a) the institutional capacity of various layers of government departments within the Ministry of Local Government and Rural Development and the decentralised structures (Metropolitan, Municipal and District Assemblies) to speed up implementation of the decentralisation process, and particularly to facilitate citizens’ participation in policy, implementation and monitoring;
- b) increased Government funding for the District Assemblies Common Fund so that increased and timely availability of funds at district level facilitates the running of the District Assemblies’ day-to-day operations.

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<sup>113</sup> J. Langdon, “The Not for Profit Sector in Ghana: A CIDA CDPF Development Document”, undated, 2005. A draft World Bank report on “Building the Demand Side of Good Governance: Enhancing conditions for social accountability in Ghana” also makes a very strong case for the need to support civil society in building capacity for social accountability.

In addition, the EC may provide funds to the District Development Fund for investments to improve the delivery of services at decentralised level and to contribute to strengthening local management capacity and participation. EC support may include a performance-based element. The EC contribution to the District Development Fund is expected to lead to additional Government investment.

### Programme size

As an indicative amount, approximately €83 million (or about 23% of the total programme) will be set aside for decentralisation.

### Implementation arrangements

The EC proposes that all support for decentralisation be provided as sector budget support if the eligibility conditions are fulfilled (maintaining a stability-oriented macroeconomic policy framework, demonstrating progress in implementing a credible public financial management reform strategy, and formulating and ensuring continued progress in implementing sector policy). Special attention will be paid to the use of indicators and sector dialogue with Government so that the necessary conditions and key government commitments will be met. It is also expected that the EC will enter into dialogue with the Government about the financing of the District Development Fund jointly with other donors.

If conditions for budget support are not met, the EC may provide support through other means of financing in order to mitigate the risk attached to decentralisation. To ensure aid effectiveness, sector commitments (see below) will be specified as conditions of budget support.

As the delivery of water, sanitation, and feeder road projects will require strong capacity of the District Works Departments, it is proposed that as a transitional measure (with a clearly time-bound exit strategy), some financial resources should also be reserved for capacity building for financial management, procurement and auditing in the District Works Departments.<sup>114</sup>

### Policy measures and government commitments

#### Critical commitments:

- Decentralisation of ministries', departments' and agencies' functions and resource allocations to districts in a fully transparent manner.<sup>115</sup> The Government needs to commit to a substantial strengthening of the capacity and financial accountability of District Works Departments.
- The District Development Fund is used in all districts, providing strong financial accountability and transparency, particularly for financial transfers to districts.<sup>116</sup> The fund will channel investment resources to the districts. The fund should become operational in FY 2008.
- Timeline for direct election of District and Municipal Chief Executives is defined.<sup>117</sup>
- Enforced compliance with Local Government Act 462 (1993) regarding information disclosure and public consultation. Strengthening of local government capacity to interact and be responsive to civil society.
- Holding and publication of annual Citizen Report Card surveys.

#### Other commitments include:

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<sup>114</sup> A number of donors have provided these programmes in the past, i.e. Denmark has provided support to the DWD, particularly for feeder roads.

<sup>115</sup> Implementation of the National Decentralisation Action Plan, also included in the Policy Matrix of the MDDBS, issue 50.

<sup>116</sup> Implementation of the National Decentralisation Action Plan, also included in the Policy Matrix of the MDDBS, issue 46 C.

<sup>117</sup> Growth and Partnership Strategy Results Matrix, p. 18.

- Cabinet approval of a decentralisation policy to provide a coherent framework for the political, fiscal and administrative decentralisation process.
- Implementation of National Decentralisation Action Plan, including:
  - (i) policy and institutional arrangements for the coordination, implementation and monitoring of decentralisation,
  - (ii) creation of a District Development Fund to provide local government investment funding,
  - (iii) local government capacity building and human resource development, and
  - (iv) partnership and participation of civil society for accountable local governance.
- Use of the Functional and Organisational Assessment Tool for performance assessment in all districts by 2008. This tool will assess district level capacity and identify areas in need of strengthening. It will also help determine the level of District Development Funds allocated to each District Assembly (FY 09).<sup>118</sup>

All Districts will introduce composite budgeting (by 2008).

### Commitments related to feeder roads, water and sanitation

- Government will need to ensure that the Districts have adequate resources for maintenance of existing and proposed feeder roads, possibly through direct and predictable transfers from the Ghana Road Fund. This could be a fixed share of the Road Fund.
- The Department of Feeder Roads will ensure that District decisions on the selection of feeder roads to be rehabilitated are carried out through the Roads Prioritisation Methodology, supported by the UK (DFID). They should be based on a participatory process involving the sub-district level, while the regional level plays a coordinating role.
- Transport policy commitments are as for the previous focal sector.
- The policy framework is provided by the National Water Policy and the related five-year Investment Plan (end-2006). The Government is committed to increasing the budget for the rural water sector in the 2007 and subsequent budgets.

### Mainstreaming of cross-cutting issues

*Governance and democracy:* decentralisation potentially has a very high impact on governance by allowing local decision-making and participation. The implementation of feeder roads through decentralised mechanisms has the greatest potential to enhance local participation, particularly vis-à-vis project implementation. Channelling EC support through the budget is also intended to strengthen government procedures and local capacity and accountability. EC support for decentralisation will ensure that the capacity of local government to interact and be responsive to civil society is strengthened.

*Gender equality:* local participation and decision making will allow women to be more involved in planning and setting priorities regarding investment choices. This is particularly important vis-à-vis the design and management of water and sanitation projects (as women play a key role in water collection and storage, waste water disposal and hygiene education and promotion).<sup>119</sup>

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<sup>118</sup> Policy Matrix of the MDDBS, issue 46 D.

<sup>119</sup> Ministry of Works and Housing: National Water Policy, Final Draft, June 2005.



*Private sector development:* local decision-making will allow increased use of small and medium-sized enterprises, particularly for infrastructure and feeder roads. Tender lots may need to be adjusted according to the capacity of labour-based contractors. Strong contract management will be needed to ensure timely delivery of outputs.

*Environment:* Sector budget support promotes the use of government systems and procedures, including for environmental integration. EPA implemented SEA of GPRS and monitors EIA for projects on district level, thus ensuring mainstreaming of the environment at national and district level. Further training and capacity development may be considered.

## *b) Support capacity of civil society to participate in policy formulation and implementation, particularly at local level*

Support to non-state actors covers non-state actors eligible for funding as defined in Article 6 of the Cotonou Agreement and Article 4(1) (d) of Annex IV to the revised Agreement. Depending on their mandate, support to non-state actors may cover activities including capacity building, advocacy, research, awareness raising, monitoring and delivery of services to the population. In supporting non-state actors, the European Commission may make use of Article 15(4), which allows it to be the Contracting Authority.

The EC programme will support the capacity of civil society organisations, particularly in the decentralisation context, as: (a) partners in dialogue (formulation and evaluation of policies), and (b) service providers (in the implementation of programmes) to increase their impact on Ghana's economic and social development. The EC will also provide support for civil society organisations that contribute to the "watchdog" and social accountability role, including support for independent media.

The EC will provide support for these activities through its entire programme, i.e. through support for transport, decentralisation (feeder roads, water and sanitation, social infrastructure) and the general budget. In addition, the EC will implement a specific programme of support for civil society organisations with strong rural representation ("local"/grass roots), particularly in the context of decentralisation. The EC programme will focus on providing capacity for civil society organisations and their networks to enhance: (a) internal governance and representation, (b) financial accountability, (c) social entrepreneurship skills (for sustainability), and (d) networking and influencing skills. In designing its support for civil society, the EC will take into account the distribution of donor support for this sector.

The EC programme will focus on:

- Strengthening the capacity of civil society to participate actively in local government, including policy formulation, policy and implementation reviews, monitoring and evaluations. The programme will focus strongly on financial management, representation and governance structures, and performance assessment. Priority will be given to existing rural grass-roots organisations with strong local membership promoting the participation of the poor, women, children and disability groups in development. Capacity for better interaction with traditional authorities can also be considered.

- Supporting links between rural civil society organisations and the Ghanaian diaspora, including the use of matching funds, as a way of leveraging funds and encouraging innovation and entrepreneurship.
- Supporting social entrepreneurship in the delivery of public services, as a way of encouraging innovative service delivery and the sustainability of civil society organisations.
- Developing the capacity of platforms and umbrella organisations and specialised networks, particularly to enhance their capacity for representation, links to grass roots and marginalised sections of society, accountability and sustainability, with the focus on decentralisation and social accountability.

### Programme size

As an indicative amount, approximately €8 million (or about 2% of the total programme) will be set aside for this field.

### Implementation mechanisms

The implementation mechanism will be designed after reviewing existing experiences in this area, particularly current EC support for civil society and local government partnerships (a component of the National Decentralisation Action Plan). It is essential that this mechanism is designed carefully, with a very strong focus on transparent internal governance, robust financial accountability and a strong performance assessment system. The weaknesses of internal governance systems often frustrate the objectives of civil society programmes. Equally important, and a key challenge, the EC will need to ensure that this civil society programme focuses support on rural grass-roots organisations with good representation, so as to compensate for donors' existing focus on Accra and urban-based organisations. (Support must be commensurate, however, with the relatively low capacity of these organisations). This is also essential in the context of the need to build more accountable local government in the context of the decentralisation process. It is an important challenge and may require a new way of doing business with civil society organisations.

This programme could be implemented (possibly with other donors supporting civil society and/or the National Decentralisation Action Plan) through calls for proposals, service contracts or contribution agreements. A funding system with matching grants linked to diaspora contributions could also be considered.

### Policy measures and government commitments<sup>120</sup>

- Provide an enabling environment that fosters funding of civil society organisations (particularly in rural areas).<sup>121</sup>
- Create institutional structures that promote civil society involvement in public policy formulation and implementation,<sup>122</sup> possibly introduce/enforce subsidiary legislation outlining specific mechanisms for citizen/civil society participation at local level.
- Enforce compliance with Local Government Act 462 (1993) regarding information disclosure and public consultation and carry out and publicise annual Citizen Report Card surveys.

<sup>120</sup> The Government has given strong commitments on the role of civil society, i.e. increase broad-based participation in local governance and development; strengthen the relationship between civil society and District Assemblies; create opportunities for civil society participation in managing public policy (Ghana Partnership Strategy Results Matrix); strengthen and promote dialogue with civil society organisations through regular interaction (List of Government Commitments EC); build the capacity of non-state actors to formulate, implement and monitor development policies particularly at local level; and build civil society capacity to monitor public policy (APRM, p. 182).

<sup>121</sup> Discussions with the Ministry of Local Government, Rural Development and Environment on the National Decentralisation Action Plan suggest that the government understands the need for strong and independent civil society organisations at local level.

<sup>122</sup> APRM, objective 5b, issue 1. p. 182. Also GPRS space for increased citizens' participation in local governance.

- Establish formal monitoring mechanisms at regional and district levels including representatives from civil society so as to monitor infrastructure projects and provision of public services.
- Prepare an action plan to engage diaspora resources in Ghana’s development, particularly with a view to supporting civil society at local level.

## Mainstreaming cross-cutting issues

*Governance and democracy:* civil society support directly targets governance and democracy.

*Poverty and gender equality:* the focus of the programme is on rural organisations so as to strongly provide a pro-poor focus. The guidelines for the allocation of funds will also consider a special focus on women, children and the disabled.

*Natural Resources:* the selection criteria for the allocation of funds will include the protection of the rural environment and a “watchdog” role for better governance of natural resource management.

*Private sector:* this programme will focus strongly on building links between civil society organisations, the private sector and the diaspora. Unlike traditional programmes, the EC programme will also support social entrepreneurship skills, so as to enhance programme sustainability.

## c) *Strengthen non-executive governance institutions, particularly for executive oversight*

The EC will support the capacity of non-executive governance institutions and Parliament in order to strengthen their oversight role. The EC will extend its support to the Ghana Audit Service and to Parliament so as to strengthen legislative scrutiny of external audit reports, follow-up of in-year audit findings, and scrutiny of end-of year government accounts. Support will also be provided for collaboration between these institutions and civil society organisations and independent media. The EC will also support the government in fighting corruption in the public sphere by providing technical capacity and resources to anti-corruption institutions.

### Programme size

As an indicative amount, approximately €4 million (or about 1% of the total programme) will be set aside for this field.

### Implementation mechanisms

The implementation mechanism has not been yet determined. However, the EC will consider providing direct financial support to the non-executive institutions or more targeted project financing.

### Policy measures and government commitments

- Implement an effective funding system for non-executive governance institutions,<sup>123</sup> including transparent and predictable funding.
- Provide adequate resources for Parliament and the Ghana Audit Service.
- Streamline Ministries as part of Public Sector Reform.

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<sup>123</sup> APRM, Objective 4, Issue 2, p. 181.

- Strengthen the National Governance Institution (NGP) to coordinate governance institutions and help rationalise functions in the fight against corruption.
- Inform the public of the successes of the anti-corruption campaign and consult closely with civil society organisations.

### Area 3: General budget support

The Community will continue to support the Government's macroeconomic stability and reform programme through general budget support (GBS). Special attention will be given to the objective of poverty reduction and economic growth, particularly with a view to ensuring equitable access to social services. General budget support will underlie the national strategy and is provided in the context of Multi-Donor Budgetary Support (MDBS).<sup>124</sup> In Ghana, there will also be a special focus on public finance management, private sector development, trade and support for the implementation of the Economic Partnership Agreement. By providing GBS, the EC will support private sector development and reforms aim at removing supply-related constraints on the country's capacity to respond positively to liberalisation and regional integration.

For indicative purposes, €175 million (or 48% of the total EC aid allocation) should be reserved for such support. GBS is expected to be implemented through two separate programmes covering three years each. However, the possibility of disbursing GBS as a longer term arrangement (MDG contract) in line with the new proposal currently being developed by the Commission will be assessed during the identification phase. Fulfilment of eligibility conditions for budget support will be kept under continuous review based on the Government's commitment to the following: 1) maintaining a stability-oriented macroeconomic policy framework; 2) demonstrating progress in the implementation of a credible PFM reform strategy and 3) ensuring continued progress on poverty reduction through the implementation of the GPRS II and subsequent national poverty reduction strategies.

Ghana has enhanced its macro-economic and financial stability and has experienced strong growth in 2005 and 2006. Remittances and tourism (linked to the diaspora) have become the largest sources of foreign exchange. However, the government estimates that accelerated growth requires additional resources for the upgrading of Ghana's infrastructure and to enhance the private sector environment.<sup>125</sup>

#### Policy measures and government commitments

The Government is committed to maintaining and consolidating a stable macro-economic, fiscal and financial situation whilst redirecting and expanding expenditure to enable the GPRS II poverty reduction and growth acceleration objectives to be reached. The government is also committed to a substantial public finance management reform programme, in the form of its three-year Strategic Action Plan for Public Financial Management and its National Decentralisation Action Plan. The government is also committed to ensuring additional budgetary resources to support the implementation of its private sector and trade strategies (in accordance to the GPRS II).<sup>126</sup>

For Multi-Donor Budget Support (MDBS), specific government commitments will be agreed upon in progress assessment.<sup>127</sup> In that context, the EC will pay particular attention to the results-orientation of the Performance Assessment Framework to ensure that its interventions comply with the European Consensus on Development, which states that: "The Community will consistently use an approach based on results and performance indicators" (paragraph 115).

<sup>124</sup> Since 2003, a number of donors have participated in the MDBS. Currently 10 donors (France, Canada, Denmark, the EU, Germany, the Netherlands, Switzerland, the UK, the AfDB and the World Bank).

<sup>125</sup> See IMF, June 2006.

<sup>126</sup> These resources will be supported by the budget support provided by the EC.

<sup>127</sup> Statistical capacity building may be considered as part of the GBS.

## Mainstreaming cross-cutting issues

The national development plan (GPRS II) includes a strong social policy framework and poverty reduction strategy (vis-à-vis women, the disabled, vulnerable and excluded, the family, children, etc.). The GPRS II monitoring framework will include cross-cutting issues.

## Area 4: Other programmes

An indicative amount of €21 million (or 5% of the total NIP) is set aside for the actions outlined below. Under the 9<sup>th</sup> EDF, a programme is being implemented to support the office of the NAO, also covering the first three years of this NIP. If it is successfully implemented, this NAO support programme provides for an exit strategy in order to ensure adherence to the Principles of the Paris Declaration on Harmonisation and Aid Effectiveness, i.e. ownership and use of national procedures. In addition to the programmes set out below, a Technical Cooperation Facility (€2 million) is provided for.

### 1. Trade facilitation, regional integration and support for the economic partnership agreement (3% of the total NIP)

*Objective:* promote a trade-enabling environment and sub-regional and wider integration so as to diversify and increase the export base (a key development strategy of the GPRS II) and take advantage of EU, US and regional markets. Seek compliance with SPS/MLR and quality control requirements so as to facilitate the exploitation of non-traditional export markets identified (particularly in Europe), with a focus on fresh and processed agricultural markets. Help the Economic Partnership Agreement become an instrument to facilitate regional integration and address supply-side and competitiveness constraints.

*Actions:* the EC will support the capacity of non-traditional Ghanaian exporters, especially rural SMEs, to compete under the liberalised trade regime of the Economic Partnership Agreement and in other areas; it will also support Ghana's capacity to deliver trade sector support services in West Africa (including ICT). The EC will support Ghana's customs authorities (CEPS: Customs and Excise duties and Preventative Services) in improving its administration of trade documentation, in particular reducing the number of approvals required for clearance of imports and exports. The EC will also support Ghana's capacity to prevent and provide early warnings of SPS/MRL violations by supporting the capacity of MoFA, GSB and private sector laboratories.

### 2. Natural resources management (2% of the total NIP)

*Objective:* improve the management and governance of natural resources so as to contribute to growth and the sustainability of the government's development strategy.

*Actions:* the EC will provide support for the Natural Resources Management joint approach, focused on improving the governance of the sector by strengthening the capacity of key regulatory agencies and high-level inter-sectoral coordination to assess the environmental effects of all investment. The specific EC contribution to this programme will be decided jointly with the government and other donors working in the sector. Support for national parks and biodiversity may also be considered. The EC will also provide support for the Forestry Law Enforcement, Governance and Trade (FLEGT) initiative, which uses access to the EU market as an incentive to curtail illegal logging.

### 3. Migration, security and the diaspora (<1% of the total NIP)

*Objective:* ensure that migration and the human and financial resources of the diaspora contribute effectively to national development, minimising the costs of the "brain drain" (particularly in the

health sector) while maximising diaspora contributions. Increase the capacity of police and migration agencies for law enforcement while enhancing their accountability and respect for human rights.

*Actions:* The EC will support the government, private sector and civil society in the preparation and implementation of a short-term action plan (quick gains) to engage the resources of the diaspora in Ghana's development and minimise "brain drain" losses, particularly in the health sector. Interventions could include support reducing the cost of money transfers, (i.e. by opening the market to new entrants); using diaspora matching funds in decentralisation or civil society support programmes, encouraging investment by expatriate Ghanaians, preparing an e-directory of Ghanaian professionals or investors abroad, and promoting the use of highly qualified Ghanaians abroad in technical assistance support.

As a follow-up to AENEAS and 9<sup>th</sup> EDF-supported work, the EC may also provide support to enhance the capacity of police and migration agencies for law enforcement and community involvement.

## Intervention Framework and Performance Indicators<sup>128</sup>

Intervention Logic	Objectively Verifiable Indicators	Assumptions
<b>Area 1: Transport Connectivity and Regional Integration</b>		
<b>Overall objective</b>		
<p>Achieve lower transportation costs, contribute to improving productivity in agriculture and agro-industry and ensure adequate transport infrastructure and system. Enhance regional cooperation and trade through cross-border road infrastructure development. Establish Ghana as a transportation hub for the sub-region</p>	<p>Total funds disbursed for routine maintenance, periodic maintenance, reconstruction and upgrading works, relative to maintenance needs of each modal network</p> <p>Proportion/lengths of roads maintained for all road categories</p> <p>Road condition mix (good, fair, poor) for all road categories</p> <p>Annual accident statistics</p> <p>Traffic data; for roads and railways: passenger km and tonne km; for aviation and maritime freight: tonnes unloaded and loaded; for aviation: passengers arrival/departure</p> <p>Incremental yield in agriculture (Trade with neighbouring countries)</p>	<p>Institutional reforms lead to value-for-money transportation investments</p> <p>Road Funds provide for maintenance</p> <p>Links between transport and agricultural productivity, diversification are verified</p> <p>Regional instability does not affect regional integration priorities</p>
<b>Programme Purpose: Trunk Roads, Other Transport and Regional Integration</b>		

<sup>128</sup> The indicators in this table are only preliminary. The government is preparing a comprehensive set of indicators for monitoring the GPRS II. It is expected that development partners will adopt the government-developed indicators to monitor most of their programmes. The transport sector has progressed further in this area and some of the agreed indicators will be used to update this framework.

Intervention Logic	Objectively Verifiable Indicators	Assumptions
<p>Objective: support trunk roads and other modes of transportation to contribute to the diversification of the economy and regional integration. Use private financing and employ local construction industry wherever possible</p>	<p>Adoption of transport policies by government</p> <p>Planning and public finance management substantially improved (as per joint evaluations of road sub-sector)</p> <p>Condition/mix of trunk roads</p> <p>Proportion/length of trunk roads maintained/rehabilitated</p> <p>% change in regional trade with neighbouring countries (linked to new trunk roads)</p> <p>Participation of private sector in transport sector</p> <p>Strategic impact assessment carried out and reviewed by donors</p>	<p>Policy environment is strong (i.e. National Transport Policy, Transport Sector Development Programme and Master Plan)</p> <p>Institutional reforms are implemented in Ministry to provide strong project assessment and consideration of regional integration priorities</p> <p>Private-sector participation is promoted and funding identified</p> <p>Environmental impact assessment is carefully carried out</p>





	<p>7. Road condition mix</p> <p><u>Trunk Roads:</u></p> <p><u>Feeder Roads:</u></p> <p><u>Feeder Roads:</u></p>	<p>13 367km  Good =46%  Fair = 29%  Poor = 25%</p> <p>.....Km  Good =50%  Fair = 22.5%  Poor = 27.2%</p> <p>32 600Km  Good = 43%  Fair = 33%  Poor = 24%</p>
<p>Process Indicators for Performance Monitoring of the Transport Sector</p>	<p>8. National Transport Policy adopted, covering roads, air, railway and water.</p> <p>9. Transport Integration Plan prepared and adopted as the sector strategic plan, meeting the needs of the national development agenda and sub-regional strategic directions.</p> <p>10. Cross-cutting issues such as environment, gender and HIV/AIDS included in Transport Integration Plan, with resources secured.</p> <p>11. Transport Sector Development Plan 2008-2013 prepared and resources secured from GoG and Development Partners.</p> <p>12. Sector reforms implemented which provide a more effective inter-sector planning and implementation, clear separation between policy, regulation and implementation and enhanced public financial management.</p> <p>13. Revenue basis and financial management improved of the Ghana Road Fund:  a. % change in fuel levy and other road user fees;  b. Recommendations of Road Fund Auditor's Management Letter implemented</p> <p>14. Implementation of the Axle load Control Policy action plan:  a. number of weighbridge for which operations are out-sourced to the private sector on 24/7 basis;  b. Axle load regulations ascended to the Road Traffic Act.</p>	

## Area 2. Governance: Decentralisation, Civil Society and non-Executive Governance Institutions

### Overall objective

Intervention Logic	Objectively Verifiable Indicators	Assumptions
Empower state and non-state actors to participate in the development process and to promote peace and stability in the body politic (GPRS II), particularly by improving local governance. Strengthen the practice of democracy (African Peer Review Mechanism)	Progress reports from the African Peer Review Mechanism on Governance issues Citizen report cards on satisfaction with government.	Political commitment to democratic governance continues to grow, including strengthening the oversight role and capacity of non-executive bodies, implementation of decentralisation policy and engaging civil society in national dialogue and decision-making

### Programme Purpose: Decentralisation

<p>Objective: provide more effective, transparent and accountable decentralised local government systems so as to increase citizens' participation and the delivery of public services more effectively at community level</p> <p>Support decentralisation framework and implementation of decentralised delivery of feeder roads, water and sanitation, health and education facilities, and rural development</p>	<p>Implementation of National Decentralisation Action Plan and the Decentralisation of Ministries' Departments' and Agencies' functions and resources to districts, ability to hire and fire staff.</p> <p>Decentralisation policy adopted by year end 2006</p> <p>District Development Fund operational by FY 2008, efficiency of transfers, size of funds</p> <p>Institutional capacity of Districts, particularly District Works Departments (as per FOAT assessments)</p> <p>Institutional structures created/strengthened by government for civil society engagement in local government (compliance with provisions of local government act on information disclosure and public consultation)</p> <p>Output, Result and Impact Indicators such as:</p> <p>Road Fund percentage transferred to districts for maintenance of feeder roads.</p> <p>Road mix condition met for feeder roads and compliance with Roads Prioritisation Methodology</p> <p>Access rate to social infrastructure improved</p> <p>Timeline set for direct election of District Chief Executives</p> <p>Implementation and publication of annual Citizen Report Card surveys or other monitorable feedback on district performance.</p>	<p>Political commitment to decentralisation is strengthened and continues after the 2008 elections</p> <p>By the end of 2006, approval is obtained for a coherent decentralisation policy providing a clear and transparent framework of inter-governmental transfers</p> <p>Decentralisation supports capacity and financial accountability at local level, particularly in the District Works Departments</p> <p>Road maintenance funds for feeder roads are transferred to districts in a timely manner so as to ensure maintenance of new and existing roads</p> <p>Temporary support is provided for the District Works Departments for planning and implementation, particularly of water and sanitation programmes</p> <p>District Development Fund is included in the government budget by 2008 and provides strong financial accountability and transparency</p> <p>Political decentralisation continues</p> <p>Donor support is provided to civil society as to promote the district accountability and participatory government. Government provides environment that fosters funding of grass-roots civil society organisations</p>
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<b>Programme Purpose: Civil Society Capacities</b>		
<b>Intervention Logic</b>	<b>Objectively Verifiable Indicators</b>	<b>Assumptions</b>
<p>Objective: engage civil society in national dialogue and decision, particularly to complement the decentralisation process, provide greater social accountability and increase public awareness and advocacy at local level (GPRS II and African Peer Review Mechanism). Support capacity of civil society, particularly in financial management, representation, governance structures and performance assessment. Give priority to rural grass-roots organisations promoting participation of the poor, women and disabled groups. Support links with Ghanaian Diaspora and to social entrepreneurship in delivery of public services</p>	<p>Preparation of Citizens' Charter of service delivery by ministries, departments, agencies and districts. This includes access to information, together with clear public complaint mechanisms and guidelines for investigating and resolving complaints. (This includes compliance with the information disclosure requirements of Local Government Act 462)</p> <p>Creation of specific mechanisms for citizen/civil society participation in policy and implementation processes. Establishment of formal monitoring mechanisms at local level, including representatives from civil society</p> <p>Positive assessment of financial accountability, internal governance and programme performance (annual independent evaluation report). Targeting of programme funds mainly to grass-roots rural organisations and their networks. Audit reports.</p> <p>Independent review of sample of civil society organisations supported by the programme (annual reports) as per criteria in intervention logic</p>	<p>Civil Service Reform contributes to a more citizen responsive service.</p> <p>Decentralisation process is carried out effectively.</p> <p>Environment is developed to foster funding of civil society organisations. Donors increase support to civil society organisations, particularly grass-roots rural organisations and their networks, with a strong emphasis on financial accountability and representation.</p> <p>Support programme is designed carefully so as to ensure strong financial accountability, internal governance and understanding of grass-roots rural issues.</p>
<b>Programme Purpose: Support oversight capacities of non-executive governance institutions</b>		
<p>Objective: strengthening practice of democracy, in particular redressing the imbalance of power and resources between the executive and the legislature and strengthening the oversight role and capacity of parliament and other non-executive governance institutions. Support Ghana Audit Service and parliament so as to strengthen legislative scrutiny of year-end government accounts. Also support collaboration between these institutions and civil society organisations and the independent media. Support anti-corruption institutions.</p>	<p>Positive assessment of the implementation of the Programme for Action of the African Peer Review Mechanism</p> <p>Positive assessment of funding system for non-executive governance institutions, including donor support to these institutions</p> <p>Reduction of number of ministers appointed from parliament</p> <p>Successful convictions in instances of high-level corruption and fraud in government funded projects. Information provided to public on the successes of anti-corruption fight. Close government consultations with civil society organisations</p>	<p>Government is committed to the implementation of the African Peer Review Mechanism</p> <p>Government implements an effective system of funding for non-executive governance institutions, including transparent and predictable funding</p> <p>The number of ministers appointed by parliament is reduced.</p> <p>Government provides adequate resources to the Ghana Audit Service</p> <p>Government establishes a central organ with mandate to formulate and monitor the implementation of the anti-corruption strategy</p>

## Timetable of Indicative Commitments/Disbursements

Commitments (10 <sup>th</sup> EDF commitments)	Indicative Allocation	2008		2009		2010 →	
		€m		€m		€m	
		1	2	1	2	1	2
<b>Transport Connectivity and Regional Integration</b>	<b>76</b>						
Trunk roads, other infrastructure and Regional Integration	75		75				
Feeder roads	p.m						
Studies	1					1	
<b>Governance</b>	<b>95</b>						
Decentralisation	83			83			
Civil society capacity, social accountability	8				8		
Non-executive governance institutions	4				4		
<b>Budget support</b>	<b>175</b>		175				
<b>Other Programmes</b>	<b>21</b>						
Trade facilitation, regional integration and Economic Partnership Agreement support	9				9		
Migration, the diaspora and security	2					2	
Environment and Natural Resources Management (incl. FLEGT)	8			8			
Technical Cooperation Facility	2			2			
<b>Total Commitments</b>	<b>367</b>		250	93	21	3	
<b>Total cumulative commitments:</b>			<b>250</b>	<b>343</b>	<b>364</b>	<b>367</b>	

Sector budget support for decentralisation could include a performance-based component. In the first two years, only a fixed tranche might be included. However, by 2010 performance 'bonus' tranches can be introduced (based on the assessment of indicators pertaining to the previous year performance). The bonus assessed in the second half of year n is therefore assessed on the basis of year (n-1) and will be disbursed in the first half of year (n+1).

Disbursements (only 10 <sup>th</sup> EDF commitments)	Indicative Allocation	2008		2009		2010 →	
		€m		€m		€m	
		1	2	1	2	1	2
<b>Transport Connectivity and Regional Integration</b>	<b>76</b>						
Trunk roads, other infrastructure and Regional Integration	75			8	2	10	10
Feeder roads	p.m						
Studies	1						0.5
<b>Governance</b>	<b>95</b>						
Decentralisation	83				10		
Civil society capacity, social accountability	8					1	1
Non-executive governance institutions	4					0.5	0.5
<b>Budget support</b>	<b>175</b>			31		40	
<b>Other Programmes</b>	<b>21</b>						
Trade facilitation, regional integration and Economic Partnership Agreement support	9					0.5	0.5
Migration, the diaspora and security	2						0.5
Environment and Natural Resources Management (incl. FLEGT)	8				2		2
Technical Cooperation Facility	2				0.5		0.5
<b>Total Payments</b>	<b>367</b>			39	14.5	52	15.5
<b>Total cumulative payments:</b>					<b>53.5</b>		<b>121</b>

## Schedule of Activities

<b>Transport and Regional Connectivity (€76m)</b>	Indicative allocation	<b>2008</b>				<b>2009</b>				<b>2010→</b>			
		<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
Trunk Roads and regional integration		FS		FP	FD								
Studies		FS							FS				
<b>Governance (€95m)</b>		<b>2008</b>				<b>2009</b>				<b>2010→</b>			
Decentralisation		FS			FP		FD						
Civil Society			FS				FP		FD				
Non-Executive Governance			FS				FP		FD				
<b>Budget Support (€175m)</b>		<b>2008</b>				<b>2009</b>				<b>2010→</b>			
			FP		FD								
<b>Non-Focal Areas (€21m)</b>		<b>2008</b>				<b>2009</b>				<b>2010→</b>			
		<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
Trade, Economic Partnership Agreement, PSD			FS			FP		FD					
Environment and Natural Resources Management		FS			FP		FD						
Migration, the Diaspora and Security					FS				FP		FD		
Technical Cooperation Facility					FP		FD						
FS: Feasibility Study FP: Financing proposal FD: Financing decision ■: Project implementation													

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# Ghana Joint Assistance Strategy (G-JAS)

Commitments by partners to work toward  
GPRS II goals and harmonization principles

February 27, 2007



## Abbreviations

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AFD	Agence Française de Développement
APR	Annual Progress Report (GPRS II)
APRM	Africa Peer Review Mechanism
CEA	Country Environmental Analysis
CG/APM	Consultative Group / Annual Partnership Meeting
CHRAJ	Commission on Human Rights and Justice
CIDA	Canadian International Development Agency
CSO(s)	Civil Society Organisation(s), including private sector
CWIQ	Core Welfare Indicators Questionnaire
DFID	Department for International Development (United Kingdom)
DP(s)	Development Partner(s)
EC	European Commission
ECG	Electricity Company of Ghana
ECOWAS	Economic Community of West African States
EITI	Extractive Industries Transparency Initiative
EPA	Economic Partnership Agreement
ERPFM	External Review of Public Financial Management
FSD	Financial Sector Development
GDC	German Development Cooperation
GDP	Gross Domestic Product
G-HAP	Ghana Harmonisation and Aid Effectiveness Action Plan
G-JAS	Ghana Joint Assistance Strategy
GLSS	Ghana Living Standards Survey
GPS	Ghana Partnership Strategy
GPS RM	Ghana Partnership Strategy Results Matrix
GPRS I	Ghana Poverty Reduction Strategy
GPRS II	Ghana Growth and Poverty Reduction Strategy II
GSS	Ghana Statistical Service
GWCL	Ghana Water Company Ltd.
HDI	Human Development Index
HIV/AIDS	Human Immuno-Virus / Acquired Immune Deficiency Syndrome
ICT	Information and Communication Technology
IFAD	International Fund for Agricultural Development
IMR	Infant Mortality Rate
MDAs	Ministries, Departments, Agencies
MDBS	Multi-donor Budget Support
MDGs	Millennium Development Goals
MDRI	Multilateral Debt Relief Initiative
M&E	Monitoring and Evaluation
MFP	Mission Free Period
MMR	Maternal Mortality Rate
MoFEP	Ministry of Finance and Economic Planning
MoPSR	Ministry of Public Sector Reform
MoWAC	Ministry of Women and Children's Affairs
MOU	Memorandum of Understanding
MPs	Members of Parliament
NDPC	National Development Planning Commission
NGO(s)	Non-governmental Organisation(s)
NRM	Natural Resources Management

OECD/DAC	Organization for Economic Cooperation and Development / Development Aid Committee
PAF	Performance Framework Agreement
PBA	Program-based Aid
PEFA	Public Expenditure and Financial Assessment
PFM	Public Financial Management
PSD	Private Sector Development
PSIA	Poverty and Social Impact Assessment
PSP	Private Service Provider
PSR	Public Sector Reform
RNE	Royal Netherlands Embassy
SWAp	Sector-wide Approach
UN	United Nations
USAID	United States Agency for International Development
WB	World Bank
WHO	World Health Organization
WSS	Water Supply and Sanitation

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# 1. Introduction

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## 1.1 Rationale for the Ghana Joint Assistance Strategy

The Ghana Joint Assistance Strategy (G-JAS) aims to improve the alignment of development assistance with the core business of Government and the Government's political and partnership cycle. It builds on commitments by development partners (DPs) to work toward the achievement of goals and priorities of the second Ghana Growth and Poverty Reduction Strategy (GPRS II) and to accelerate progress against mutually defined harmonization principles.

An important backdrop for the G-JAS is the Ghana Partnership Strategy (GPS) endorsed at the November 2005 Consultative Group/Annual Partnership Meeting (CG/APM) and updated for the CG/APM in June 2006. The GPS comprises a results matrix which maps DP-funded activities to GPRS II policy priorities; an annual harmonisation action plan; and an overview of external assistance, detailed by GPRS II pillar and sectors. As such, the GPS provides a framework for monitoring the effectiveness of development assistance in supporting GPRS II.

The G-JAS involves the majority of Ghana's GPS development partners (representing about 95% of official development assistance flows), who wish to take the DP response in support of the GPRS II one step further. It consists of five interlinking elements that contribute to a comprehensive approach on the part of DPs to the aid relationship in Ghana:

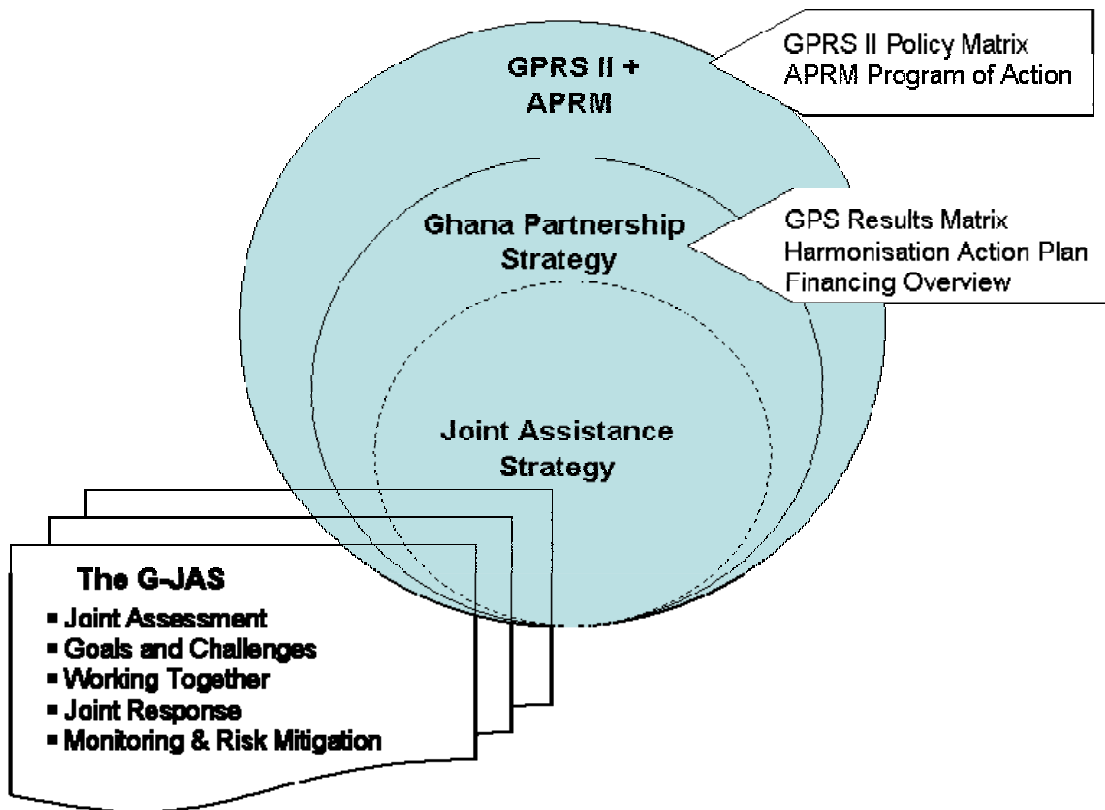
- (i) a joint assessment of the current country situation (political, economic, social);
- (ii) a joint description of the major challenges facing Ghana in its quest to achieve the Millennium Development Goals (MDGs) and middle-income status;
- (iii) a statement of principles and commitments on how G-JAS partners will work with each other, with Government, and with civil society and private stakeholders;
- (iv) priorities for the joint DP response at the GPRS II pillar and sector level; and
- (v) arrangements for results monitoring and risk mitigation.

The G-JAS should be seen as a milestone in an on-going process, which provides a framework for continued action over the next four years. Concrete actions for moving forward are therefore presented as part of the G-JAS conclusions.

The timeframe for the G-JAS is the four year period starting in 2007 and ending in 2010. This timeframe has been adopted to take into account national cycles in Ghana: new governments are elected in December every four years (2004, 2008, 2012) and the next GPRS time-slice is prepared during the government's first year in office (2005, 2009, 2013) for implementation during the next four year cycle (2006-2009, 2010-2013, etc.). The first year of GPRS implementation (2006, 2010, 2014) is therefore the time when G-JAS partners can consult with government and stakeholders to review new GPRS priorities and make any needed alignment and programming adjustments, which would then be reflected in the subsequent G-JAS framework (2007-2010, 2011-2014, etc.).

The linkages between the national level development framework (GPRS II and the Africa Peer Review Mechanism, APRM), the GPS, and the G-JAS are presented in Figure 1:

**Figure 1: The National Strategy Context and the G-JAS**



Following adoption of the G-JAS, partner-by-partner decision making on aid allocations will be replaced by better cooperation and joint programming, anchored in the national development strategy. More concretely, we expect to see by the end of the G-JAS period:

- higher quality dialogue between DPs and the government,
- improved aid delivery through a better division of labour and a solid process for deciding who does what,
- greater harmonisation in the way development assistance is delivered,
- increased reliance on programme based modalities and coordinated technical assistance programmes that support government priorities,
- improved predictability in resource flows and reduced transactions costs for government, and
- better alignment of DP country strategies and resource allocations with GPRS II goals and priorities.

The G-JAS reflects strong Development Partner political will to engage in a more harmonised and efficient dialogue with the government in all aspects of development cooperation. However, we note that the G-JAS is not legally binding. To the extent that the G-JAS is inconsistent with the laws or policies of any signatory, such laws, policies, and commitments will prevail.

## 1.2 Partners in the G-JAS Process

### **The role of Government in the G-JAS process**

The government has developed the GPRS II (2006-2009) and has welcomed the DP initiative to better define how the development community will support GPRS II implementation. By seeking to reduce fragmentation, improve harmonised working, and enhance alignment, the G-JAS seeks to support government leadership of its national development strategy. DPs consulted the government at key milestones in the development of the G-JAS, and sought its feedback in the formulation of the final document.

Overall, the government finds the G-JAS to be a good start at developing a harmonised approach to multi-annual programming. However, DPs were encouraged to be more ambitious in setting performance targets and accelerating introduction of harmonized modalities. As the government would like to avoid increased transaction costs when engaging with DPs, it has requested that harmonized approaches and procedures be as streamlined as possible. The government also encouraged DPs to keep in mind its desire to see budget support increase as a share of official development assistance, within a scaled-up financial envelope for the country. DPs have taken these comments on board, and will seek to apply their spirit in the implementation of the G-JAS.

Regarding the future, the government accepts the need to be more involved in directing the G-JAS process from this point forward, and welcomes further discussion about how the government and DPs can improve our joint partnership, with the objective of improving aid effectiveness and achieving development results. To facilitate the partnership, government intends to define a clear aid and external resource mobilisation strategy that can provide guidance for DPs.

### **The role of Civil Society Organisations in the G-JAS process**

In its preparatory stages, civil society organisations (CSOs) were encouraged to give their views on the G-JAS process and to share information about the strategic priorities for the joint assistance programme. Following completion of the document, it is expected that CSOs (NGOs, APRM Secretariat, Private Sector associations, as well as independent research institutions) will be involved in monitoring implementation of the aid partnership framework as provided for in the Paris Declaration and the Ghana Harmonisation and Aid Effectiveness Action Plan (G-HAP). Moreover, G-JAS DPs will seek to include Parliament as well as CSOs in a more structured and transparent manner in the policy dialogue with the government as well as in the design and discussion of cooperation programmes.

## 2. Country Analysis

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### 2.1 Context

Ghana was the “shining star” of Africa at independence fifty years ago. The years 1960-1964 saw relatively high growth, spurred on by favorable export performance and rapid industrialization linked to import-substitution policies. This encouraging beginning gave way to macroeconomic instability, and uneven and volatile growth from 1965-1983. This uncertain foundation, hit by economic shocks, brought the economy close to collapse in the early 1980s.

Recognizing the need for change, the government launched the Economic Recovery Program in the early 1980's, which succeeded in renewing growth and contributing to significant poverty reduction. A process of political liberalisation was initiated in the 1990s which has culminated in an environment where political rights, civil liberties and freedom of press indicators are as positive as those achieved by some middle-income countries. Country assessments put Ghana at the top of the rankings in Africa,<sup>1</sup> and the country's leadership seeks to achieve the Millennium Development Goals (MDGs) and reach middle-income status by 2015.

### 2.2 Political Developments

**The democratic process has made impressive gains in Ghana.** As a result, Ghana's political rights, civil liberties and freedom of press rankings are not only amongst the best in Africa but are comparable to those recorded by countries at much higher levels of income.<sup>2</sup> Democracy has become a strong competitive advantage.

**The government understands the need to consolidate political achievements, and it is actively participating in the African Peer Review Mechanism (APRM),** a governance initiative of the African Union. Ghana was the first country to be reviewed under this initiative<sup>3</sup> and to prepare a programme of action, thanks to the strong support of President Kufuor and the engaged participation of all stakeholders, including civil society.

**Governance reviews have identified some democratic deficits such as weak accountability and oversight of the executive** and patron-client relations in the civil service and in government-business interactions.<sup>4</sup> This situation has made reform of the civil service a lengthy process.

**Ghana international ranking on corruption indicators is the best among low-income African countries.**<sup>5</sup> However, its ranking has slipped in the past few years, and a recent national survey found that 75% of all households regarded corruption as a serious national problem, with 80% feeling that it had worsened in the recent past.<sup>6</sup>

<sup>1</sup> Including the Country Performance and Institutional Assessment (World Bank) as well as the 2005/06 list of Top 10 Reformers in the Doing Business report (World Bank, 2006).

<sup>2</sup> Table of Independent Countries, 2005 Freedom House.

<sup>3</sup> African Peer Review Mechanism, Country Review Report and Programme of Action of the Republic of Ghana, June 2005. NEPAD.

<sup>4</sup> APRM; the GPRS II; “Drivers of Change in Ghana. Overview Report,” Booth et al (May 2004); “Operationalising Pro-Poor Growth, A Country Case Study on Ghana”, McKay and Aryeetey (October, 2004).

<sup>5</sup> CPI Transparency International (2006). Ghana scores 70 out of 163 countries, at the same ranking as Brazil, China, India, and Mexico. See also Worldwide Governance Indicators 2005, Control of Corruption. World Bank.

<sup>6</sup> APRM, June 2005, p. 36.



The weak system of checks and balances and politicised civil service create opportunities where corruption can occur. The Serious Fraud Office, the Commission on Human Rights and Justice (CHRAJ) and civil society “watchdogs” are in place to fight corruption, but are not yet robust.

**Civil society is active and potentially a key driver for political governance reforms.** Farmers’ movements, Trades Unions and Professional Associations have traditionally been involved in the nation’s political process. More recently, other civil society organisations such as “home town” development associations, women’s rights groups, welfare clubs, parent-teacher associations, faith based organisations and groups providing social services are providing renewed vibrancy to civil society engagement.<sup>7</sup> The Diaspora is also increasing its involvement and has formed Ghanaian Home Town Associations overseas. Some advocacy groups and think tanks are well rooted in society, though often over-centralised in Accra.<sup>8</sup> Civil society groups offer great potential to strengthen the demand for good governance and social accountability in government processes.

**The government recognises that participation by different social groups in national development is limited and needs to increase in order to reinforce national consensus and reduce social polarisation.** The government has made some progress to date<sup>9</sup> but there is much more that can be done to increase the voice of citizens in the development process - as proposed both by the GPRS and the APRM. The media is active and citizens are able to express their views on development issues. However, citizens are often unaware of their rights vis-à-vis government, and mechanisms for government/citizen engagement remain underdeveloped.

**Progress in achieving gender equality goals has been limited.** Gender equality is not broadly accepted as a critical development issue, and women’s exclusion from national processes, under-representation in public life and decision making, and weak entitlements to economic assets appear at odds with Ghana’s performance in the economic and political spheres. The government has introduced legislation and policies to protect the rights of women and children<sup>10</sup>, however, implementation has been weak. The African Peer Review Mechanism found strong cultural impediments to the promotion and protection of women’s rights. A number of protocols for the protection of the rights of children and women have not been ratified.

**Decentralisation is essential to promote citizens’ participation and to achieve better service delivery, but progress has been slow.** Part of the delay in decentralizing staff and fiscal resources is due to concerns about local capacity, combined with the normal reluctance of ‘the center’ to lose resources and influence; and part of the delay is due to the complexity of managing such a process. The 2007 budget authorized a significant transfer of civil servants from Ministries, Departments, and Agencies (MDAs) to district authorities, for implementation in 2008. Political reforms at the local level are still under discussion, as one-third of members of the District Assemblies and the District Chief Executives are not elected but are appointed by the President. Citizen Surveys report dissatisfaction with the performance of District Assemblies<sup>11</sup>.

<sup>7</sup> “Drivers of Change in Ghana”, op. cit., p. 30.

<sup>8</sup> “The Not for Profit Sector in Ghana: A CIDA CDPF Development Document”, J. Langdon, 2005.

<sup>9</sup> Annual Governance Forum, the People’s Assembly and consultations around national development plans.

<sup>10</sup> Affirmative Action Policy 1998, National Gender and Children’s Policy, 2004, and Early Childhood Care and Development Policy, 2004.

<sup>11</sup> “Citizens Assessment of the Quality of Governance” related to District Assemblies shows a dissatisfaction rating of 62% and a satisfaction rating of 27%. 2005 Annual Progress Report GPRS I.

**Ghana has not suffered significant internal conflicts** and traditional authorities have a recognised role in local conflict management. However, Chieftaincy-related disputes about land, inheritance and succession have the potential to lead to local conflicts.<sup>12</sup> There is also a risk that multi-party electoral contests may fuel local conflicts. The military is subordinated to democratic institutions.

**Ghana plays a key role in the sub-region and at the regional level.** Ghana provides an example of successful political and economic performance in West Africa, a region that includes a number of countries that have experienced violent conflicts. Ghana is also a strong supporter of regional integration and conflict prevention initiatives of the Economic Community of West African States (ECOWAS) as well as an active participant in UN peacekeeping activities (including the Kofi Annan International Peace Keeping Training Centre). Recognizing Ghana's policy of "good neighbourliness" and strong engagement with the APR mechanism, President Kufuor was elected Chairman of the African Union in January 2007.

## 2.3 Economic Developments

**Ghana's economy has registered robust economic growth rates since the year 2000**, despite sharp increases in international crude prices. Growth of real gross domestic product (GDP) increased progressively from 3.7% to 5.9% between 2000 and 2005, driven by the strong performance of cocoa and gold exports. The outlook for 2006 appears positive, although the impact of the energy crisis which hit in late 2006 could adversely affect growth in 2007, if underlying policy and investment factors are not addressed.

**Table 1: Selected Economic Indicators 2000-2005**

	Real GDP Growth	Export Growth Index (2000=100)	Import Growth Index (2000=100)	Credit to the Private Sector (%)
2000	3.7	100	100	44.0
2001	4.2	96	99	51.3
2002	4.5	106	98	46.7
2003	5.2	128	108	58.2
2004	5.8	144	149	51.1
2005 <sup>e</sup>	5.9	145	185	57.5

Bank of Ghana, World Bank, and IMF

<sup>e</sup> Estimate

**Macroeconomic and financial sector stability have steadily improved, removing two key constraints to private sector growth.** Prudent fiscal and monetary policies have benefited from a fairly stable external environment, and have contributed to a decline in end-year inflation rates from 40% to 14% from 2000 to 2005. The general decline of the overall fiscal deficit from 9% (2001) to 3.0% in 2005, coupled with the decline in the domestic-debt-to-GDP ratio from 29% (2002) to 11% in 2005 have impacted positively on declining interest rates.<sup>13</sup> The declining public sector deficits have reduced the pressures for public domestic borrowing and provided scope for an increase in the share of credit to the private sector from 13.1% of GDP in 2004 to approximately 20% of GDP in 2006. The positive impact of macro and financial stability on the private sector cannot be overestimated.

<sup>12</sup> "Drivers of Change in Ghana", op. cit. p. 31.

<sup>13</sup> For example, interest rates on 90 day Treasury bills have declined from 35% in July 2003 to about 10% three years later.

**Financial sector reform is progressing and the potential for competition is well above most countries in the region.** The financial sector is healthy and relatively open, with banks generally liquid and meeting prudential standards. The role of Government in the banking sector is limited, and new entrants from overseas have enhanced innovation in products and services. However, despite increased competition and a reduction in the prime rate, the spread between deposit rates and commercial lending rates remains high. The sector has benefited from a modern payment and clearing architecture with real-time gross settlement system since 2002, a more recent automation of cheque clearing and integration of rural banks into the electronic payments platform, and the establishment of a Central Securities Depository System for government and stock exchange listed securities. Measures have been taken in recent years to improve banking supervision (Banking Act 2004), promote financial deepening (Credit Rating Agency bill, Foreign Exchange bill), and provide safeguards against money laundering (Anti-Money Laundering bill).

**Improved macroeconomic management and sustained growth has contributed to Ghana's healthy debt outlook.** Other factors include an improved revenue position, especially in the tax and duty system, and steady increases in official development assistance and in private remittances.<sup>14</sup> Ghana reached the HIPC Completion Point in July 2004. This paved the way for the country to benefit from the Multilateral Debt Relief Initiative (MDRI), which reduced the debt stock from US\$6.4 billion to US\$1.5 billion and provides new opportunities for targeted, pro-poor, public spending.

**Remittances and tourism are increasingly important sources of foreign exchange.** Private transfers were estimated at about US \$1.5 billion in 2005 and are projected to increase in the coming years. They result from Ghana's high rates of emigration of skilled workers<sup>15</sup>, with estimates indicating that private remittances originate mostly in the USA and Canada (50%) and the United Kingdom (25%).<sup>16</sup> Tourism receipts have also grown steadily over the past five years and are projected to reach US\$ 1 billion in 2006.<sup>17</sup> As in other regions, the human and financial resources of the Diaspora have an enormous potential to contribute to the development of the country through direct engagement with families and community groups.

**Table 2: External Inflows 2003-2008 (US\$ million)**

	2003	2004	2005	2006 <sup>e</sup>	2007 <sup>e</sup>	2008 <sup>e</sup>
<b>Official ODA</b>	<b>1,003</b>	<b>1,155</b>	<b>1,280</b>	<b>1,566</b>	<b>1,561</b>	<b>1,642</b>
Project Grants	361	413	499	581	732	688
Project Loans	173	224	241	315	250	324
HIPC & MDRI Grants	131	168	171	260	285	275
Budget Support	264	311	291	332	294	355
IMF Drawings	74	39	78	78	0	0
<b>Exports</b>	<b>2,471</b>	<b>2,785</b>	<b>2,802</b>	<b>3,685</b>	<b>4,125</b>	<b>4,504</b>
Traditional	2,071	2,382	2,314	3,008	3,313	3,530
Non-traditional	400	402	489	677	812	974
<b>Tourism</b>	<b>603</b>	<b>649</b>	<b>836</b>	<b>1,000</b>	na	na
<b>Unrequited private transfers</b>	<b>801</b>	<b>1,287</b>	<b>1,550</b>	<b>2,094</b>	<b>2,181</b>	<b>2,216</b>

Source: Bank of Ghana, World Bank, IMF, Tourism Board

<sup>e</sup> Estimate

<sup>14</sup> Reforms have contributed to increased tax revenues.

<sup>15</sup> President Kufour, Address at Accra Regional Forum on Remittances, March 30, 2006. USAID website.

<sup>16</sup> The rest of the EC accounts for 13%. "The Macroeconomic Impact of Remittances", Addisson. Director of Research Department of Ghana, September, 2004.

<sup>17</sup> Overview of Economic Policy and the budget. November, 2005. Minister of Finance.

**Current growth rates put Ghana on track to meet the MDG on halving poverty levels by 2015.** The latest comprehensive estimates show that the poverty headcount declined from 52 percent in 1991, with 36 percent living in extreme poverty, to 40 percent in 1999 and 15 percent of Ghanaians in extreme poverty. The most recent Core Welfare Indicators Questionnaire (CWIQ), which uses an asset rather than an income-based poverty measure, indicates that there has been a 7 percentage point reduction from 42 percent in 1997 to 35 percent in 2003. The two trends are indicative of general progress, although they are not directly comparable with one another. Updated information on recent income poverty trends will be available in early 2007 once the results of the fifth Ghana Living Standards Survey (GLSS 5) are tabulated.

**Despite the recent economic expansion, the structure of the economy has not changed substantially.** The economy continues to be largely dependent on agriculture (40% of GDP and 50% of employment)<sup>18</sup>. It is constrained by low-productivity farming practices, poor infrastructure (e.g. roads, irrigation, and ICT), land tenure uncertainties, gender inequities, and uncertain access to inputs. Traditional exports – cocoa, gold and other natural resources – still account for almost half of GDP. The industrial sector remains relatively small and dominated by firms with low productivity. Foreign direct investment is relatively low for an economy of Ghana's potential.<sup>19</sup>

**Although overall poverty levels are declining, socio-economic and regional disparities remain,** and are linked to the lack of structural change in the economy. Weaknesses in human and social development (in terms of investment in children and young people's health and education) are reflected in the gap between Ghana's Human Development Index (HDI) rank (138 in 2003)<sup>20</sup> and its gradually increasing GDP per capita rank (121 in the same year). There is a strong urban-rural differential in poverty indicators, with deprivation levels substantially higher in some rural areas. The severity and depth of poverty is highest in three northern regions (Northern, Upper West and Upper East) and parts of the rural coastal zones.<sup>21</sup> There is potential for growth-driven poverty reduction in these regions, but it will need targeted investments by Government and policy reforms aimed at encouraging private sector development in these areas.<sup>22</sup> Recent growth trends have fuelled the movement of people from rural to urban areas, where they are concentrated in sectors with limited employment prospects for those living in poverty. What appears to matter most in determining inequality and poverty in urban areas is the level of education of household heads.

**Ghana's trade regime is open and Ghana is a strong advocate of regional cooperation and integration.** Exports to the EC and the USA account for 53% and 7%, respectively, of total Ghanaian exports, while Africa accounts for 11% of total exports (2002). Ghana is an important trading partner with its three neighbours and it is committed to the ECOWAS regional framework. In order to meet its objective of becoming a middle-income country by 2015, Ghana's non-traditional exports must expand also into growing regional markets.

<sup>18</sup> "Operationalising Pro-Poor Growth", op. cit., page 7

<sup>19</sup> In 2004 total FDI inflows into Ghana were estimated at \$139 million, compared with \$279 million in Rwanda, \$545 million in Ethiopia and \$585 million in South Africa (UNCTAD 2006). UNCTAD FDI Database.

<sup>20</sup> Ghana's HDI value was 0.531 in 1995, 0.556 in 2000 and 0.520 in 2003 (below the figure for 1995).

<sup>21</sup> "Operationalising Pro-Poor Growth", op. cit.

<sup>22</sup> 'Economic Growth in Northern Ghana', ODI London and Centre for Policy Analysis, Accra; 2005

**Ghana has achieved the highest electrification rate in Sub-Saharan Africa (54%),** and is the anchor country for the West-African Power Pool. However, fast economic growth combined with under-investment, poor planning, and reliance on seasonally variable hydropower have led to a situation where power supply is now unreliable and becoming a binding constraint to growth. Annual growth in electricity consumption is estimated to be 12%, and government's strategy is to increase access to grid electricity for domestic users from 54% to 75% by 2015. This would require substantial investment and improvement in managing the existing network and its regulation.

**Transport and communications infrastructure are in a poor state to cope with recent economic growth and expansion of basic service delivery, due to insufficient maintenance and weak strategies.** Transport is key to facilitating both improved productivity in agriculture and agro-industry (by linking rural production to processing centers and trading points) and development of Ghana's human resources (by ensuring rural communities' access to schools, clinics and water points). Road density in Ghana is 248 km per 1,000 sq km, compared to 368 in lower middle-income countries and 1,015 in high-income countries. The Government has invested in expansion of the network; however, this expansion has not been accompanied by sufficient emphasis on network maintenance, with the result that only 34% of roads are in good condition. Currently, port capacity is under pressure from increased traffic: between 2004 and 2005, the volume in tonnes (import/export average) increased by 10%, container traffic increased by 15%, and the number of vessels increased 27%. Air traffic growth lags behind growth of other regional hubs. The growth in information and communications technology (ICT) has been rapid, with current phone penetration at 20% (from 4% in 2000). The price of communications remains high, however, and quality remains relatively low.<sup>23</sup>

**Natural resources and environment need careful management to assure long-term growth.** Minerals, fisheries, forestry and wildlife represent 15% of GDP, 25% of government revenues and a substantial source of livelihood through artisanal activities. Inadequate potable water supply, sanitation and hygiene and air pollution (urban and indoor) seriously affect the burden of disease and quality of growth in the rapidly growing economy. Poor management of these resources, with related health effects, is costing Ghana approximately 10% of GDP,<sup>24</sup> with 4% due to forestry and wildlife depletion and 4% due to water and air pollution. The sustainability of these key productive sectors and the prospects for community development and economic growth are put at risk by the absence of effective regulatory institutions and by indecisive leadership on issues related to sustaining the natural resource base and managing the environment.

**Institutional reforms of the public sector have had limited success to date.**

Recognition of this factor was behind the government's decision to create the Ministry of Public Sector Reform (MoPSR) in April 2005 and launch the Public Sector Reform (PSR) reform strategy and programme of action in March 2006. The reform program aims to improve performance management, remuneration, and accountability, starting with the civil service. In addition to reform of the civil service, the government has developed a framework for reforming subvented agencies, and a new Subvented Agencies Law (Act 706) was enacted by Parliament and gazetted in April 2006. On the public expenditure front, poverty-related expenditures have increased from 6.5 percent of GDP at the end of 2003 to 8.5 percent in 2005, and the

<sup>23</sup> In 2003, fixed line phone subscribers per 1000 was 13, and cellular lines per 1000 was 36 (Human Development Report 2005)

<sup>24</sup> Ghana Country Environmental Analysis, World Bank, DFID, RNE, and AFD, (2006).

government reports that budget expenditures are increasingly in line with GPRS II. However, policy formulation, programme implementation and the capacity to coordinate DP assistance need to be strengthened. Efficiency of public spending is low and is increasingly the focus of government attention.

## 2.4 Human and Social Developments

**Progress in education has meant increasing numbers of children are entering school and progressing through the system.** A major breakthrough was the abolition of mandatory school fees for basic education and the introduction of capitation grants through the country in the 2005/6 academic year. Non-salary expenditure allocations to deprived regions almost doubled over the GPRS I period.<sup>25</sup> As a result of some of these changes, Ghana is judged to be on track to achieve both MDG2 (Universal Primary Education) and MDG3 (gender parity in primary enrolment) by 2015. (Ghana's gender parity ratio at the primary level was 0.95 in 2005).

**Improving access and quality in basic education are the central challenges.**

These include ensuring that children outside the school system (estimated presently at about 700,000 children) are enrolled and those at risk of dropping out are encouraged to complete primary education. Access problems are exacerbated for at-risk groups, including girls, children from deprived regions, disabled children and the extremely poor in rural and urban areas. There is also a persistent challenge to improve the quality of learning through increasing and monitoring the distribution of inputs. The number of qualified teachers, core textbooks, and classrooms in good condition must keep up with increased enrolment. All these interventions require increased and sustained per student funding at primary level in real terms over the next ten years, as well as increased and targeted programmatic funding to address these policy priorities.

**Gradual improvements in the delivery of a number of critical health outputs have taken place.** A pre-paid National health Insurance Scheme introduced in 2004 marks a new direction in health financing for poor and vulnerable groups. Recent indications are that the HIV prevalence rate may be dropping, although it is too soon to determine a trend. Malaria, however, remains a significant cause of mortality and costs the equivalent of 3 percent of GDP annually.

**Infant and child health indicators and maternal mortality rates appear stalled at high levels.** Current estimates show a stagnation in neonatal mortality between 1998 and 2003.<sup>26</sup> Progress in reducing infant and under-five mortality levels stalled during GPRS I. Child malnutrition also remains a significant problem, accounting for up to 60 percent of the cases of child mortality and pointing to the need for a comprehensive approach to adequate nutrition, care and food security, especially amongst the poorest households. Infant mortality (IMR) and maternal mortality (MMR) are inextricably linked. Nationally estimated maternal mortality stands at 214 deaths per 100,000 live births, although the adjusted figure published by the UN is 540 deaths per 100,000. In either case Ghana is off track in achieving the MDGs on both MMR and IMR counts. Of particular concern is that these trends have coincided with a period of increased health sector financing.<sup>27</sup> The next opportunity to take stock of trends will be the Demographic Health Survey in 2008.

<sup>25</sup> APR 2005, Table 6.14.

<sup>26</sup> Although the latest DHS report states that the changes are small and hard to verify statistically. Problems of measurement and inaccurate birth and death data make accurately tracking mortality trends difficult.

<sup>27</sup> Health Sector Programme Evaluation

**Access to water and sanitation services is progressing, but not as rapidly as needed.** The approach to rural water delivery is based on community ownership and management. Coverage by functioning water facilities in rural areas has risen from less than 30% of the population in 1994 to slightly more than 50% in 2005, and local capacity exists to undertake water and sanitation civil works and to manage and operate facilities. Urban Water supply coverage is currently estimated at 58%. The approach to urban water delivery is based on a utility model, with tariffs regulated by an independent regulator. Inefficiencies in the management of services and big losses of revenue resulted in the under-performance of the urban water sub-sector and led to a Government decision in 2006 to turn to a private service provider (PSP) to manage the production and distribution of water. Absence of a comprehensive national water policy and water sector implementation plan has constrained scale up in the sector, and lack of harmonized implementation approaches among DPs has reduced efficiency.

With regard to sanitation services, the Joint Monitoring Program for Water Supply and Sanitation of UNICEF and WHO report an effective average access rate to improved sanitation facilities of 18% at the national level. Implementation of the Environmental Sanitation Policy (1999) has faced considerable difficulties, posed by institutional problems and technical and financial capacity in the sub-sector. The low sanitation coverage requires innovative and sustainable approaches to latrine promotion and financing. Costs related to mortality and morbidity from poor water supply, sanitation and hygiene practices amount to 2.1 % of GDP.

**Urbanization in Ghana is accelerating.** In 2000, the level of urbanization in Ghana stood at 44%, and this is expected to increase to 58% by 2030<sup>28</sup>. Nearly 34% of the urban population lives in Accra (estimated to be 3.2 million people) and in Kumasi (estimated to be 0.8 million). These two cities account for almost 20% of Ghana's GDP<sup>29</sup>, while the Greater Accra region alone accounts for 51% of manufacturing activity in Ghana<sup>30</sup>. For cities like Accra and Kumasi, infrastructure investments are essential to their growth and progress. However, investments have not kept pace with the rapid urbanization underway, which is resulting in traffic congestion, environmental sanitation problems, and institutional/governance challenges for urban residents and local authorities.

**Gender disparities are steadily declining in some areas of basic service provision,** such as in primary education, where Ghana has almost achieved gender parity. However, in areas such as reproductive health and water provision, they remain high and burdensome. While these problems are being addressed through a range of interventions by government and social institutions, Ghana has far to go in significantly reducing such disparities, especially in the poorest regions.

### **Progress towards the MDGs**

Table 3 shows that Ghana's progress towards the MDGs has been steady but not transformational. Achieving a transformational change consistent with Ghana's aspiration to be a middle-income country will depend on consistently improved service delivery across the public sector and outreach to non-state actors through public-private partnerships.

<sup>28</sup> Financing Urban Shelter, Global Report on Human Settlements, United Nations (2005).

<sup>29</sup> <http://www.worldbank.org/urban/upgrading/ghana.html>

<sup>30</sup> <http://www.ghanadistricts.com/reg-info.asp/RegionID=1>

**Table 3: Ghana's Progress towards the MDGs**

MDG Goals	MDG Indicator & Target	1990	2000	2003	2004	2005	2015 Target
Eradicate Extreme Poverty	Halve the proportion of people whose income is less than \$1 per day	51.7% <sup>i</sup>	39.5% <sup>ii</sup>	35.8% <sup>iii</sup>	34.6	33.4	26%
	Halve the proportion of people who suffer from hunger	37% <sup>iv</sup>	12% <sup>iv</sup>	11% <sup>iv</sup>	11% <sup>iv</sup>	11% <sup>iv</sup>	19%
Achieve universal primary education	Gross national primary school enrolment	72.7% <sup>v</sup>	79.5% <sup>v</sup>	85.7% <sup>v</sup>	86.3% <sup>v</sup>	85.7% <sup>v</sup>	100%
	Net primary school enrolment rate	53.7% <sup>vi</sup>	60.7% <sup>vi</sup>	69.9% <sup>iii</sup>	57.9%	59.1% <sup>vii</sup>	100%
Promote gender equality	Eliminate gender disparity in primary education	85% <sup>viii</sup>	93% <sup>v</sup>	98% <sup>v</sup>	94% <sup>v</sup>	96% <sup>v</sup>	100%
	Eliminate gender disparity in secondary education	65% <sup>viii</sup>	81% <sup>v</sup>	85% <sup>v</sup>	83% <sup>v</sup>	85% <sup>v</sup>	100%
Reduce child mortality	Reduce under-5 mortality by two thirds (rate per 1,000)	122 <sup>ix</sup>	112 <sup>x</sup>	112 <sup>iii</sup>	112 <sup>x</sup>	111 <sup>vii</sup>	40
	Measles immunization (% children 12-23 months)	61% <sup>vi</sup>	70% <sup>xi</sup>	83% <sup>xi</sup>	83% <sup>xi</sup>	84% <sup>xi</sup>	100%
Improve maternal health	Reduce MM by three-quarters (MMR per 100,000 live births)	740 <sup>vi</sup>	540 <sup>xi</sup>			241 <sup>vii</sup>	185
	Skilled attendance at delivery (% of total)	36.7 <sup>xii</sup>	49% <sup>xii</sup>	51.8% <sup>iii</sup>	55% <sup>xiii</sup>	47% <sup>vi</sup>	100%
Combat infectious diseases	Halt and reverse the spread of HIV/AIDS (prevalence % of population ages 15-49)	2.4% <sup>xiv</sup>	2.3% <sup>xv</sup>	3.6% <sup>i</sup>	3.1% <sup>i</sup>	2.7% <sup>vii</sup>	<2.4%
	Halt and reverse the incidence of malaria (notified cases per 100,000 population)		42.9	43.9	44.1	42.7	
Ensure environmental sustainability	Reverse loss of resources (% of land area covered by forest)	32.7% <sup>vi</sup>	26.8% <sup>xvi</sup>	34% <sup>xvii</sup>	32% <sup>xviii</sup>	24.2% <sup>xviii</sup>	>33%
	Halve proportion of people without sustainable access to safe drinking water (% of population with access to improved water source – all)	49% <sup>xix</sup>				55%	75%
	Halve the proportion of people without sustainable access to improved sanitation (% of population with access to improved sanitation)	48.5% <sup>xx</sup>			18% <sup>vi</sup>		75%
Partnership for new technologies	Fixed lines and cellular subscribers (per 100 people)	0.3 <sup>vi</sup>	1.7 <sup>vi</sup>	5.0 <sup>vi</sup>	9.1 <sup>vi</sup>		
	Internet users (per 100 people)	0 <sup>vi</sup>	0.2 <sup>vi</sup>	1.1 <sup>xxi</sup>	1.7 <sup>vi</sup>		

- <sup>i</sup> Ghana Poverty Reduction Strategy I, 2002 - 2004  
<sup>ii</sup> Ghana Living Standards Survey 1998/999  
<sup>iii</sup> Core Welfare Indicators Questionnaire Survey, 2003. Ghana Statistical Service  
<sup>iv</sup> FAO 2006 Food Security Report  
<sup>v</sup> Ministry of Education Science and Sports (MOESS) 2006 ESP  
<sup>vi</sup> Online UN Stats MDG indicators 2006  
<sup>vii</sup> Ghana Poverty Reduction strategy II indicators p.8  
<sup>viii</sup> Online UN Stats MDG indicators 2006; baseline is 1991  
<sup>ix</sup> UNICEF 2005  
<sup>x</sup> Ghana Poverty Reduction Strategy I 2002 – 2004; p.34  
<sup>xi</sup> Online UNICEF database 2006



- xii Demographic and Health Survey, Ghana 2003
- xiii Ghana Poverty Reduction Strategy I p.91
- xiv Ghana Poverty Reduction Strategy I, 2002 – 2004; p.86; baseline is 1994.
- xv Ghana Poverty Reduction Strategy I, 2002 – 2004; p.86
- xvi EPA/UNEP State of the environment report July 2002
- xvii EPA/UNEP State of the environment report July 2002 p.6
- xviii EPA/USGS Agro-ecological zones and land cover trends in Ghana January 2006 p.4
- xix UN Human Development report, April 2006
- xx WHO/UNICEF Joint Monitoring Program for Water Supply and Sanitation, 2004
- xxi UNICEF online Country data

Note: water and sanitation data series are under review

## 3. Goals and Challenges

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### 3.1 The National Development Strategy – GPRS II

Ghana's first national Poverty Reduction Strategy (GPRS I) was finalised in 2002 with the aim of generating growth, controlling inflation and increasing expenditure on programmes targeting the poorest and most vulnerable in society. While much of the government's macroeconomic agenda was achieved during the GPRS I period (2003-2005), reviews noted little room in the GPRS for addressing high-growth issues, as well as weak attention to gender equality, inclusion and social protection.

A second generation GPRS was produced by government<sup>31</sup> in late 2005, with an ambitious overarching goal of raising average per capita income levels to middle-income levels by 2015, i.e., from about US\$ 400 to about US\$ 1,000. The GPRS II (2006-2009) is an agriculture-led strategy which seeks to diversify the economy's structure from traditional cocoa to cereals and other cash crops for export markets. Other sectors considered to have long-term potential include: tourism, information and communication technologies, light industry based on textiles and garments, and value-added to minerals. The GPRS II emphasizes policies to promote equitable growth that will be sustainable over the medium to long term.

GPRS II presents its strategies and actions according to three thematic pillars: **Private Sector Competitiveness; Human Resource Development; and Governance and Civic Responsibility**. Development partners consider that the GPRS II, together with the recommendations of the APRM, provides an acceptable basis for aligning support over the short to medium term. However, the GPRS II would provide an even better framework for programming of external assistance were there greater strategic depth in the discussion of trade-offs, a more credible costing of GPRS II priority programs, and a robust results framework.

If Ghana is to continue its record of strong macro-economic performance and achieve its goal of reaching middle-income status by 2015, including the fulfilment of all the MDGs, a number of constraints and challenges across the three GPRS pillars will need to be resolved in the short to medium term. These challenges are presented in the following section.

### 3.2 Challenges and Strategic Priorities

#### Cross-sectoral challenges

- ***Maintaining sound macroeconomic management and budget governance*** and improved management of domestic and external resources are essential for sustainable growth and poverty reduction. Without a strong domestic revenue base and effective management of official and private resource flows, achieving an accelerated growth target will be significantly more difficult.
- ***Tackling poverty disparities*** will require targeted interventions to address growing inequities between and within regions, gender disparities in access to resources, services and infrastructure amenities, and the effects of long term natural resource depletion. Such action will be necessary if Ghana's human

<sup>31</sup> Growth and Poverty Reduction Strategy (GPRS II) (2006-2009). November 2005, National Development Planning Commission (NDPC), Republic of Ghana. (219 pp). See Annex 1 for a précis.

development indicators are to improve significantly and contribute to economic performance.

- ***Sharing the benefits of growth*** is important because growing inequality and unsustainable growth paths have the potential to lead to political strife and conflict, as has been demonstrated in neighboring countries. Shared growth can happen in two ways. One is through ensuring that everyone has the same economic opportunities so that they can make a decent living and, thereby contribute to growth over time. The second is to put in place redistributive measures so that people who will not be able to work are ensured a minimum standard of living.
- ***Improving the quality and productivity of all public expenditure*** is an urgent cross-sectoral priority, particularly in view of the need for enhanced financing of infrastructure investments to underpin growth. With current considerable domestic resource mobilisation and more DP resources flowing directly into the government budget, it is essential that Government tests for efficiency and value for money in public expenditure and insists on accountability for all public monies.
- ***Absorbing large external inflows without compromising the competitiveness of the export sector*** will require a strong drive to enhance the productivity of private sector investments and improve the productivity of public sector spending overall. On the latter point, Ghana's need to finance large infrastructure investments to provide a platform for growth could lead to an expansion of non-concessional borrowing and a weakening in the country's debt sustainability position, if concessional funds are not available to respond to needs.
- ***Accelerating decentralization*** is key to improving citizens' participation in development. If service delivery is to be improved and become more responsive to local priorities, the Government needs to step up the implementation of its National Decentralisation Action Plan, adopt a comprehensive decentralisation policy and strategy, make progress regarding the political decentralization process, and ensure that functions and resources are transferred from MDAs to districts.
- ***Managing the effects of rapid urbanization*** in a way that is equitable and has positive poverty reduction impacts will require a well-functioning infrastructure network, a transparent regulatory environment with increased emphasis on coordinated urban planning, and a sound municipal governance/finance system. Bringing these factors together will create an enabling environment for private sector development.
- ***Reinforcing high-level coordination and dialogue to mainstream environment*** is critical. The implication of environmental and climatic factors for economic growth and the trade-offs that may be required across sectors need to be assessed systematically and routinely. Policy, regulatory, and incentive frameworks relating to environmental management are complex, and overlapping institutional mandates and outdated legislative measures can lead to conflicts in interpretation and program implementation. An immediate need exists to strengthen intersectoral coordination mechanisms to foster sustainable growth.

In addition to these cross-sectoral challenges, G-JAS DPs have identified a number of strategic priorities at the pillar and sector level which will inform their assistance and dialogue with the government over the G-JAS period.

### **Pillar One: Private Sector Competitiveness**

The GPRS II places private sector-led development at the forefront to achieve higher and more broadly based growth. Modernization of agriculture and linkages to industry are seen as central to the structural transformation of the economy that will be needed to sustain higher growth and drive poverty reduction. A broad range of efforts will be needed to remove constraints related to sustainability and shared growth.<sup>32</sup> Strategic priorities across the pillar include:

- improving the enabling environment for business, including trade and financial services,
- facilitating stronger regional integration to stimulate productivity and trade links,
- enabling agricultural producers to improve productivity, diversify crops, and expand production for exports,
- improving access to land and security of property rights, particularly for women farmers,
- managing Ghana's natural resources in a sustainable and transparent way,
- scaling up investment in energy generation and distribution and in transport infrastructure, and
- creating the environment for more competitive and lower cost ICT services.

#### *Business environment*

Ghana's business environment is becoming one of the most favourable on the continent, but improving the enabling environment for businesses of all sizes, and particularly outside the main urban areas, continues to be a major challenge. Priorities for government action include simplifying procedures for business start up, allowing greater competition in the financial sector, facilitating land title and property registration including reducing gender differentials in access to land and credit, and strengthening the legal rights of creditors. Increasing investment, strengthening business linkages, and generating employment are major tasks for the private sector. Implementing the Trade Sector Support Programme and the Financial Sector Strategic Plan are essential to improve access to international markets and to financial services. Widening access to credit and affordable business development services is critical for enabling small and medium scale enterprises to develop.

#### *Trade*

Accelerating growth of regional markets will require greater integration of transport and communication systems among ECOWAS countries and increased harmonisation of fiscal and regulatory policies. ECOWAS efforts to put in place common external tariffs and custom facilitation measures will enhance trade and regional integration. Regional programmes such as the forthcoming Economic Partnership Agreement (EPA) with the EU and USAID's West Africa Trade Hub could be instrumental in facilitating stronger regional integration and contributing to address supply-side and competitiveness constraints.

<sup>32</sup> Ghana – *Scaling Up for Stronger Growth*. Note prepared by the World Bank for Ghana CG/APM meeting, Accra, June 21 2006.

## *Agriculture*

Central to the diversification and expansion of exports needed to achieve and sustain higher economic growth is the modernisation of agriculture which will, in turn, spur pro-poor growth beyond the sector itself. These growth linkages are vital in a sector that has the highest proportion of workers in households in the two lowest welfare quintiles. The priority for a growth with poverty reduction strategy is therefore to take measures that enable poor producers, many of them women, to improve their productivity, market access and incomes alongside those with more commercial advantages, while at the same time sustaining their natural assets such as land (see Box 2) by scaling-up sustainable land management practices. Strategic priorities include strengthening rural infrastructure, especially rural roads and irrigation, improving land tenure, promoting promising value chains, enhancing access to credit for women and men by strengthening rural financial institutions, and strengthening the provision and targeting of agricultural research and extension services.

### **Box 1: Differential Access to Land**

Land ownership by households and their members is the exception rather than the rule. Less than one third (31%) of households headed by women own land. The land allocation process is often biased against women; fewer women obtain land; women consistently have smaller and in some cases less fertile plots; and they often hold land on less secure terms than men. All of these factors reduce agricultural productivity. Gender differentials in access to and control of land are often a result of inheritance rules, marital residence and land use patterns, as well as life cycle changes. Unequal land rights sustain and reproduce female poverty and exclusion.

## *Natural Resources and Environmental Management*

Sustainable management of natural resources and environment is also urgent. Priorities include: reforming and building capacity of key regulatory agencies (for fisheries, minerals, forestry and environmental protection) to help them adapt and fulfill their mandates as subvented agencies; improving positive linkages between extractive industries and local communities; regularizing and assisting the related informal and artisanal sectors within a participatory framework; improving budget formulation and execution as well as public financial management; strengthening oversight capacity; and enhancing coordination mechanisms among regulatory agencies.

## *Infrastructure*

Much of Ghana's desire to accelerate growth rests on a substantial scaling up of investment in new infrastructure, including efforts to strengthen the regulatory and institutional framework to attract more private sector participation, and efforts to improve efficiency and absorptive capacity. A significant part of the challenge also lies in substantially improving the management of existing infrastructure, including maintenance needs. Meeting the infrastructure challenge requires a fully integrated infrastructure platform and critical attention by government to the effective combining of public and private sector investments, prioritisation processes and value-for-money tests.

### *Transport*

Improved transport links are critical to improvements in market access, factor productivity, and export performance as well as to enhancing Ghana's position as a regional transport hub and corridor in West Africa. Priorities include: achieving a better balance between investment and expenditure on maintenance; providing better links between rural areas and markets and service centers through rural feeder roads; improving regional trade routes; upgrading ports to minimize delays and developing interchange facilities for passengers and freight; improving security and safety to international standards; and strengthening sector management through an integrated transport policy and strategic plan.

### *Energy*

With rising demand and constrained supply, energy infrastructure needs to be significantly upgraded and expanded if the sector is not to act as a serious brake on future growth. Critical priorities include completing the power sector reform (including a management services contract for the Electricity Company of Ghana, ECG), expanding generation capacity to meet demand growth, stemming losses in the distribution system, setting retail and bulk tariffs at cost recovery levels, and adopting a new energy policy that sets out a clear institutional framework for the sustainable expansion of access. Complementary action is called for to promote the efficient use of energy, gradual transition from fuelwood to modern energy (including renewable sources), and regional power sharing arrangements.

### *Telecom/Information Communication Technology*

International competitiveness increasingly depends on high speed, low-cost communications. In the Ghana context, there is a need for more competitive and lower cost ICT services through tighter regulation in the short term, development of a national broad-band fibre-optic network, and an improved institutional framework for promoting private sector participation, especially in the development of a robust information technology industry. Opportunities for private sector operators to enter into partnership with Government to develop e-government applications are now being explored and offer potential for cost-effective roll-out of virtual services.

## **Pillar 2: Human Resource Development**

The GPRS II places emphasis on expanding services to meet the MDGs and developing a healthy and skilled labour force to support higher growth and structural change. While progress has been made in expanding services in health, education, and water and sanitation, quality improvements lag behind. Attention to quality is vital to achieving and sustaining outcome improvements in learning, life expectancy, and child and maternal mortality. Addressing gender inequalities in school enrolment and access to health services is also essential to meet MDG targets and encourage stronger participation by women in the growth and development process. A commitment to social protection is likewise an essential part of delivering on a high and sustainable growth path.

Strategic priorities across the pillar as a whole include:

- enhancing the quality and efficiency of basic service delivery,
- improved targeting of services and preventative activities to underserved areas and vulnerable groups,

- ensuring financial sustainability in service delivery and social protection measures,
- clarifying roles and responsibilities of line ministries and district governments and ensuring effective flow of funds to district levels, and
- focusing on the role of education and health in raising productive capacity of the labour force.

### *Education*

Priorities in the education sector include achieving Universal Primary Enrolment and full completion in primary education, expanding enrolment at post-primary levels, promoting gender parity in secondary school enrolment, improving the quality of teaching and learning at all levels, and improving the relevance of post-basic education. The role of private providers as well as private financing also needs to be strengthened. Reforming tertiary education financing needs to assure sustainable growth, diversification and improve accountability. Further priorities include an emphasis on science and technology, especially ICTs in education, and a greater focus on skills development and training, including technical and vocational education and training, as a means of human resource development in line with the GPRS II growth agenda.

### *Health*

Priorities in the health sector are focused on achieving significant declines in the rates of maternal and child mortality (in particular neo-natal mortality) by improving equitable access to quality basic health and nutrition services. Reproductive health interventions, with a particular focus on youth/adolescents, are likewise important and will lead to better health outcomes and a reduction in population growth. Malaria control is a continuing priority in light of its significant impact on economic growth and on child mortality. Collaboration with non-state service providers will increase effectiveness and efficiency of 'close to client' delivery of a high impact service package. Improved management of human resources will be necessary if quality of services is to be improved, including policies to address the impact of health staff brain-drain. Likewise, consolidating the financial viability of the National Health Insurance Scheme will be a key element to ensuring the sustainability of health service delivery. Lastly, intersectoral collaboration beyond the limits of the "health sector" will be needed to promote health and attack the underlying causes of morbidity (in particular by linking with water and sanitation, environment, education, infrastructure, and agriculture/food security).

### *HIV/AIDS*

Prevention efforts in the past have led to high levels of awareness and good knowledge about HIV/AIDS and other sexually transmitted infections. However, misconceptions still exist, risk perceptions are low, and adoption of preventative behaviours is still limited. Improving the level and targeting of prevention activities towards specific groups and geographical areas with high prevalence rates and risky behaviours needs to be intensified. Stigma and discrimination faced by people living with the virus urgently need to be reduced, alongside scaling-up anti-retroviral combination therapy for people with advanced HIV.

### *Water and Sanitation*

Key priorities include approval of the National Water Policy and revision of the Sanitation Policy, as well as preparation of related implementation frameworks.

Prioritized investment plans for urban water, rural water, and sanitation are needed to provide a solid framework for scaled-up funding to the water supply and sanitation (WSS) sector. Strengthening of the institutional framework is needed to provide guidance for harmonisation and alignment of DP implementation approaches. Such strengthening is needed at the national level so that the sector ministry can carry out its lead role effectively, and district capacity development will also be needed, as District Assemblies take on increased responsibilities. Funding for rural water investments needs to be doubled if the MDG target of 73% coverage of the rural population is to be met by 2015<sup>33</sup>, with an increasing share coming from domestic sources. With respect to urban water, challenges include strengthening Ghana Water Company Ltd. (GWCL) capacity to effectively supervise the PSP arrangement, integrating financial modelling into the investment planning process, increasing investments in urban water supply to improve access, and developing pro-poor approaches that will enable the utility to meet the needs of poor consumers.

### *Social Protection*

Despite improving poverty trends, over 25% of the population lives in extreme poverty. The government has committed to developing more targeted programmes, both to act as a safety net and to provide an extra push to move them out of chronic poverty. Government capacity needs to be developed so that it can run a well-targeted and efficient social protection programme on a national scale, which addresses income poverty and facilitates access to basic services. The Ministry of Manpower will need to coordinate closely with MDAs and districts to avoid parallel programs. Interventions, such as social security payments for the elderly, for the food insecure, or for vulnerable children, need further support.

### **Pillar 3: Governance and Civic Responsibility**

The government has significantly improved the management of public resources in recent years, and has made a start in attacking the backlog of broader public sector reform issues. Although political constraints have tended to slow implementation of systemic changes to the budget process, financial controls and budget accountability to parliament and civil society, progress is definitely being made, as evidenced by the Public Expenditure Financial Assessment (PEFA) and External Review of Public Financial Management (ERPFM) process. This offers the opportunity for accelerated reform to reach international value-for-money standards, the impact of which cannot be over-estimated for achieving a high-growth scenario.

Cross-sectoral priorities for governance reform include:

- Upgrading public expenditure and financial management, in particular strengthening value for money structures related to public expenditure and investment.
- Reforming the civil service, with an emphasis on measuring results and citizens participation, and improving the transparency and accountability of government operations.
- Implementing effective decentralisation to local authorities, including clear roles and responsibilities for central and local MDAs, and sufficient resources and responsibilities for districts to fulfil their mandates.

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<sup>33</sup> Country Status Overview, 2006



- Strengthening the oversight capacity of non-executive bodies (Parliament and other bodies) and the capacity of citizens and non-state actors to engage in national development and to fight against corruption.
- Enhancing the representation and participation by women with clearer accountability for gender equality outcomes across government departments and local authorities.
- Improving statistical services and data analysis, enhancing their utilisation in policy and decision making, and widening information-sharing to strengthen social accountability.

### *Public Financial Management*

Government introduced three laws in 2003 that combine to establish a strong framework for public financial management and accountability. However, the financial administration, procurement and internal audit laws are still at an early stage of implementation, and there is much to be done to ensure they deliver their intended outcomes. The Ministry of Finance and Economic Planning (MoFEP) has developed a strategic plan which reflects challenges identified in the 2006 Review. This plan focuses primarily on MoFEP, but there is also a need to ensure that MDAs' and districts' public financial management and accountability systems are strengthened, including their procurement capacity and ability to screen investments against value-for-money criteria. Improved performance in these areas will help to limit opportunities for corruption.

### *Public sector reform*

Strengthening the civil and public services is a key element of the Government's reform programme. It is essential that the reform process delivers sustained and measurable improvements in a transparent way and with active citizens' participation. As the impact of central-level public sector reforms take time to work through the system, focused sector-based organisational and institutional strengthening programmes will also be required to complement the reform agenda. Priorities for the coming years should include: policy coordination within ministries and across ministries; results-based management and accountability systems; civil service training; reform of central management agencies; overhaul of the public sector pay and pensions, with the aim of achieving consolidation and monetization of salary components and elimination of all non-monetary benefits and allowances; and development of a comprehensive human resources management strategy that would define clear career progressions and management functions within the civil service (including new career streams such as procurement and information technology).

### *Strengthening oversight capacity*

According to Ghana's constitution and legislation, non-executive bodies are mandated to exercise strong oversight over the executive, but their performance of these functions is often limited in practice. For example, staffing and overall funding constraints have limited the scope and depth of scrutiny that Parliament and its standing committees can give. The Ghana Audit Service has improved its capacity to provide financial accountability but has not yet focused on evaluations of outcomes. Priorities for the future should therefore include expanding support to these institutions so that they can deliver their full mandate. Ghana's political traditions provide space for civil society organisations to comment on government performance, and there is additional scope for government to encourage civil society

involvement in public policy formulation and implementation. Capacity development is needed for civil society organisations to build stronger coalitions, strengthen links with grass-roots groups, participate in development dialogues at different levels of governance (including the Extractive Industry Transparency Initiative, EITI), monitor delivery of public goods, and hold government accountable for corrupt practices.

### *Ensuring Gender Equity and Empowering Women*

Ghana has committed to ensuring gender equality and women's empowerment by signing a number of international agreements (CEDAW 1981, 2004 Solemn Declaration), but implementation on the ground has been slow. Priority actions include providing the Ministry of Women and Children's Affairs (MOWAC) with adequate financial resources and good quality staff to carry out its mandate of working with other MDAs and local government to mainstream gender into their policies, programs, and budgets. Government as a whole needs to more strongly drive MDA capacity development interventions related to gender analysis and gender sensitive programming. Enforcement of pending legislation, such as the Domestic Violence Bill, will also require concerted efforts across a range of MDAs. Finally, MOWAC and civil society, working with the Ghana Statistical Service (GSS) and NDPC, need to develop their capacity to monitor and evaluate how well Ghana is doing in implementing its gender policies, domestic law, international agreements, and the APRM recommendations.

### *Managing for Results*

In line with the GPRS I Monitoring and Evaluation (M&E) plan, the government has produced an Annual Progress Report (APR) each year since 2003, to report on GPRS policy implementation and make policy recommendations to feed into the budget process. In addition to the APR, five Poverty and Social Impact Assessments (PSIAs) have been completed. There is increasing demand for timely and quality M&E from central Government, including Office of the President, Cabinet and Parliament. Dissemination of information has been limited historically, but this situation is changing, with the launch of GhanaInfo and operationalising the NDPC website. The GSS is in the process of setting up a Data Centre where electronic data on various surveys can be easily accessed.

The main challenges in this area relate to the need for capacity development at all levels. Some of the problems that persist relate to issues of staff retention and motivation, while others relate to defining clear institutional priorities (in work programmes) and coordinating donor support. Completing prioritized programmes of work has proven difficult, and domestic demand and support have been insufficient to press for necessary changes. As noted above, the dissemination culture is changing towards a more open regime, although there is still a need to widen access to information and strengthen social accountability, especially outside central circles in Accra. To address these challenges, it will be important for central and line institutions (eg, Office of the President, MOFEP, GSS, NDPC, and MDAs) to prepare action plans aimed at resolving M&E related constraints and for DPs to provide coordinated support for their implementation. District-level M&E capacity will also need attention.

## 4. Working Together

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Ghana faces a crucial opportunity to step-up its national development effort to achieve the MDGs and make progress towards middle-income status. But, as discussed in Chapter 3, there are major challenges along the way requiring concerted efforts across the Government and strengthened partnerships with private sector institutions and civil society organisations. This backdrop increases the importance of development partners working together effectively, both to support Government's efforts at increased coordination and to increase the overall impact of assistance on GPRS II goals. The G-JAS is a significant step forward in this direction.

### 4.1 Strategic Principles and Commitments

The G-JAS seeks to fully align partner activities with GPRS II and to formalise the GPS. As described in Section 1.1, the GPS Results Matrix provides the overall framework for how DPs support Ghana to achieve measurable outcomes in accordance with GPRS II. The GPS also includes a rolling Harmonization and Aid Effectiveness Plan (G-HAP) based on the Paris Declaration on Aid Effectiveness. G-JAS partners are fully committed to taking forward the G-HAP in partnership with Government and civil society.

To boost progress, G-JAS partners have identified a set of *strategic principles* and *commitments* drawn from the G-HAP, to drive their harmonization and aid effectiveness efforts forward during G-JAS implementation. The broad **strategic principles** that G-JAS partners will observe in their assistance programs are to:

- increase their use of common arrangements to plan, deliver and monitor their development assistance,
- work through pillar and sector working groups to share information and, as far as possible, plan policy dialogue, financial support, and technical assistance with each other, with the government, with civil society and private sector groups,
- aim to use country systems to manage and implement their assistance, and seek to strengthen these systems in a coordinated way, and
- focus on the achievement of results through nationally driven M&E frameworks and support evidence-based decision-making through strengthened national statistics and systems for M&E.

The **commitments** that G-JAS partners have made as part of the G-HAP are summarised in Figure 2 to facilitate ease of reference and to highlight those elements that G-JAS DPs can actively influence. G-JAS partners plan to set specific targets for these commitments early in the G-JAS cycle. Implementation and reporting against these commitments will take place as part of the G-HAP process, in the context of the CG/APM meeting each June.

### 4.2 Working Smarter

Development partners are already working together through a range of coordinated programmes and common arrangements. Progress is variable, in part because of the lack of fully developed strategies and results frameworks in a number of sectors, the absence of clearly prioritised annual work plans, and the absence of a clearly articulated aid policy in which the government sets out its preferences for working

**Figure 2: Harmonization and Aid Effectiveness Commitments**

Ghana Harmonization & Aid Effectiveness Plan	G-JAS Partner Commitments
<b>Program Based Frameworks</b>	
Program Based Approaches increase and transaction costs for Government institutions decline	<p>DPs commit to use program based approaches where sector strategies are in place</p> <p>Budget support donors commit to increase the level of assistance provided through budget support mechanisms, assuming that macro-stability is maintained and country system performance shows steady improvement.</p>
Coordinated frameworks for technical cooperation support national and sector capacity development requirements	<p>DPs commit to align technical cooperation on national and sector strategies</p> <p>DPs commit to support coordinated programmes for capacity development at national and local levels</p>
Joint country analytic work increases	<p>DPs commit to align country analytic work on national and sector policies and strategies</p> <p>DPs commit to increase the country analytic work carried out jointly</p>
<b>Transactions costs / harmonization</b>	
Aid flows aligned with national priorities	<p>DPs commit to reorient assistance programs, where possible, to improve alignment with emerging national priorities</p> <p>DPs commit to better coordinate among themselves and with Government through the adoption of common standards for sector groups and through delegated representation arrangements</p>
DPs increasingly use Ghana PFM systems for managing flows	DPs commit to use the Public Expenditure and Financial Assessment (PEFA) framework for medium-term monitoring of country financial management capacity
DPs increasingly use Ghana's public procurement system for purchases of goods & services using aid funds	DPs commit to use a standard tool for monitoring country procurement performance and capacity
Parallel implementation structures are reduced and national management arrangements increase	<p>DPs commit to phase out parallel implementation structures in accordance with sector strategies</p> <p>DPs commit to avoid creating new parallel implementation structures</p> <p>DPs commit to strengthen country systems and national capacity for program implementation wherever possible</p>
Tied aid practices decline	DPs commit to accelerate progress in reducing tied aid
Joint DP aid framework (multi-year)	<p>Budget support donors commit to align their disbursements with the budget year and to release funds in the first half of the financial year</p> <p>DPs commit to provide multi-year data on projected disbursements and timely information on actual disbursements, using a common format</p>
Joint missions increase and predictability of visits improves	<p>DPs commit to observe the national mission free period from Sept 15 – Nov 15</p> <p>DPs commit to coordinate mission planning at the sector group level and to share information on mission schedules using the multi-donor website</p>
<b>Partnership Framework</b>	
Independent Assessment Mechanism	DPs commit to develop jointly with Government and to participate in an Mutual Accountability Mechanism that involves civil society and the private sector
<b>Managing for Results</b>	
DPs use indicators derived from the GPRS/detailed sector strategies to monitor their assistance	<p>DPs commit to align the GPS Results Framework on national GPRS II results indicators and targets</p> <p>DPs commit to use the GPRS II Annual Progress Report and APRM Progress Report to monitor the GPS Results Framework</p>

with DPs at central, sector and local government levels. Through the G-JAS process, DPs will be looking to advance dialogue with the government on these issues.

### **Pillar and Sector Working Groups**

Government and DPs recognise that there is an urgent need to improve the cross-sector dialogue at the GPRS II pillar level. Many constraints at the sector level can only be overcome by concerted action in other sectors. Appropriate modalities are under discussion and will be clarified in the coming months.

At sector level, progress with coordinated working is most advanced in the context of Multi-Donor Budget Support (MDBS), private sector development, transport, health, education, HIV/AIDS, and decentralisation, with emerging good practice in financial sector reform, agriculture, water and sanitation, natural resources management, social protection, and monitoring and evaluation. This good practice involves inter alia: clear leadership of the sector working group by the government; aligning DP assistance with a sector strategy, and, where possible, including it in the national budget process; streamlining monitoring and reporting procedures around a common results framework; and pursuing joint policy dialogue and analytical work in partnership with government.

#### **Box 2: Sector Working in PSD and Water Sanitation**

In the **Private Sector Development** sector working group, the main focus for DP alignment is the Government's Private Sector Development Strategy and associated comprehensive work plan. Oversight of the work plan is provided by a joint Government-Private Sector Oversight Committee, and a Memorandum of Understanding (MOU) sets out how the government and DPs will engage to support delivery of the sector strategy and work plan. Currently 12 out of 20 DPs have signed the MOU and either joined a pooled fund arrangement or aligned their project support closely with the strategy and work plan. It is hoped that more DPs will sign the MOU with more support made available either in the pool or on-budget in the near term.

In **Water and Sanitation**, DP support is large relative to the Government budget, thus DPs are working closely with the government to strengthen the sector policy framework for both government and DP financed investments. DPs are funding a study of ongoing harmonisation and alignment efforts in the sector with a view to recommend steps to improve joint working and enhance the impact of assistance. Denmark and the Netherlands are using common arrangements for managing their funds for water and sanitation investments that are channelled through the Ministry of Local Government, Rural Development, and Environment.

To capture these good practices and improve upon them further, a discussion paper was shared with Government in June 2006 which proposed that the pillar and sector working group architecture be rationalized to improve coordination and create a stronger platform for engagement around GPRS II priorities. Under this proposal, some sector groups would be consolidated, and a mechanism for promoting policy dialogue within a pillar would be put in place to enable cross-sectoral synergies and impacts to be addressed. Sector groups would operate according to a common standard, with transparent criteria for the selection of Government and DP sector leads. Civil society and private representatives would participate in core sector group activities, such as the annual sector review. A joint Government-DP working group reviewed and improved upon the original proposals, and forwarded its recommendations in December 2006 for consideration at the Ministerial level. Adoption of the

improved protocols and dissemination to MDAs for implementation would represent an important step towards a clearer division of responsibilities and increased coordination at sector level.

### ***Harmonisation and Reduced Transactions Costs***

One area where parallel practices by DPs have caused some difficulty over the years has been the payment of allowances and per diems to Government staff. The ultimate preference of the DP community is to align project funding with the government policy framework. However this is not yet feasible as public sector reform has not yet dealt with this issue, and practices have emerged that distort government remuneration and travel policy frameworks. In June 2006, therefore, DPs decided to adopt a joint approach to allowances and local travel per diems as an interim standardisation mechanism, pending revision of the Government remuneration and travel policy framework. G-JAS DPs will adhere to the common practices and allowance rates defined in the joint letter to Government, and implementation will be monitored periodically.

To improve harmonised working and lower transaction costs, some development partners have begun to share technical/advisory resources or manage funds for one another (Box 3). There are also a number of joint analyses and joint capacity development activities. For example, in the area of Natural Resources and Environmental Management, a joint approach is emerging supported by a joint Country Environmental Analysis (CEA) funded by the World Bank, DFID, RNE, and AFD. The EC is also using the CEA in the preparation of its Environmental Profile. Analytic work in the transport sector is jointly planned and reviewed by DPs and the government, as are selected interventions in the water sector. DPs undertake joint external reviews of public financial management every 18 months, and are currently participating in a joint evaluation of the MDBS.

#### **Box 3: Silent Partnerships**

'Silent' or 'delegated' partnerships between DPs take on different forms in different settings. They can involve an agreement between two (or more) DPs to share technical/advisory resources in order to represent one another in policy dialogue (often called 'silent' partnership). They can also involve one DP managing the financial contribution to a programme or project of another partner (sometimes called delegated contribution). The value of such partnerships is two-fold. First, they reduce the number of DPs around the policy table and make technical coordination simpler, and second, they facilitate the promotion of common understandings and positions among DPs.

Currently DFID and the Netherlands share a sector advisor in health, and DFID and the EC share an advisor in transport. Proposals for additional silent partnerships exist between CIDA and DFID in the agricultural sector and between the EC, Netherlands and DFID in education. Currently DFID support to the water sector is being managed by Denmark and GDC/KfW, although DFID maintains a presence in policy dialogue in the sector.

Further efforts to reduce the transactions costs of aid management include the decision reached prior to the 2006 CG/APM to institute a national mission free period (MFP). The MFP (September 15 to November 15) coincides with the finalisation of the national budget (a crucial time for Government) and commits DPs to not launch missions that would engage government colleagues in programming discussions, policy dialogue, or analytical work. 2006 was the first year during which an MFP

operated, and this innovation was a critical step in ensuring that DP mission planning is fully aligned with the Government's budget cycle.

### ***Aid Delivery and Predictability***

The CG/APM meeting is an important process element in improving aid predictability as it is timed to precede the kick-off of the annual budget cycle and provide an updated picture of rolling resource flows for Government planning. The evolution of the CG/APM from a periodic pledging session to an annual forum for reviewing GPRS results, external resource flows, and mutual harmonisation commitments represents an important step forward in the partnership relationship in Ghana. The overview of actual and projected disbursements by GPRS II pillar, sector, and DP provides a simple but powerful tool to monitor priorities. Integrating government spending into this tool would enhance assessment and planning.

The government indicated in the 2005 CG/APM communiqué its preference for an increased use of budget support and sector wide approaches for assisting the GPRS. G-JAS partners will seek to respond to this preference. Progress will depend on whether a clear aid policy is in place; credible sector strategies have been developed; and country systems are steadily being strengthened.

Predictability in financing has already substantially improved through the MDBS, which is now in the position of making pre-budget funding commitments, and a number of coherent sector programmes are now operating. DPs are looking to further improve predictability, and the 4 year focus of the G-JAS is one way to achieve this. Further efforts to improve predictability also depend on improvements in Government prioritisation, medium term budgeting, value-for-money tests, and external resource management.

In terms of preferred aid modalities, all active budget support donors are included in the G-JAS process. In selected cases partners are already planning to provide as much as 70 percent of their support through general and sector budget support instruments. However, further progress in this regard crucially depends on government implementing improvements to the policy framework and strengthening country systems for public financial management amongst other things. G-JAS partners using programme and project funding instruments will also align these with sector strategies and programmes.

## 5. Our Joint Response

### 5.1 Indicative Trends

G-JAS Partners project financial flows for the 2007-2010 period of US\$ 5.3 billion, of which two thirds would be provided on a grant basis and one third on a concessional credit basis. Of the assistance flowing to the government sector, US\$ 1.4 billion is expected to be in the form of budget support and US\$ 3.9 billion to be provided for sectoral programs. It is expected that the breakdown of sector level assistance will be on the order of US\$ 2.3 billion for Pillar I, US\$ 1.2 billion for Pillar 2, and US\$ 368 million for Pillar 3. Direct support to civil society is projected at about \$58 million over the G-JAS period. It should be emphasized that many DPs are not able to make projections for the whole four year period and that these numbers are provided to give an indication of trends, subject to the qualification noted above.

**Table 4: Prospective G-JAS Financial Flows: 2007-2010**

Aid Instruments / GPRS II Pillars and Sectors	Total Projected Disbursement (US\$ mn)				
	2007	2008	2009	2010	2007 2010
<b>Total Projected Disbursements</b>	<b>1,292.7</b>	<b>1,382.9</b>	<b>1,434.7</b>	<b>1,255.0</b>	<b>5,365.3</b>
of which:					
Budget Support (MDBS)	293.6	354.6	378.1	361.2	1,387.5
Direct Support to Civil Society	16.8	16.1	12.9	11.9	57.7
Sector and Investment Support	982.3	1,012.2	1,043.7	881.9	3,920.1
of which:					
<b>Pillar 1: Private Sector Competitiveness</b>	<b>596.6</b>	<b>583.1</b>	<b>626.5</b>	<b>519.4</b>	<b>2,325.6</b>
Agriculture (incl. NRM)	200.6	244.5	235.2	190.2	870.5
Private and Financial Sector Devt	91.5	78.4	56.0	36.6	262.5
Energy	76.6	48.5	53.7	57.7	236.5
Transport	227.9	211.7	281.6	234.9	956.1
<b>Pillar 2: Human Development &amp; Basic Services</b>	<b>315.0</b>	<b>330.6</b>	<b>307.7</b>	<b>273.3</b>	<b>1,226.6</b>
Health (incl. HIV/AIDS)	115.3	116.4	92.2	89.4	413.3
Education	99.2	110.2	103.5	98.0	411.9
Water and Sanitation	100.5	104.0	112.0	85.9	402.4
<b>Pillar 3: Good Governance &amp; Civic Responsibility</b>	<b>70.7</b>	<b>98.5</b>	<b>109.5</b>	<b>89.2</b>	<b>367.9</b>
Public Financial Management	5.4	7.4	6.0	5.5	24.3
Public Sector Reform	7.9	8.6	6.7	4.7	27.9
Decentralization	29.5	45.8	63.2	60.7	199.2
Other Governance (incl. M&E)	27.9	36.7	33.6	18.3	116.5

### 5.2 Focusing our assistance

The G-JAS Partners will support priority action areas identified in the GPRS II and in the APRM through sector and cross-sector programmes and projects. This section describes where G-JAS partners expect to focus their assistance during 2007-10, with a commitment to programme new assistance within this common framework. Detailed information on G-JAS partner mapping at the sector level and expected evolution over time is presented in Annexes 2 and 3, respectively.



## **Pillar 1: Private Sector Competitiveness (US\$ 2.3 billion)**

G-JAS partners will provide ongoing support for implementation of the trade sector program and the private sector development (PSD) strategy to improve Ghana's access to regional and global markets and improve the business and investment climate for private sector investors. Specific areas include improved service quality and timely delivery of PSD-related public services with a particular focus on micro-, small, and medium enterprises; an improved legal and regulatory framework for business and investment; trade facilitation; a more diversified and accessible financial sector through implementation of the financial sector strategic plan; and expansion of high quality, low cost ICT services through improvements in the enabling environment. Sector-wide approaches (SWAs) for PSD and financial sector development (FSD) are in place and will provide the framework for coordinating external assistance in these areas.

To promote the productivity and diversification of agriculture and rural non-farm growth, G-JAS partners will support the development of a SWAp framework focusing on enhancing the productivity of crops, livestock and aquaculture and land resources, improving food security and expanding vital infrastructure including irrigation and supply chain development. To promote rural development more generally, partners are supporting sector reforms and investments in rural roads and energy and measures to promote micro-finance institutions and the tourism sector. Analytical work relating to land tenure, biosafety regulations, capacity development of micro-finance institutions and improving access to finance for micro-, small, and medium enterprises will help guide work in this area.

To sustain growth and poverty reduction, G-JAS partners will pursue opportunities to provide harmonized support to natural resources and environmental governance in line with emerging government priorities for fisheries, forestry and wildlife, mining and overall environmental protection. G-JAS support will focus on regulatory institutions, related artisanal activities, engagement with non-State actors, strengthening the oversight capacity of non-executive bodies, public financial management, and linking with global initiatives to which Ghana is committed on extractive industries, forest governance and trade, and illegal fishing. Support to measures towards minimising the impact of climate variability and change will also be initiated.

As a vital input to higher and more widely shared growth, G-JAS partners will prioritise their support according to an integrated transport strategy and Transport Sector Development Programme with an emphasis on: enhanced maintenance; increased access to market through improvement in rural feeder roads; improved circulation and transit times in urban centers; improved transport links critical to West Africa regional trade; and increased use of private financing across the sector. The sector group is reviewing how to enhance the sectoral programmatic framework applying to both domestic and external funding.

In energy, the priority for G-JAS partners is to continue supporting implementation of power sector reforms to improve the sector's financial viability, and to expand the supply of energy services while protecting the poor. In addition, G-JAS partners will support the West Africa Power Pool and West African Gas Pipeline Projects, scaling-up access to clean, modern energy for households and public facilities, expansion of generation, and improving operation of the power system. Analytical work will provide needed analysis and an outline of an energy regulatory framework. The transition to clean fuel sources for household energy use is expected to contribute to reduced respiratory infections and improved health status among the population in general, and children in particular.

## **Pillar 2: Human Resource Development (US\$ 1.2 billion)**

The GPRS II emphasises the centrality of Human Resource Development to the achievement of faster and shared economic growth. G-JAS partners will support the government's efforts to enhance the role of the education, health, and water/sanitation sectors in raising the productive capacity of the population, enabling them to work more effectively in the productive sectors of the economy.

In support of improved educational outcomes and accelerated achievement of the MDGs, the G-JAS partners will focus on increasing access, completion and quality in basic education, particularly the six-year cycle of primary schooling, and specific measures, such as incentive schemes, to increase girls' enrolment, retention and completion, particularly in secondary education. G-JAS partners will work with the Ministries of Education and Finance to improve efficiency and equity in education financing at all levels, particularly in pursuit of a more sustainable and equitable system of funding for tertiary education. Partners are working with government to develop a SWAp within which support will be provided.

In health, G-JAS support will focus on increasing access to basic health and nutrition services for the poor; strengthening reproductive health care and linking it with HIV/AIDS control; and establishing sustainable financing arrangements with protection of the poor. The desired result is to improve neonatal, infant, and maternal mortality trends. Greater efficiency and higher health worker productivity will be promoted through a better mix of skills, equipment, transport, communication, and commodities. Delivery of a high impact yielding services package will be supported through the steady expansion in underserved areas of the network of health centres and district hospitals, gradually extended by community based health planning services compounds. Evidence based learning and planning will be enabled by a comprehensive Health Management Information System, supplemented by policy related research. Regulation of the health and nutrition sector will be a relatively small but important aspect of G-JAS support. G-JAS partners will give priority to strengthening the SWAp arrangement and its effective linkage to the MDDBS framework, with particular attention to the governance agenda, including decentralisation and public financial management.

To reduce the impact of HIV/AIDS, G-JAS partners will continue to support enhanced management of the HIV/AIDS response, increased targeting of prevention intervention, and scaling up of the provision of antiretroviral combination therapy for people with advanced HIV. Partner support is currently channeled through common arrangements in support of the Government's Universal Response programme, coordinated by the Ghana Aids Commission. In an environment of increasing budget support, opportunities for pooled funding and for integrating HIV/AIDS control measures into government/sector ministries' work programs will be pursued (relevant elements of universal access).

On water and sanitation, G-JAS partners will support the implementation of the National Water Policy and the Strategic Investment Plan for Rural Water, with plans to develop a SWAp. In line with the decentralisation process and in parallel to the reinforcement of district capacities, their interventions will be directed to and implemented by District Assemblies. In addition G-JAS partners will support the updating and implementation of the Strategic Investment Plan for Urban Water and the National Sanitation Policy. To enhance sustainable management of water resources, partners will seek the development of a National Integrated Water Resources Management plan.

G-JAS partners will support implementation of the National Social Protection Strategy by providing co-ordinated support for capacity development of the Ministry of Manpower and for the design and implementation of new programmes, and financial assistance in scaling these up nationally. G-JAS partners will work with the government to refine poverty targeting of protection programmes.

### **Pillar 3: Good Governance and Civic Responsibility (US\$ 368 million)**

To further strengthen democratic practice and public accountability G-JAS partners will provide support to oversight, human rights, and justice institutions.

G-JAS partners will support decentralisation reforms through the National Decentralization Action Plan. On the basis of a comprehensive decentralization policy and implementation strategy, G-JAS partners will seek to develop a coherent and coordinated support modality. Partners aim to move towards harmonized support for capacity development of local governments and the delivery of local public services, and towards harmonized arrangements for district development funding. To address urbanization challenges, support would focus on developing well-functioning infrastructure networks, transparent regulatory environments, and sound municipal governance/finance systems (particularly for those districts that are classified as municipalities or metropolitan areas). It is the understanding of the G-JAS partners that support to sector or cross-cutting programs at district level will be fully aligned with the objectives and implementation arrangements of the decentralization agenda.

Support for the government's Public Sector Reform Strategy will continue via multiple initiatives including economic management capacity development, support for pensions reform, and use of e-government applications to improve service delivery and increased productivity in the public service. Some DPs are participating in a pooled mechanism for a SWAp, and the intent is to expand G-JAS partner participation within this framework over the G-JAS period. G-JAS partners will encourage transparency and citizen participation in the Public Sector Reform process.

Improved interaction between Parliament, traditional authorities, and civil society groups will be supported through coordinated DP initiatives, although mechanisms are yet to be defined. Traditional authorities will be supported to assume a constructive role in national development and the modern nation-state, in particular in local land and judicial administration as well as in extra-judicial dispute settlement in conformity to the requirements of rule-of-law and national policies. Access to resources, justice and good local administration for women and vulnerable groups will be supported as a matter of paramount importance. G-JAS partners will also support initiatives that aim to increase transparency and reduce opportunities for corruption, by strengthening the oversight capacity of non-executive institutions and civil society organizations.

Improvements to budget formulation and execution processes and public financial management reform will continue through MDDBS support and individual DP projects in public procurement, revenue mobilization, and debt management. Upcoming ERPFM exercises will focus on issues Government considers critical to improving value for money and accountability in the use of public resources, using the PEFA PFM Performance Measurement Framework and the World Bank-OECD/DAC good practices on strengthening procurement capacities.

G-JAS partners will support the establishment of a robust national M&E system that generates regular reports on GPRS II implementation results and information for use

in evidence-based decision-making. In this context, DPs will work with GoG to enhance GSS and MDA capacity to produce reliable statistics and meaningful analysis in a timely manner. Partners will also encourage the government to engage civil society in its M&E efforts. Specifically, G-JAS partner support will be focused on the NDPC, GSS, the Office of the President, and MoFEP, working within the framework of a coordinated technical cooperation programme and prioritised institution-specific action plans. M&E capacity-development at the MDA and district level will also be supported within a harmonised framework.

To promote gender equality and empower women, and reach MDG 3 targets, G-JAS partners will support government and civil society to integrate gender equity issues and considerations into key national development documents; strengthen MOWAC in its role as policy co-ordinator on gender as well as in its horizontal relationship with MDAs; and advocate for a greater allocation of resources in the national budgeting process for women's empowerment. At the sector level, G-JAS partners will integrate gender concerns in policy dialogue and operational support programmes wherever appropriate and feasible.

### 5.3 Joint Programming Principles

To accelerate movement to joint programming during the G-JAS period, partners have decided to apply some key principles to guide programming choices in the short to medium term. These programming principles, which are listed below, are fully compatible with the strategic principles listed in Figure 2. Specifically, G-JAS partners will work within the framework of pillar and sector groups to:

- define priorities for new assistance and modalities for coordination.
- develop full SWAps and programme-based aid (PBA) frameworks where they do not yet exist.
- enhance coordination and complementarity between different aid modalities so as to maximize their combined effectiveness.
- develop and deliver coordinated technical assistance programs; untying and pooling of TA will be explored wherever desirable for achieving development results.
- consider restructuring on-going programs to enable greater alignment and more harmonized aid delivery when new PBA frameworks come into effect.
- increase predictability by making multi-year commitments wherever feasible, and sharing projected information on financial flows and strategic planning options with the government and DPs at least every six months.
- explore opportunities for increasing the use of delegated financing arrangements to reduce implementing agency transaction costs.

## 6. Results Framework and Risk Assessment

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### 6.1 G-JAS Monitoring and Review

Meeting GPRS II goals and targets requires a strong focus on results by Government and G-JAS partners, while monitoring and evaluation is essential in promoting accountability.

The G-JAS will be monitored in two ways. First, the assistance programme will be monitored through the GPS Results Framework which maps DP assistance to GPRS II and APRM priority actions. Second, the commitment to joint working will be monitored as part of country-level monitoring of the Paris Declaration commitments through the G-HAP.

The G-JAS will draw on existing structures and sources as far as possible. Data sources will include the APR of the GPRS II, the APRM Progress Review, the annual MDBS assessment, G-HAP progress reports, Paris Declaration surveys, and, eventually, an independent mutual accountability review.

*Development results.* Until the national monitoring framework for GPRS II is finalised, G-JAS DPs will use the current version of the GPS results matrix for monitoring G-JAS contributions. The matrix shows (i) GPRS outcomes, (ii) intermediate sector level indicators, (iii) Government strategies and actions, and (iv) specific interventions of development partners designed to contribute to the achievement of GPRS outcomes.

Once Government's GPRS II monitoring framework is finalised (expected by March 2007), the GPS results matrix will be updated to incorporate those GPRS II indicators and national targets which correspond to areas of G-JAS support. This will enable G-JAS partners to rely on annual country assessments of GPRS II results to judge the development effectiveness of the G-JAS, and avoid setting up a parallel monitoring or reporting system.

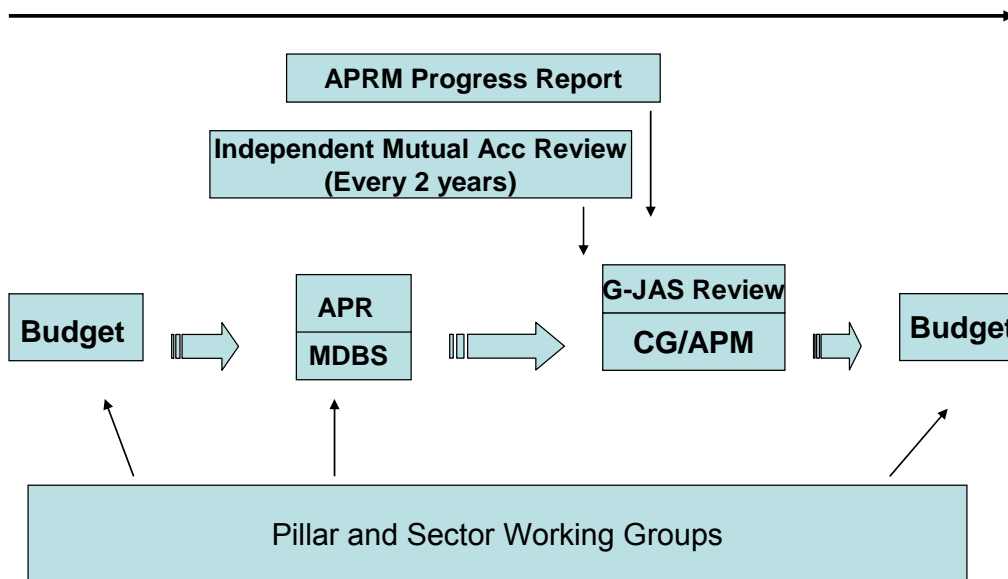
*Partnership results.* In addition to the annual monitoring of the development effectiveness of G-JAS support described above, there will also be annual monitoring of the G-JAS partnership through regular G-HAP progress reports. To complement these self-assessments, there will be a mid-term review of the G-JAS in 2008, and a full evaluation of G-JAS commitments at completion (2010), carried out by an independent team of evaluators.

*Timing.* To maximise the benefits of the joint assistance strategy, monitoring and review will be fully aligned with the GPRS II review cycle and government budget calendar (Figure 3). The findings of the annual G-JAS review will be discussed each June during the CG/APM meeting.

### 6.2 Mutual Accountability Framework

The government and DPs have committed to put in place an independent mechanism for assessing the aid partnership as a critical input to improved mutual accountability for development results. The purpose of an independent assessment mechanism is to generate an objective status report on the quality of the partnership, including recommendations for how it can be improved for the achievement of results.

G-JAS partners will engage government, civil society, and private sector partners in identifying and evaluating options for the establishment of an independent mechanism. The aim will be to ensure engagement of as many key stakeholders to the aid relationship as

**Figure 3: The Partnership and Review Cycle**

possible (e.g. Parliamentarians, CSOs, think tanks, business associations). Partners wish to jointly define with government a timetable for developing such a mechanism that is compatible with the first such report being available in time for the June 2008 CG/APM and the High Level Forum on Aid Effectiveness which will be hosted by Ghana in September 2008.

### 6.3 Risk Assessment and Mitigation

There is a range of risks to the development process in Ghana that relate to certain development challenges not being properly addressed; these risks are not dealt with here, but are outlined in Chapter 3. The scope of the risks discussed in this section are limited to **those risks that could adversely affect the aid partnership** and hence, the implementation of the G-JAS.

A major potential risk is the possibility that the **Government of Ghana does not provide adequate leadership on aid policy issues**, which could undermine overall aid effectiveness as well as the process of developing an independent monitoring mechanism for the aid relationship between the government and DPs. This could affect the credibility of the aid partnership and be an obstacle for scaling up aid volumes in Ghana. G-JAS partners commit to do all that is possible on their side to assist the government to develop an aid management policy that enables strong government leadership. A risk on the DP side is that **frequent turnover of DP personnel** could lead to loss of institutional memory about G-JAS commitments as new staff come on board. DPs undertake to institutionalise G-JAS within their country programme management and orient new staff to take on board G-JAS processes and outputs.

**Lack of progress in improving country systems** (financial management, procurement, monitoring and evaluation) could undermine G-JAS partners' willingness to increase programme-based approaches and budget support modalities. The MDBS dialogue provides an overall umbrella for defining milestones and a joint monitoring progress, and G-JAS partners will provide coordinated support for improving public financial management, procurement and monitoring capacity.

**Major slippage in implementing GPRS II and APRM recommendations** could undermine confidence and reduce the ability of Ghana to maintain current aid levels and attract new external funding. G-JAS partners will work with the government on aligning assistance to GPRS II priorities to reduce the likelihood of such slippages. In addition, to increase the likelihood that delays are caught early, G-JAS partners will work closely with the government to improve the overall architecture of the aid dialogue through the creation of GPRS II pillar structures and the strengthening of sector working groups, to complement the existing MDBS working group. The institution of regular outcome reviews at CG/APM annual meetings will provide an additional forum for discussing development results.

**Changes in the global aid policies of DPs** determined at head-quarter level could conflict with aid effectiveness practices observed at the country level. This could lead to difficulties in maintaining the G-JAS consensus around harmonisation issues. G-JAS partners undertake to brief capitals on harmonisation progress in Ghana, inconsistencies in organisational global policies and, where adverse changes in global policy occurs, to keep in-country partners apprised of the possible consequences of these changes.

Increasing levels of support from **new and emerging donors** that are not aligned to the G-JAS harmonisation consensus in Ghana could undermine aid effectiveness and have adverse effects on government capacity to manage aid. G-JAS partners will encourage new and emerging donors to participate in existing DP-government dialogue mechanisms and will maintain an open door policy for DP coordination mechanisms.

Experience from other countries suggests that **political instability or deteriorating governance indicators** could result in a breakdown in the DP consensus on how to engage with the government. This risk is considered low given the current positive trends in political governance in Ghana, and can be mitigated by further strengthening the policy dialogue structures mentioned above.

Similarly, **poor macroeconomic management or undue recourse to non-concessional capital markets** could result in an unravelling of the DP consensus as well as fewer commitments of new external resources to Ghana. G-JAS partners will maintain a high level policy dialogue on budget issues as part of the MDBS framework and at sector level as well. With respect to non-concessional borrowing, G-JAS partners commit to assist the government with advisory services so that market access, when it occurs, is strategic and sustainable. The range of support anticipated includes detailed assessments of Ghana's investment needs based on multiple expenditure and growth scenarios; identification and assessment of Ghana's medium- and long-term financing options; and capacity development related to assessing the viability of investment proposals considered for external non-concessional borrowing.

## 7. Next Steps

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### 7.1 The Way Forward

While concerted efforts to improve joint working and programming are underway, there is still some distance to go before partner programmes are fully coordinated with one another and aligned with sector programmes and priorities. Progress on outcomes and results will also depend on the government moving forward with its own reform programme and engaging actively with DPs on the harmonisation and alignment agenda.

As the G-JAS is a milestone in an on-going process rather than the end of a journey, the G-JAS partners commit themselves to a series of next steps to further deepen joint working and programming as part of G-JAS implementation:

- G-JAS partners involved in the MDBS process are committed to strengthening the multi-year performance framework (PAF), seeking both greater alignment with GPRS II targets and greater reliance on outcome indicators. Consultations between DPs and government on the next iteration of the MDBS PAF (2007-09) have a target completion date of end-February 2007.
- G-JAS partners commit to operationalise jointly with government the recommendations on pillar coordination and sector working groups developed by the joint government-DP working group. The goal is to have pillar and sector groups operating under the new guidelines by end March 2007.
- G-JAS partners are committed to aligning the GPS results matrix on the final GPRS II indicators and targets, so that full alignment is achieved. Once G-JAS partners receive the final national indicator set (expected by end March 2007), the next steps will involve working through the sector groups and sector leads to select which indicators and targets are most relevant to DP assistance programs and then revising the GPS results matrix. This process should be completed by end April 2007.
- G-JAS partners plan to translate the partnership commitments contained in the G-JAS into concrete targets for 2010. The next steps in this process will be to review the country-specific targets generated by the 2006 Paris Declaration baseline survey to assess whether these should become the G-JAS targets or if there are additional actions or higher achievement levels that the group wish to consider. The goal is to have a proposal ready for endorsement by the June 2007 CG/APM meeting.
- G-JAS partners and government committed ourselves at the June 2006 CG/APM to develop a framework for independent monitoring of the aid partnership in Ghana. The next steps involve forming a joint group to define what should be monitored, how frequently, who should do the monitoring, and how civil society and the private sector should be involved. The working group will be formed in early 2007, with the goal of submitting a draft proposal for endorsement to the June 2007 CG/APM meeting.
- G-JAS partners plan to initiate in early 2007 a comprehensive exercise that will establish *how to be more selective* in our financial programming, policy dialogue and technical cooperation and *how to concentrate our efforts* in line with our comparative advantages. To reach its full potential this division of labour exercise will involve the government at the earliest opportunity. The target date for initial discussion of recommendations on this theme would be at the June 2007 CG/APM meeting.



# 8. G-JAS Signatories

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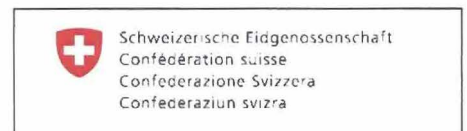
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*[Handwritten signature]*



Mats Karlsson  
Country Director  
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*Mats Karlsson*



## **Annex 1: Summary of Ghana GPRS II Pillars**

### **1. Private Sector Competitiveness**

**Objective:** To address in a systematic manner the constraints to private sector competitiveness in agriculture (in the medium term) through the following priority interventions:

- Improve Ghana's access to global and regional markets
- Enhance the efficiency of local markets by ensuring a strong private sector perspective on macroeconomic policies, financial sector reform, and public sector reform (including pro-business "customer charters" and regulatory impact assessments)
- Improve access to justice for businesses, (i.e. contract and enforcement/debt recovery)

The plan includes strategies for: (a) modernised agriculture, (b) trade and industry, (c) support sectors (transport, energy and science and technology), (d) the development of sectors with potential, i.e. information and communication technologies, mining, tourism and the music and film industry) and (e) establish an employment creation, monitoring and evaluation system

### **2. Human Resource Development**

**Objective:** To ensure the development of a knowledgeable, well trained and disciplined labour force with capacity to drive and sustain private sector-led growth.

The plan includes policies on:

- (a) formal education (obligatory school attendance for 11 years rather than 6 years), training and skills development (including entrepreneurship) and sports;
- (b) improved access to health care, malaria control and prevention of HIV/AIDS;
- (c) population management;
- (d) investments in safe water and environmental sanitation;
- (e) urban development, housing and slum upgrading/ urban regeneration, and
- (f) protection of the rights of vulnerable members of society.

### **3. Governance and Civic Responsibility**

**Objectives:** To empower State and non-State entities to participate in the development process and to collaborate in promoting peace and stability. To foster effective, responsible and accountable state machinery with capacity to engage the private sector and civil society. To consolidate and expand democratic practices and to implement the recommendations of the African Peer Review Mechanism.

The plan includes strategies to:

**(a) Political Governance:** (a) review power relationships of the executive and the legislative branches, (b) enhance decentralisation, (c) protect rights and enhance the administration of justice, (d) enhance public safety and security, (e) implement civil service reform (with focus on citizens participation and transparency and accountability), (f) fight corruption, (f) empower women (reform outmoded customs, mainstream gender in policy formulation and budgeting, develop gender disaggregated statistics) and (g) ensure better communication of the development plan and promote civic responsibility.

**(b) Economic Governance:** (a) improve public expenditure management, (b) improve fiscal resource mobilisation and monetary policy management, and (c) provide a trade-enabling environment (in order to reduce administrative trade bottlenecks, minimize dumping, diversify and increase export base, promote new areas of competitive advantage, take advantage of preferential access to markets and engage in multilateral negotiations)

**(c) Corporate Governance & Promotion of evidence-based decision making**

## Annex 2: DP Harmonisation and Selectivity in support of GPRS II

GPRS II Pillar/Objective	Ongoing Financing 2006	Planned Financing 2007-2010	Country Analytic/ Advisory Work	More harmonized working	Greater selectivity
<b>Pillar 1: Private Sector Competitiveness</b>			WB CEM	MDBS/PRSC policy dialogue Sector leads to convene quarterly meetings to discuss trends & performance at Pillar level.	
<b>Obj 1: Enhance the competitiveness of the private sector</b>	<i>PSD Strategy</i> (i) Pooled Fund (ii) Aligned Donors  USAID, WB, Germany, IFC, Denmark, UNDP, AfDB, Switzerland, Italy, France, DFID, EC, CIDA, FAO, NDF, IFAD, Japan RNE	EC (sector budget support), US/MCC, WB, IFC/Switzerland, UNDP, IFAD, Germany, AfDB, France, Japan, RNE, Denmark, Italy	USAID, Japan, Denmark, WB, UNDP, AfDB	More DPs to sign MOU by 2007  More DPs to roll-up funding into pooled fund.  All DPs in PSD to align with comprehensive work plan based on PSD strategy.	Plan to increase the share of pooled funds/sector budget support to reduce the number of separate financing streams.
<b>Obj 2: Modernization of Agriculture</b>	Pooled on-budget support - CIDA/DFID, IFAD, WB, Germany, AFD, Japan, EC, USAID, AfDB	IFAD, MCC, WB, CIDA, Germany, AFD, USAID, Spain, AfDB	IFAD/OECD (SAAP), CIDA, Japan	The government roadmap for SWAp supported by DPs  MOU relating to SWAp to be signed by DPs 2008  Plan to increase share of pooled/sector budget support in line with SWAp roll out	Proposal for silent partnerships being discussed between EC and AFD; CIDA and DFID.
<b>Obj 3: Tourism Development</b>	EC, France, Japan	Japan			
<b>Obj 4: Sustainable Natural Resource Development</b>	WB, GEF, EC, UNDP/GEF, AFD, CIDA, DFID, Germany, RNE, IFAD, Japan	WB, AFD, RNE, EC, France, UNDP, IFAD, CIDA, Japan, USAID, Germany	WB, AFD, RNE, EC, UNDP, DFID	Country Environmental Assessment (CEA) providing a common basis for sector policy dialogue and DP engagement.  Plan for a joint DP Environmental Governance Programme with possible pooled/SBS in support.  Joint institutional analysis to guide EPA capacity development.	CIDA and WB have a delegated financing arrangement, with WB managing CIDA funds related to land administration.

GPRS II Pillar/Objective	Ongoing Financing 2006	Planned Financing 2007-2010	Country Analytic/ Advisory Work	More harmonized working	Greater selectivity
<b>Obj 5: Infrastructure Support Services</b>					
<b>Transport</b>	Road Sector Programme – WB, AfDB, EC, Germany, IFAD, BAEDA, OPEC Fund, Saudi Fund, Denmark, Italy, DFID, AFD	Transport Sector programme – EC, WB, AfDB, Germany, Denmark Separate projects – MCC, Spain	EC, WB, AfDB	Active Road Sector working group with common PoW & sector performance benchmarks for the government & DPs.  Proposal to develop Transport Sector Development Programme (TSDP) to support integrated transport strategy.  Annual sector summit shifted to April to align with The government budget cycle	DFID and EC have agreed on a silent partnership in the transport sector, sharing EC's infrastructure advisor.
<b>Energy</b>	WB, Switzerland, AFD, USAID, EIB, Japan	WB, Switzerland, AFD, GTZ, Japan, Spain, AfDB	WB/AfDB <i>Energy Analysis;</i> USAID <i>Gas Regulatory Framework,</i> Japan <i>Distribution System M/P</i>	DPs working to ensure non-duplication and increase complementarity across DP efforts in the power sector.  Participating DPs defined measures for supporting ECG performance improvements.	
<b>ICT</b>	UNDP, WB	WB, UNDP	WB, UNDP	Harmonized approach to elaboration of standards for ICT training, investments, and employment creation	
<b>Pillar 2: Human Development and Basic Services</b>					
<b>Obj 1: Education</b>	Coordinated DP support through (i) specific projects - AfDB, BAEDA, France, Spain, Germany, IFC, Japan, WFP, UNESCO, UNICEF, USAID (ii) sector programmes - DfID, EC, WB, EFA/FTI	(i) USAID, Japan, MCA, AfDB, UNICEF, France, UNESCO  (ii) WB, DFID, RNE (silent with DfID), EFA/FTI,	WB, DFID, Japan, WFP, UNICEF, UNESCO  Joint GoG/DP PETS planned for 2007	DPs providing coordinated support to Education Sector Strategy through active SWG  DPs supporting sector programmes using government systems for channelling funds	EC & RNE to delegate advisory role to DFID.  EC to move funds to MDDBS.  DFID to manage RNE funds to the sector.

GPRS II Pillar/Objective	Ongoing Financing 2006	Planned Financing 2007- 2010	Country Analytic/ Advisory Work	More harmonized working	Greater selectivity
<b>Obj 2: Skills and Manpower Development</b>	WB, Japan	WB, Japan	WB		
<b>Obj 3: Health</b>	(i) specific projects - AfDB, Japan, UNICEF, WHO, USAID, Spain, Denmark, RNE, DFID, UNFPA, Global Fund  (ii) sector programme/ pooled fund - Denmark, DFID, RNE, WB	(i) AfDB, Japan, UNICEF, WHO, USAID, Spain, Denmark, RNE, DFID, UNFPA, Global Fund  (ii) Denmark, RNE, DFID		Health Sector Programme has provided focus for coordinated & pooled DP assistance for nearly 10 years. Common Programme of Work, common management arrangements and performance benchmarks.  Some DP support now moving upstream to MDDBS, others to earmarked funding but still within the sector programme framework. Status of future pooled funding currently unclear.  Joint field visits being carried out between DPs and MoH to assess performance lags in the sector.	WB and EC to shift funds to MDDBS (2007)  DFID to shift to SBS (2007)
<b>Obj 4: Malaria Control</b>	AfDB, Japan, UNICEF, WHO, USAID, Spain, RNE, DfID, UNFPA, DENMARK, UNFPA, Global Fund, WB	WB			
<b>Obj 5: Vulnerability &amp; Social Exclusion</b>	DFID, UNICEF, AfDB	DFID, UNICEF	DFID, UNICEF, UNDP (Human Development Report)	DFID, UNICEF providing pooled support to development of the government's Social Protection Strategy.  Sector group now functioning under government leadership, and dialogue is underway to identify joint funding opportunities under the new social protection strategy	Currently a limited number of actors in this sector.
<b>Obj 6: HIV/AIDS</b>	(i) Pooled Funds: DfID, WB  (ii) Project-Specific Funds: AfDB, Japan, Denmark, UNICEF, WHO, UNDP	(i) Pooled Funds: DfID, WB  (ii) Project-Specific Funds: AfDB, Japan, Denmark, UNICEF, WHO, UNDP	DHS 2008 (USAID)  Annual Surveillance (Global Fund)  Behavioural Surveillance (USAID)	DPs working with the GAC, CSOs and PS to support the 'three ones' principles – one strategy, one coordinating body, one M&E framework.  HIV/AIDS Partnership Forum supports the National HIV/AIDS Strategic Framework 2006-2010, the national work plan and national M&E framework.	



GPRS II Pillar/Objective	Ongoing Financing 2006	Planned Financing 2007- 2010	Country Analytic/ Advisory Work	More harmonized working	Greater selectivity
<b>Obj 6: HIV/AIDS (cont.)</b>	USAID, CIDA, RNE, EC, UNFPA, UNAIDS, Global Fund	USAID, CIDA, RNE, EC, UNFPA, UNAIDS, Global Fund	Multi-Indicator Cluster Survey (UNICEF/ USAID)		
<b>Obj 7: Water &amp; Environmental Sanitation</b>	Denmark, World Bank, EC, CIDA, AFD, AfDB, Dfid, RNE, USAID, Germany, UNICEF	Denmark, World Bank, EC, CIDA, AFD, AfDB, RNE, UNICEF, USAID, Spain, Germany	AFD CIDA	Well functioning SWG  DP willingness to move to a sector approach, dependent on ratification of National Water Policy and definition of common implementation arrangements.  Study of harmonisation and alignment in sector co-funded by AFD/CIDA for SWG	DFID funds being managed by Denmark and KfW  Denmark and Netherlands use common arrangements for water and sanitation investment funding through MLGRDE
<b>Obj 8: Urban development, housing &amp; slum upgrading</b>	WB, AFD, Nordic Development Fund	MIGA, IFC, AFD, UN-HABITAT, AfDB	WB, AFD, UN- HABITAT		
<b>Pillar 3: Good Governance &amp; Civic Responsibility</b>				MDBS/PRSC policy dialogue Some pillar level activity, but largely ad hoc.	
<b>Obj 1: Strengthening practice of democracy &amp; rule of law</b>	UNDP lead on election support; Denmark lead on justice sector; CIDA/USAID lead on support to Parliament; UNDP/DFID lead on civil society/ accountability; Germany lead on anti-corruption.	EC, CIDA, Spain, Denmark, UNDP, possibly Germany	EC/AfDB Country Governance Profile	Beginnings of a harmonised approach to support Parliament. As a start DPs have agreed to limit the number of ways in which support is given to the sector.	
<b>Obj 2: Enhancing decentralisation</b>	CIDA, Denmark, EC, Germany, UNDP, USAID, WB, AFD, IFAD, France, AfDB	EC, CIDA, WB, Switzerland, Germany, France, AFD, USAID, UNDP, Denmark, AfDB	Denmark Joint Decentralisa- tion Sector Review  WB	Multi-donor financing mechanism to support district level activities and TA capacity development under discussion  USAID is leading sub-sector group on civic participation in local governance to harmonize and coordinate activities.  EC support to be rolled up into SBS depending on DDF outcome.	



GPRS II Pillar/Objective	Ongoing Financing 2006	Planned Financing 2007-2010	Country Analytic/ Advisory Work	More harmonized working	Greater selectivity
<b>Obj 3: Managing public policy/ public sector reform</b>	Pooled fund: WB & DFID. Aligned DPs: France, Japan.	Pooled fund: WB & DFID. Aligned DPs: France, Japan, CIDA, UNDP; RNE under discussion		The government comprehensive work plan for PSR and a detailed Phase One implementation plan now exist as basis for DP support. Some DPs already providing pooled support. Framework MOU exists for all DPs to sign.	WB to manage funds for DFID
<b>Obj 4: Women's empowerment</b>	UNDP, DFID, CIDA, EC, UNFPA, AfDB, UNIFEM, FAO, WFP, Denmark, WB, IFAD	IFC, AfDB, UNDP, CIDA, IFAD	CIDA	Strategic Plan for MoWAC exists, not yet costed. DPs seeking to coordinate dialogue with MoWAC through SWG to be led jointly by DP and MoWAC. Relatively limited DP flows to this sector. Joint mapping exercise, joint analysis of GPRS undertaken by DPs.	
<b>Obj 5: Enhancing development communication</b>	UNDP, WB	Spain			
<b>Obj 6: Economic governance</b>	WB, DFID, EC, Denmark, AfDB, USAID, IFC, Germany, Switzerland	EC, CIDA, WB, DfID, Denmark, Germany, AfDB	UNDP, IMF, IFC, WB, DFID, AfDB, Denmark, CIDA Advisor, Japan	MDBS matrix and dialogue mechanism provides for close joint working on PFM issues. External review of PFM (now part of PEFA) provides shared analytical foundation for DP-government dialogue. DP direct support to PFM to be structured around MOFEP's PFM Action Plan	WB/DFID pooled fund for Financial Sector Program; WB to manage funds for DFID
<b>Obj 7: Promoting evidence based decision making</b>	DFID, WB, UNICEF, EC, UNFPA, IMF, CIDA, IFAD	DFID, WB, CIDA, UNICEF, UNFPA, UNDP, IFAD, EC	IMF, DFID, IFAD, UNICEF, UNFPA, WB, USAID/IFPRI	Proposed Evidence Based Policy Making Programme (EBPM) seeks to ensure a coordinated approach to DP support under a prioritised government programme of work. Proposal for an MOU to structure DP support and government engagement once EBPM approved. Coordinating mechanism/ oversight committee to be supported under EBPM. Common approach to supporting statistical service planned. Upon completion of PoW for MoFEP and NDPC, coordinated DP support is expected.	

## Annex 3: Development Partner Mapping during the G-JAS period 2007-2010

	Canada	Denmark	EC	France	Germany	Italy	Japan	Nether-lands	Spain	Switzer-land	UK	USA	AfDB	IFAD	UN	WB
<b>Pillar 1</b>																
PSD/Trade			SBS		α						Pooled fund					Pooled fund, ©
Agriculture	Increase SBS, α		SBS	Toward SWAp, ©							Silent					Toward SWAp
Environment/NRM (Land & Forestry)	Cross-cutting, α			©	Phasing out			Toward SWAp			With others					
Transport			α		Phasing out						Exit by 2007					
Energy										α						
Urban Dev																CAW
<b>Pillar 2</b>																
Health								α			Silent				©	
HIV/AIDS											Pooled fund	α				Pooled fund
Education					Phasing out			Silent			SBS	©			α	
WSS	Exit by 2014 ?		SBS ©	Toward SWAp, α	Phasing out			With others			delegated funding	Exit by 2009				©
<b>Pillar 3</b>																
PFM					Phasing in						α					
PSR								Being discussed			Pooled fund, α					Pooled fund
Decentralisation	pooled / SBS, ©	α	SBS													
Other Governance (incl M&E)					Being discussed						α + ©					A
Gender Equality	Cross-cutting, ©				Cross cutting			Cross cutting			©	Cross cutting	Cross cutting	Cross cutting	α	Cross cutting
MDBS	GBS	GBS	GBS	GBS, α	GBS, ©		GBS	GBS		GBS	GBS		GBS			DPL A

GBS = general budget support

SBS = sector budget support

α = DP sector lead

© = DP sector co-lead

## GHANA AT GLANCE



### General

**Land area :** 92,100 sq miles (238,537 sq km)

**Capital :** Accra

**Independence:** 6 March 1957

**National population:** 22,1 million

**Languages:**

English is the official language.

Local languages include Akan, Ga, Ewe, Dagbani, Hausa

**Religion:**

Christians 43%, Muslims 12%, Traditional 45%

**Currency:**

Cedis and Pesewas

### Political Structure

Official name

Republic of Ghana

Form of state

Unitary republic

Legal system

A new constitution based on the US model, was approved by referendum in April 2002

National legislature

Parliament; 230 members elected by universal suffrage every four years

National elections

December 2004 (Presidential & Parliamentary); next election due in December 2008

Head of state

President, elected by universal suffrage for a maximum of four-years terms. John Agyekum Kuffour was sworn in on January 7<sup>th</sup> 2001 for the first time; he secured re-election in December 2004 for a second final term

National government

Cabinet, appointed by the President in January 2005

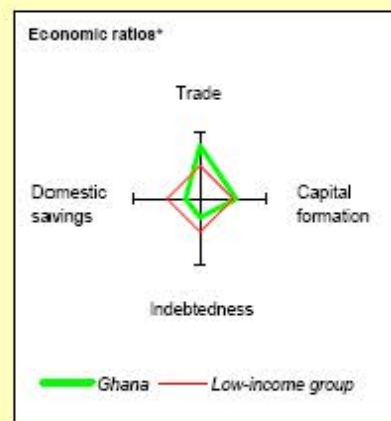
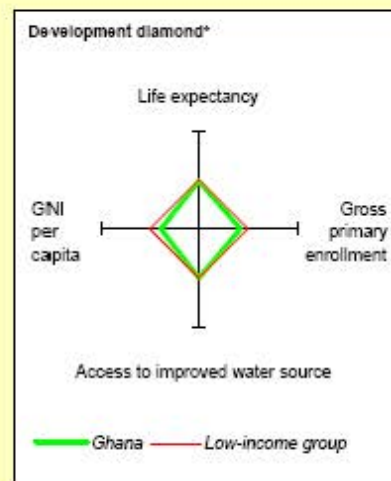
Main political parties

New Patriotic Party (NPP), ruling party, National Democratic Congress (NDC), main opposition party, People's National Convention (PNC), Convention People's Party (CPP), United Ghana Movement (UGM) and National Reform Party (NRP)

## Ghana at a glance

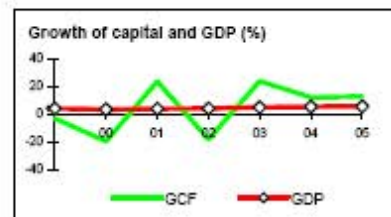
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POVERTY and SOCIAL	Ghana	Sub-Saharan Africa	Low-income		
<b>2005</b>					
Population, mid-year (millions)	22.1	741	2,353		
GNI per capita (Atlas method, US\$)	450	745	580		
GNI (Atlas method, US\$ billions)	10.0	552	1,364		
<b>Average annual growth, 1999-05</b>					
Population (%)	2.2	2.3	1.9		
Labor force (%)	2.5	2.3	2.3		
<b>Most recent estimate (latest year available, 1999-05)</b>					
Poverty (% of population below national poverty line)	40	..	..		
Urban population (% of total population)	48	35	30		
Life expectancy at birth (years)	57	46	59		
Infant mortality (per 1,000 live births)	68	100	80		
Child malnutrition (% of children under 5)	22	29	39		
Access to an improved water source (% of population)	75	56	75		
Literacy (% of population age 15+)	58	..	62		
Gross primary enrollment (% of school-age population)	88	93	104		
Male	90	99	110		
Female	87	87	99		
<b>KEY ECONOMIC RATIOS and LONG-TERM TRENDS</b>					
	1985	1995	2004	2005	
GDP (US\$ billions)	4.5	6.5	8.9	10.7	
Gross capital formation/GDP	9.6	20.0	27.9	29.6	
Exports of goods and services/GDP	10.7	24.5	34.5	30.4	
Gross domestic savings/GDP	6.6	11.6	8.0	10.5	
Gross national savings/GDP	5.4	17.6	26.4	27.1	
Current account balance/GDP	-5.8	-2.4	-2.7	-7.1	
Interest payments/GDP	0.7	0.9	0.7	..	
Total debt/GDP	49.8	85.1	79.3	..	
Total debt service/exports	23.6	23.9	6.7	..	
Present value of debt/GDP	..	..	27.0	..	
Present value of debt/exports	..	..	67.4	..	
	1985-95	1995-05	2004	2005	2005-09
<i>(average annual growth)</i>					
GDP	4.5	4.6	5.8	5.8	5.8
GDP per capita	1.7	2.3	3.6	3.7	4.2
Exports of goods and services	8.2	4.8	3.5	4.0	3.7



## STRUCTURE of the ECONOMY

	1985	1995	2004	2005
<i>(% of GDP)</i>				
Agriculture	44.9	38.8	37.9	38.8
Industry	16.7	24.3	24.7	24.6
Manufacturing	11.5	9.3	8.5	8.6
Services	38.4	36.9	37.4	36.6
Household final consumption expenditure	84.0	78.3	78.0	74.1
General gov't final consumption expenditure	9.4	12.1	16.0	15.4
Imports of goods and services	13.6	32.9	54.4	49.5
<i>(average annual growth)</i>				
Agriculture	2.0	4.4	7.5	6.1
Industry	3.6	4.6	5.1	6.7
Manufacturing	-3.0	4.0	6.5	7.0
Services	7.8	4.7	4.5	5.4
Household final consumption expenditure	4.1	4.3	2.7	8.2
General gov't final consumption expenditure	5.4	5.8	15.9	-2.1
Gross capital formation	3.9	3.7	12.5	13.1
Imports of goods and services	6.8	4.7	4.5	7.3

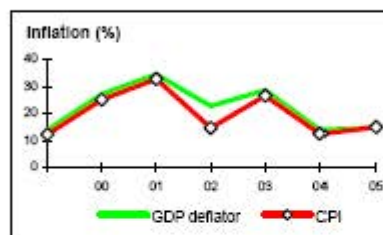


Note: 2005 data are preliminary estimates.

\* The diamonds show four key indicators in the country (in bold) compared with its income-group average. If data are missing, the diamond will be incomplete.

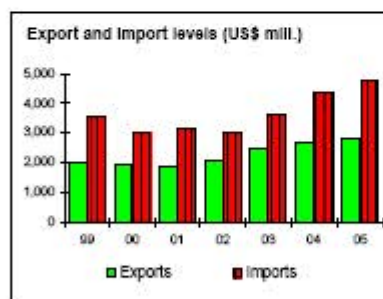
## PRICES and GOVERNMENT FINANCE

	1985	1995	2004	2005
<b>Domestic prices</b>				
(% change)				
Consumer prices	10.3	59.5	12.6	15.1
Implicit GDP deflator	20.6	43.0	14.1	14.8
<b>Government finance</b>				
(% of GDP, includes current grants)				
Current revenue	11.3	21.7	30.1	29.3
Current budget balance	0.1	5.3	9.2	10.7
Overall surplus/deficit	-4.1	-8.8	-3.1	-1.8



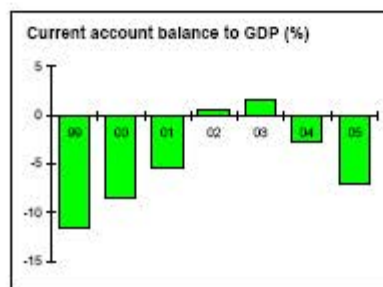
## TRADE

	1985	1995	2004	2005
(US\$ millions)				
<b>Total exports (fob)</b>	633	1,431	2,639	2,774
Cocoa	412	390	838	675
Timber	28	191	190	198
Manufactures	56	128	249	261
<b>Total imports (cif)</b>	738	1,851	4,378	4,737
Food	111	278	592	623
Fuel and energy	230	207	852	862
Capital goods	207	891	1,211	1,399
Export price index (2000=100)	65	75	98	99
Import price index (2000=100)	94	110	123	124
Terms of trade (2000=100)	69	68	80	80



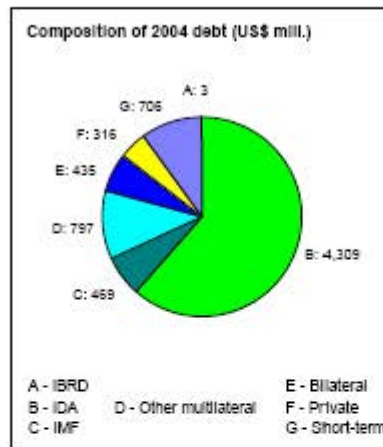
## BALANCE of PAYMENTS

	1985	1995	2004	2005
(US\$ millions)				
<b>Exports of goods and services</b>	672	1,596	3,487	3,663
<b>Imports of goods and services</b>	857	2,140	5,356	6,200
<b>Resource balance</b>	-185	-544	-1,869	-2,536
<b>Net income</b>	-111	-133	-198	-158
<b>Net current transfers</b>	33	523	1,831	1,938
<b>Current account balance</b>	-263	-154	-236	-756
<b>Financing items (net)</b>	148	366	416	861
<b>Changes in net reserves</b>	115	-211	-180	-105
<b>Memo:</b>				
Reserves including gold (US\$ millions)	..	0	1,815	1,992
Conversion rate (DEC, local/US\$)	76.2	1,200.4	9,004.6	9,072.5



## EXTERNAL DEBT and RESOURCE FLOWS

	1985	1995	2004	2005
(US\$ millions)				
<b>Total debt outstanding and disbursed</b>	2,243	5,495	7,035	..
IBRD	118	59	3	0
IDA	259	2,375	4,309	4,234
<b>Total debt service</b>	159	386	240	..
IBRD	18	21	2	2
IDA	3	25	39	99
<b>Composition of net resource flows</b>				
Official grants	75	238	1,817	..
Official creditors	86	306	255	..
Private creditors	35	38	31	..
Foreign direct investment (net inflows)	6	107	139	..
Portfolio equity (net inflows)	0	0	0	..
<b>World Bank program</b>				
Commitments	191	299	361	..
Disbursements	70	242	230	305
Principal repayments	10	23	13	67
Net flows	60	219	217	239
Interest payments	11	23	28	35
Net transfers	49	197	188	204



## Annex III: Donors Financial Matrix

### Ghana: Development Partner Support Overview

Actual Disbursements Projected Disbursements	2003 - 2005 2006 - 2009 (US\$m)	Actual Disbursements			Projected Disbursements			
		2003	2004	2005	2006	2007	2008	2009
<b>Total Disbursements: Actual and Projected</b>		871.2	987.2	1,108.6	1,306.3	1,280.3	1,117.3	881.8
<b>IMF Support</b>								
PRGF Arrangement (BOP support to BOG)		73.8	39.0	78.0	78.3			
<b>Budget Support (MDBS)</b>		264.3	310.9	290.6	331.5	290.3	266.5	259.4
Credits		129.6	105.6	171.2	184.5	131.9	164.4	164.4
Grants		134.7	205.3	119.4	147.1	158.4	102.2	95.1
<b>Sector and Investment Support</b>		533.1	637.3	740.0	896.4	990.0	850.8	622.4
Credits		172.8	224.3	240.9	315.1	334.5	322.6	275.9
Grants		360.3	412.9	499.1	581.3	655.5	528.1	346.5
of which:								
<b>Pillar 1: Private Sector Competitiveness</b>		236.2	294.0	336.8	468.7	585.4	517.4	354.7
Agriculture		92.5	103.1	94.0	180.8	202.9	227.5	178.2
Private and Financial Sector Development		37.2	37.4	53.0	86.8	92.7	78.9	30.3
Energy		7.3	9.1	20.4	26.9	81.0	51.6	34.3
Other Infrastructure (mainly Roads)		99.2	144.4	169.4	174.2	208.8	159.4	111.9
<b>Pillar 2: Human Development and Basic Services</b>		259.7	297.1	359.0	347.9	332.7	272.8	218.6
Health (incl. HIV/AIDS)		149.7	184.5	197.3	157.0	135.5	104.6	72.0
Education		47.6	57.2	96.3	100.2	69.2	55.9	51.8
Water and Sanitation		62.4	55.3	65.3	90.7	128.0	112.3	94.8
<b>Pillar 3: Good Governance and Civic Responsibility</b>		37.2	46.2	44.2	79.8	71.8	60.6	49.1
Public Financial Management		5.7	2.0	2.7	8.1	7.0	4.4	1.2
Public Sector Reform		6.5	4.5	0.0	5.2	6.0	4.5	1.5
Decentralization		8.8	11.8	18.2	28.9	27.5	21.4	22.9
Other Governance (incl. M&E)		16.2	27.9	23.3	37.6	31.3	30.3	23.6
(vertical check)		0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Credits and Grants</b>								
Total Credits		376.2	368.9	490.1	577.9	466.4	487.0	440.3
Total Grants		495.0	618.3	618.5	728.3	813.9	630.3	441.6
Credits as Percentage of Total Disbursements		43.2	37.4	44.2	44.2	36.4	43.6	49.9
Grants as Percentage of Total Disbursements		56.8	62.6	55.8	55.8	63.6	56.4	50.1
<b>Direct Support to NGOs and Decentralised Government</b>		24.8	22.7	24.0	25.6	26.5	20.2	2.6
	(not included above)							

## Development Partner Support

Development Partner (m\$)	2003	2004	2005	2006	2007	2008	2009
World Bank	246.2	297.2	330.7	342.1	323.6	309.5	272.2
IMF	73.8	39.0	78.0	78.3			
ADB	54.5	40.8	45.0	90.8	82.9	116.2	144.4
EU	77.8	59.5	99.9	105.7	195.6	110.5	54.1
Canada	11.8	35.9	41.1	48.8	48.8	48.8	44.8
Denmark	48.4	51.5	47.7	51.6	51.5	51.5	48.9
France	6.6	24.9	32.2	27.8	50.5	60.8	67.0
Germany	25.2	44.7	51.6	54.6	48.6	44.0	19.3
Italy	1.6	2.6	3.9	16.6	2.1	1.4	0.0
Japan	22.9	30.9	36.7	36.0	31.6	31.6	0.0
Netherlands	87.0	76.9	76.9	90.2	90.2	90.2	0.0
Nordic Development Fund	1.8	0.2	2.5	5.9	9.7	10.4	9.6
Spain	10.0	15.0	15.0	22.9	34.4	21.1	1.3
Switzerland	5.6	7.4	8.4	11.5	10.7	10.7	1.0
United Kingdom	98.0	138.6	113.6	150.5	101.1	0.0	0.0
United States	58.2	67.9	62.0	88.9	110.0	119.7	156.2
FAO	1.7	5.0	2.0	2.1	2.8	2.5	1.9
IFAD	8.4	9.1	5.8	9.8	7.4	9.4	9.0
ILO	0.8	1.1	1.5	1.1	0.5	0.0	0.0
IOM	0.7	0.3	0.4	0.3	0.2	0.2	0.3
UNAIDS	0.6	0.4	0.3	0.4	0.4	0.4	0.4
UNESCO	0.1	0.4	0.4	0.3	0.3	0.0	0.0
UNFPA	5.0	5.0	5.0	6.0	6.0	6.0	0.0
UNICEF	7.1	10.6	11.7	12.3	12.3	12.3	12.3
UNIDO	2.8	2.0	1.0	1.7	3.2	2.0	0.0
UNDP	4.7	7.5	6.3	7.3	8.4	13.3	2.1
WFP	0.9	3.5	2.2	3.4	3.3	3.0	3.2
WHO	6.3	5.1	5.7	6.4	6.4	7.9	0.0
Global Fund	3.1	4.1	21.2	33.1	37.9	34.2	34.2
<b>Total</b>	<b>871.8</b>	<b>987.2</b>	<b>1108.6</b>	<b>1306.3</b>	<b>1280.3</b>	<b>1117.3</b>	<b>881.8</b>

## Budget Support

Budget Support (US\$m)	2003	2004	2005	2006	2007	2008	2009
	<b>264.30</b>	<b>310.91</b>	<b>290.59</b>	331.5441	290.274	266.5409	259.4383
<b>Credits (US\$m)</b>	<b>129.57</b>	<b>105.59</b>	<b>171.22</b>	<b>184.47</b>	<b>131.89</b>	<b>164.37</b>	<b>164.37</b>
	<b>134.7</b>	<b>205.3</b>	<b>119.4</b>	<b>147.1</b>	<b>158.4</b>	<b>102.2</b>	<b>95.1</b>
<b>World Bank</b>	<b>128.2</b>	<b>127.5</b>	<b>123.6</b>	<b>140.0</b>	<b>125.0</b>	<b>125.0</b>	<b>125.0</b>
<b>ADB</b>	<b>31.9</b>	<b>18.1</b>	<b>31.9</b>	<b>31.9</b>	<b>0.0</b>	<b>36.3</b>	<b>36.3</b>
EU	46.9	34.6	30.2	25.1	17.6	40.2	50.3
Canada	3.6	17.5	13.5	14.9	14.9	14.4	17.5
Denmark	0.0	2.5	3.5	4.1	4.2	4.2	10.0
France	0.0	0.0	8.4	8.4	20.4	20.4	20.4
Germany	0.0	7.5	8.2	12.8	4.8	0.6	0.0
Netherlands	7.9	20.1	18.3	18.3	18.3	18.3	0.0
Switzerland	5.0	6.7	7.2	7.2	7.2	7.2	0.0
United Kingdom	40.8	76.4	45.8	68.8	77.9	0.0	0.0



## Sector and Investment Support

### Pillar 1 - Growth and Employment

	2003	2004	2005	2006	2007	2008	2009
Agriculture	92.5	103.1	94.0	180.8	202.9	227.5	<b>178.2</b>
Credits (US\$m)	49.0	46.4	36.4	73.9	68.7	82.5	69.7
Grants (US\$m)	43.5	56.7	57.6	106.9	134.2	145.0	108.5
World Bank	23.9	22.6	22.9	31.4	11.2	21.0	13.0
ADB	17.5	17.5	11.9	28.3	37.3	34.6	32.9
EU	5.5	9.2	2.3	27.5	33.9	27.7	
Canada	3.3	9.3	18.9	21.3	22.9	18.3	<b>13.6</b>
France	2.8	2.7	3.7	6.7	9.4	12.0	12.0
Germany	4.4	3.2	3.8	7.7	11.1	11.1	4.6
Japan	2.7	0.9	5.0	1.9	1.8	1.8	
Netherlands	5.5	6.6	6.1	6.5	6.5	6.5	
Nordic Development Fund				1.8	2.4	2.4	1.8
Spain				3.6	6.0	6.0	
United Kingdom	6.8	5.4	1.5	4.8	3.4	0.0	
United States	10.1	12.9	11.9	28.5	46.6	66.0	90.5
FAO	1.7	5.0	2.0	2.1	2.8	2.5	1.9
IFAD	6.5	6.4	2.2	6.9	4.5	6.5	7.4
<b>ILO</b>	<b>0.20</b>	<b>0.21</b>	<b>0.20</b>				
	<b>0.6</b>	<b>0.2</b>	<b>0.4</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>
<b>UNDP</b>	<b>0.8</b>	<b>0.8</b>	<b>1.4</b>	<b>1.6</b>	<b>3.0</b>	<b>11.0</b>	<b>0.2</b>
<b>WFP</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	

Private and Financial Sector Development	2003	2004	2005	2006	2007	2008	2009
	<b>37.2</b>	<b>37.4</b>	<b>53.0</b>	<b>86.8</b>	<b>92.7</b>	<b>78.9</b>	<b>30.3</b>
Credits (US\$m)	9.9	5.0	5.2	23.9	40.9	30.0	25.8
Grants (US\$m)	27.3	32.4	47.8	62.9	51.8	48.8	4.4
World Bank	7.3	2.1	1.4	21.0	34.3	24.3	24.3
EU	7.6	2.2	21.1	13.8	9.6	9.6	
Canada	0.4	0.4	0.3	0.7	0.2	0.9	1.3
Denmark	0.8	4.9	4.3	5.2	5.5	5.8	0.0
France			0.2	0.5	1.1	0.6	0.0
Germany	2.1	2.4	3.0	2.1	10.1	9.2	1.3
Italy	0.0	1.7	1.8	13.8	0.0	0.0	
Japan	5.3	5.5	5.7	7.3	5.2	5.2	
Nordic Development Fund	0.8	0.1	0.2	0.0			
Spain							1.3
Switzerland	0.0	0.0	0.4	1.3	0.5	0.5	
United Kingdom	0.6	1.5	3.3	10.4	8.4	0.0	
United States	6.5	10.6	5.5	5.2	10.8	17.5	0.0
IFAD	1.9	2.7	3.6	2.9	2.9	2.9	1.6
ILO	0.2	0.2	0.2	0.3	0.0	0.0	
IOM	0.1	0.1	0.0	0.1	0.0	0.0	
UNIDO	2.8	2.0	1.0	1.6	3.2	2.0	
UNDP	0.8	0.9	1.0	0.6	1.2	0.5	0.7

Energy	2003	2004	2005	2006	2007	2008	2009
	<b>7.3</b>	<b>9.1</b>	<b>20.4</b>	<b>26.9</b>	<b>81.0</b>	<b>51.6</b>	<b>34.3</b>
Credits (US\$m)	4.5	8.6	5.5	21.0	23.8	48.3	33.3
Grants (US\$m)	2.8	0.5	14.9	5.9	57.2	3.3	1.0
World Bank	4.5	8.6	5.5	21.0	23.8	48.3	33.3
EU	0.0	0.0	13.2	0.0	50.3	0.0	
Japan	2.6	0.2	1.1	0.1	0.3	0.3	
Spain				3.0	3.0	0.0	
Switzerland	0.0	0.0	0.1	2.0	3.0	3.0	1.0
United States	0.2	0.3	0.4	0.8	0.6	0.0	
UNIDO				0.1			

Other Infrastructure (mainly Roads)	2003	2004	2005	2006	2007	2008	2009
	<b>99.2</b>	<b>144.4</b>	<b>169.4</b>	<b>174.2</b>	<b>208.8</b>	<b>159.4</b>	<b>111.9</b>
Credits (US\$m)	50.5	74.3	89.6	77.0	69.9	38.2	42.8
Grants (US\$m)	48.6	70.1	79.8	97.2	138.9	121.2	69.1
World Bank	33.2	50.1	66.1	43.5	43.5	10.0	10.0
ADB	4.5	4.5	0.0	12.3	12.3	12.3	20.5
EU	10.2	8.1	13.8	33.9	64.1	25.1	
Denmark	15.4	11.7	15.2	16.7	16.7	16.7	0.7
France		16.0	14.3	4.2	15.4	22.2	26.7
Germany	9.2	15.6	19.7	20.1	10.1	10.1	5.4
Japan	9.8	20.2	13.6	20.6	20.5	20.5	
Netherlands	7.5	8.5	10.0	15.0	15.0	15.0	
Spain				3.0	6.0	3.0	
United Kingdom	9.4	9.8	16.6	4.9	0.0	0.0	
United States				0.0	5.2	24.5	48.7



## Pillar 2 - Human Development and Basic Services

Health (incl. HIV/AIDS)	2003	2004	2005	2006	2007	2008	2009
		<b>149.7</b>	<b>184.5</b>	<b>197.3</b>	<b>157.0</b>	<b>135.5</b>	<b>104.6</b>
<b>Credits (US\$m)</b>	<b>14.5</b>	<b>53.1</b>	<b>60.6</b>	<b>21.2</b>	<b>23.9</b>	<b>21.3</b>	<b>18.5</b>
<b>Grants (US\$m)</b>	<b>135.2</b>	<b>131.4</b>	<b>136.7</b>	<b>135.8</b>	<b>111.6</b>	<b>83.3</b>	<b>53.5</b>
World Bank	18.1	55.4	63.4	8.3	9.0	5.5	5.5
ADB				3.9	3.9	3.9	8.2
EU	1.0	0.6	5.8	0.2	0.0	0.0	
Denmark	11.2	15.2	10.3	11.3	10.0	8.5	11.7
France	1.8	2.3	0.9				
Japan	1.0	3.0	4.9	2.6	1.7	1.7	
Netherlands	55.2	25.5	23.2	24.4	24.4	24.4	
Nordic Development Fund	0.0	0.0	1.6	1.4	2.6	3.6	4.8
Spain	0.0	15.0	0.0	3.0	6.0	3.0	
United Kingdom	22.8	23.4	25.9	28.0	0.0	0.0	
United States	20.5	21.1	21.1	21.6	21.4	0.0	
ILO	0.0	0.2	0.2	0.1	0.0	0.0	
IOM	0.0	0.0	0.0	0.0	0.0	0.0	
UNAIDS	0.6	0.4	0.3	0.4	0.4	0.4	0.4
UNFPA	3.5	3.5	3.5	4.0	4.0	4.0	
UNICEF	4.1	7.6	8.2	6.4	6.4	6.4	6.4
UNDP	0.2	0.4	0.3	0.6	0.2	0.1	0.1
WFP	0.3	1.6	0.9	1.3	1.2	1.0	0.7
WHO	6.3	5.1	5.7	6.4	6.4	7.9	0.0
Global Fund	3.1	4.1	21.2	33.1	37.9	34.2	34.2

Education	2003	2004	2005	2006	2007	2008	2009
		<b>47.6</b>	<b>57.2</b>	<b>96.3</b>	<b>100.2</b>	<b>69.2</b>	<b>55.9</b>
<b>Credits (US\$m)</b>	<b>3.1</b>	<b>11.0</b>	<b>24.7</b>	<b>36.6</b>	<b>32.3</b>	<b>32.3</b>	<b>28.3</b>
<b>Grants (US\$m)</b>	<b>44.5</b>	<b>46.2</b>	<b>71.7</b>	<b>63.6</b>	<b>36.8</b>	<b>23.5</b>	<b>23.5</b>
World Bank	3.1	11.0	24.3	22.0	16.0	16.0	16.0
ADB	0.0	0.0	0.3	6.2	8.0	8.0	12.3
EU	4.2	1.3	2.9	0.3	0.0	0.0	
France	0.9	1.1	1.3	1.6	1.8	1.9	2.0
Germany	0.4	0.2	0.2	0.2	0.2	0.0	
Japan	1.5	1.1	6.4	3.1	1.9	1.9	
Netherlands	2.4	3.7	7.3	12.2	12.2	12.2	
Spain	0.0	0.0	15.0				
United Kingdom	14.7	15.7	13.8	18.4	0.0	0.0	
United States	17.5	18.2	19.2	29.9	22.9	10.7	15.9
ILO	0.0	0.1	0.1	0.1	0.0	0.0	
UNESCO	0.1	0.4	0.4	0.3	0.3	0.0	
UNICEF	1.5	1.7	1.9	2.9	2.9	2.9	2.9
UNDP	0.9	1.1	1.8	1.1	1.0	0.3	0.3
WFP	0.5	1.7	1.2	2.0	2.0	2.0	2.4

Water and Sanitation	2003	2004	2005	2006	2007	2008	2009
		<b>62.4</b>	<b>55.3</b>	<b>65.3</b>	<b>90.7</b>	<b>128.0</b>	<b>112.3</b>
<b>Credits (US\$m)</b>	<b>27.7</b>	<b>14.9</b>	<b>10.6</b>	<b>43.8</b>	<b>58.2</b>	<b>57.0</b>	<b>51.5</b>
<b>Grants (US\$m)</b>	<b>34.7</b>	<b>40.5</b>	<b>54.7</b>	<b>46.9</b>	<b>69.8</b>	<b>55.3</b>	<b>43.3</b>
World Bank	16.6	14.3	20.5	38.5	44.0	46.2	39.2
ADB				7.8	21.2	21.2	32.8
EU	1.1	0.7	9.0	0.0	15.1	1.3	
Canada	1.7	1.7	2.1	4.3	5.0	7.6	9.5
Denmark	17.0	14.0	11.5	10.0	10.0	10.0	2.5
France	0.4	1.7	2.2	5.8	1.2	2.4	4.8
Germany	5.2	7.9	5.4	4.7	3.8	3.8	3.1
Netherlands	8.5	12.5	12.0	12.5	12.5	12.5	
Nordic Development Fund	1.0	0.1	0.6	2.6	4.7	4.4	3.0
Spain	10.0	0.0	0.0	3.0	6.0	3.0	
United Kingdom	0.2	0.8	0.7	0.0	3.4	0.0	
United States	0.9	1.5	1.3	1.5	1.2	0.0	0.0

### Pillar 3 - Good Governance and Civic Responsibility

	2003	2004	2005	2006	2007	2008	2009
<b>Public Financial Management</b>	<b>5.7</b>	<b>2.0</b>	<b>2.7</b>	<b>8.1</b>	<b>7.0</b>	<b>4.4</b>	<b>1.2</b>
<b>Credits (US\$m)</b>	<b>3.6</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Grants (US\$m)</b>	<b>2.2</b>	<b>2.0</b>	<b>2.7</b>	<b>8.1</b>	<b>7.0</b>	<b>4.4</b>	<b>1.2</b>
World Bank	3.6	0.0	0.0	0.0	0.0	0.0	0.0
EU	1.4	0.5	0.9	2.7	2.5	3.1	
France				0.1	0.4	0.4	0.2
Switzerland	0.6	0.8	0.6	0.9	0.0	0.0	
United Kingdom	0.1	0.1	1.2	4.3	3.7		
United States	<b>0.0</b>	<b>0.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.4</b>	<b>0.9</b>	<b>1.0</b>
<b>Public Sector Reform</b>	<b>6.5</b>	<b>4.5</b>	<b>0.0</b>	<b>5.2</b>	<b>6.0</b>	<b>4.5</b>	<b>1.5</b>
<b>Credits (US\$m)</b>	<b>6.5</b>	<b>4.5</b>	<b>0.0</b>	<b>1.0</b>	<b>1.5</b>	<b>1.5</b>	<b>1.0</b>
<b>Grants (US\$m)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>4.2</b>	<b>4.5</b>	<b>3.0</b>	<b>0.5</b>
World Bank	6.5	4.5	0.0	1.0	1.5	1.5	1.0
France				0.2	0.5	0.5	<b>0.5</b>
Netherlands				1.2	1.2	1.2	
Spain				2.4	2.4	1.2	
UNDP				0.3	0.4	<b>0.1</b>	
<b>Decentralization</b>	<b>8.8</b>	<b>11.8</b>	<b>18.2</b>	<b>28.9</b>	<b>27.5</b>	<b>21.4</b>	<b>22.9</b>
<b>Credits (US\$m)</b>	<b>2.9</b>	<b>6.0</b>	<b>7.4</b>	<b>16.4</b>	<b>15.0</b>	<b>11.5</b>	<b>5.0</b>
<b>Grants (US\$m)</b>	<b>5.9</b>	<b>5.8</b>	<b>10.8</b>	<b>12.5</b>	<b>12.5</b>	<b>9.9</b>	<b>17.9</b>
World Bank	1.3	1.0	3.0	15.3	15.0	11.5	5.0
EU				1.3	1.3	1.3	
Canada	1.2	3.4	4.4	4.9	3.3	1.2	0.0
Denmark	1.4	0.5	0.2	0.0	0.0	0.0	12.5
France				0.4	0.5	0.5	0.5
Germany	3.5	6.2	9.2	4.5	4.9	5.5	4.9
Italy	1.0	0.3	0.7	2.1	2.1	1.4	
ILO	0.4	0.4	0.8	0.6	0.5	0.0	
<b>Other Governance (incl. M&amp;E)</b>	<b>16.2</b>	<b>27.9</b>	<b>23.3</b>	<b>37.6</b>	<b>31.3</b>	<b>30.3</b>	<b>23.6</b>
<b>Credits (US\$m)</b>	<b>0.6</b>	<b>0.6</b>	<b>0.9</b>	<b>0.3</b>	<b>0.3</b>	<b>0.0</b>	<b>0.0</b>
<b>Grants (US\$m)</b>	<b>15.6</b>	<b>27.4</b>	<b>22.4</b>	<b>37.3</b>	<b>31.0</b>	<b>30.3</b>	<b>23.6</b>
World Bank	0.0	0.0	0.0	0.2	0.5	0.3	0.0
ADB	0.6	0.6	0.9	0.3	0.3	0.0	1.5
EU	0.0	2.1	0.7	0.8	1.3	2.3	3.8
Canada	1.6	3.7	1.8	2.8	2.7	6.5	2.9
Denmark	1.9	2.7	2.7	4.3	5.2	6.4	11.5
France	0.9	1.1	1.3				
Germany	0.5	1.7	2.1	2.5	3.7	3.7	0.0
Italy	0.7	0.7	1.5	0.8	0.0	0.0	
Japan				0.5	0.1	0.1	
Spain				4.8	4.8	4.8	
Switzerland							
United Kingdom	2.5	5.5	4.9	11.0	4.3	0.0	
United States	2.6	2.8	2.6	1.5	1.1	0.2	0.2
UNFPA	1.5	1.5	1.5	2.0	2.0	2.0	
UNICEF	1.4	1.3	1.6	2.9	2.9	2.9	2.9
UNDP	2.0	4.3	1.8	3.2	2.6	1.1	0.8

## **ANNEX IV**

### **Executive summary of the Country Environmental Profile**

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### ACRONYMS

CBNRM	<b>Community Based Natural Resources Management</b>
DANIDA	<b>Danish Aid Agency</b>
DFID	<b>Department for International Development</b>
EPA	<b>Environmental Protection Agency</b>
ESW NRM	<b>Economic and Sector Works – Natural Resources Management</b>
GDP	<b>Gross domestic Product</b>
GPRS	<b>Ghana Poverty Reduction Strategy</b>
MDAs	<b>Ministries, Departments and Agencies</b>
MEA	<b>Multilateral Environment Agreements</b>
MTDP	<b>Medium Term Development Plan</b>
NEP	<b>National Environmental Policy</b>
NEAP	<b>National Environmental Action Plan</b>
NGOs	<b>Non Governmental Organisations</b>
NTFP	<b>Non Timber Food Product</b>
SEA	<b>Strategic Environmental Assessment</b>
SOE	<b>State of Environment Report</b>
WB	<b>World Bank</b>
WRC	<b>Water Resources Commission</b>
WSSP	<b>Water Sector Support Program</b>

## ANNEX IV

### 1. INTRODUCTION

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Livelihoods of Ghanaians are highly dependent on natural resources that are being overexploited by non sustainable exploitation practices. Forests are threatened by cocoa farming, mining activities, and non-regulated wood industry. Soil fertility is threatened by erosion resulting from deforestation and bad agriculture practices; wetlands are threatened by deforestation and coastal pollution; fresh water resources are threatened by land degradation and desertification; the marine resources are threatened by over-fishing and pollution and Lake Volta is threatened by asphyxia. The economy depends on soils to supply agricultural production, hydro-power stations to supply electricity, timber to supply for wood-processing industry, mines to supply gold, imported oil to provide transport, clean environment for good health and nature to support the tourism sector. The cumulative effect of natural degradation endangers Ghana's economic development and social well-being.

The majority of Ghana's poor households live in rural areas by exploitation of declining natural resources and face increasing livelihoods stress. Soils fertility is no more able to provide subsistence farming, non-timber forest products and fish are less available in daily diet, diseases due to unsanitary conditions are increasing; desertification and climate change are increasing the scarcity of essential natural resources such as wood for cooking and drinking water. Population growth and rural migration have increased the already overcrowded urban settlements generating unsanitary conditions due to absence of water and solid waste management, inadequate quality of housing in slums, high cost of food and few employment opportunities. Across the country, the degradation of Ghana's renewable natural resources amounts to 6.0 percent of GDP, or US\$520 million, of Ghana's annual US\$8.6 billion GDP considering only five natural resources such as agriculture, fresh water, forestry, wildlife and marine fisheries<sup>1</sup>. The annual cost of production loss due to environmental damages reaches 8 percent of GDP when also considering other environmental damages such as brown issues and environment related diseases.

### 2. ENVIRONMENT AS A NATURAL RESOURCE

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#### 2.1. Land degradation

Ghana relies primarily on its agriculture and mining industries for economic development. Poverty is strongly linked with access and use of land for economic activities. However about 72% of the whole land area of the country is considered vulnerable to desertification<sup>2</sup> that will lead to reduction in the productive capacity of natural resource. In Ghana, soil quality, critical for agricultural production, is loosing its fertility due to inappropriate agricultural practices e.g. intensive slash and burn and monoculture of export crops and inefficient irrigation systems but also increased soil pressure due to climate change and competition for land access. **The on going unsustainable management of the soils of Ghana leads to rapid erosion, loss of fertility, loss of productive capacity, desertification and scarcity of fresh water resources.**

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<sup>1</sup> Ghana EWS NRM draft June 2005, WB and DFID

<sup>2</sup> National Action Programme to Combat Drought and Desertification

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The organic content of soil is a buffer against erosion. However as a result of continuous high temperature in the country, this buffer zone of organic content which is a few centimetres thick within forest areas is rapidly washed out after deforestation. The traditional slash and burn agriculture is very destructive as the soils are left without any cover of protection against rain and sun. This agricultural method is actually highly destructive for the soils as the fallow period between cultivation cycles has reduced to between 3- 4 years instead of 6-7 years due to competition for land and population growth. The cost of soil degradation due to soil erosion from water had been estimated to be at least 1.1% to 2.4% of total GDP of Ghana or approximately US\$80 million to US\$180 million each year<sup>3</sup>. Continuous soil fertility decrease will lead to reduction of employment and income in the agricultural sector that accounts actually for 54% of total employment and generates the main contribution to Ghana's GDP.

### *Recommendations (by priority):*

1. To support the decentralization process by training district technicians and local communities in land management.  
*Objective: Local communities will improve their cultivation techniques and forest management skills in order to protect the productive capacity of soils.*
2. To promote environmental management committees in the districts.  
*Objectives:*
  - to raise awareness on sustainable management of natural resources for local communities.
  - To diversify income generating activities at local level.
3. To support the preparation of MTDP at district/regional levels towards increase of income of local communities through the sustainable use of natural resources.  
*Objective: to improve sustainable management of natural resources while improving income level of local communities*

## **2.2. Water resources**

**Fresh water resources of Ghana are at risk because of inappropriate management. High rates of logging, fuel wood extraction, poor agricultural practices, surface mining and desertification leading to increasing poverty in rural and urban areas as well as to a higher country vulnerability to human and natural disasters.**

Climatic variability has also resulted in shrinking of freshwater resources. Water supply has reduced in the coastal areas due to shorter rain seasons. Water transportation on the Volta Lake system has also reduced significantly. Water supply for irrigation in areas within the Volta basin is reduced as a result of low water quantity and weed invasion. Surface water in cities and mining areas are being polluted increasingly due to the lack of waste management. Rivers and lagoons located near industrial areas are dying as a result of the discharges of untreated industrial and domestic waste leading to nutrient enrichment and odour. The burden of diseases in the country indicates that about 70 percent can be attributed directly to the environment, mainly due to the lack of potable water and means of sanitation.

Since the beginning of 1980's, the Government of Ghana has introduced a number of reforms in the water management sector that were specifically intended to improve efficiency in rural and urban supply and irrigation water systems as well as to attain some measures of

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<sup>3</sup> Ghana EWS NRM draft June 2005, WB and DFID

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environmental protection and conservation. One of the key challenges was the absence of an overall water management policy focussing on an integrated approach to water resources management. The common understanding of the role of water as crosscutting all sectors in Ghana's economy provides a new possibility to get support for a new water management policy that would reflect its cross cutting nature. The Ghana Water Policy Document drafted by WRC in 2002 reflects a broad view and deals with all the major aspects of water as a supporter of livelihoods, health and economic growth. The Water sector will be the first sector to integrate SEA into its policies and planning processes, and will be supported in this by Danida through the WSSP-Phase II programme with the SEA funds reserved for this purpose.

### *Recommendations (by priority):*

1. To support the decentralization process by training districts technicians and local communities on sustainable use of water and watershed management systems.  
*Objective: To support the decentralization process for water management at watershed level as this will increase the concerns of local communities for sustaining the use of water resources.*
2. To integrate water issue in the MTDP of districts by enforcing water SEA at district and central levels.  
*Objective: Effective water management will increase water and soil resources and improve health.*
3. To support the control and consequently the eradication of water hyacinth by introduction of adapted integrated technologies e.g. plant pellet machines that can transform dried water hyacinth into vegetable pellets and be used for cooking instead of charcoal.  
*Objective: To decrease water hyacinth invasion.*
4. To promote low cost recycling technology of mercury among the 300 000 artisanal miners  
*Objective: to reduce pollution of surface water*

### **2.3. Biodiversity and Wildlife:**

**Ecosystems and biodiversity of Ghana are highly sensitive to natural and anthropogenic changes due to their high complexity. The existing rate of destruction of biodiversity in Ghana will lead to further food insecurity, poverty in rural areas, erosion of genetic resources, and inability of the nature to cope with natural and human made changes.** Biodiversity is under pressure because of competition for land due to over exploitation of natural resources e.g. mining, forest and agriculture that lead to loss of specific species habitats and local climatic changes. Wildlife provides traditionally around 300 000 T of bushmeat for the Ghanaian people that has become a growing source of nature tourism<sup>4</sup>. Both of these sources of income are at risk as a certain number of species face extinction due to unsustainable exploitation of wildlife. Little effort is made at providing affordable alternatives to bushmeat, loss of natural habitats, hunting during reproduction period and non respect of wildlife regulations.

For a long time local communities had been alienated from management of wildlife. The involvement of communities in the management of forest reserves will improve significantly the conservation of wildlife. The Forestry Commission and relevant law enforcement agencies must be adequately resourced to enforce the existing legislation and ensure compliance. Land

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<sup>4</sup> SOE,2005



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use policies must be subjected to SEA to ensure sustainability. Land tenure policies should be revised to allow for better land management.

### *Recommendations (by priority):*

1. To review regulations for the management of national parks and reserves.  
*Objective: to create a frame for the management of natural parks and reserves with public-private partnership with MDAs and international NGOs.*
2. To implement a SEA for wildlife and biodiversity policies.  
*Objective: To study the impact of agriculture on wildlife and biodiversity*
3. To create and strengthen sustainable management units for protected areas that become progressively accessible, including a component for the monitoring of activities in the area, development of infrastructures and community based tourism. To foster public private partnerships.  
*Objective: To establish models of sustainable management of protected areas that will diversify the local economy*
4. To introduce incentive to the local communities for leaving the natural reserves.  
*Objective: to decrease pressure of local communities on wildlife and biodiversity*
5. To define and implement active rules for preserving biodiversity.  
*Objective: to decrease biodiversity degradation all over the country.*

### **2.4. Forest reserves and surrounding areas Biodiversity and Wildlife**

Originally forests covered about 36 percent (84,000 km<sup>2</sup>) of Ghana's territory. This had been reduced to 23 percent by 1972, 13.3 percent in 1990, and 10.2 percent in 2000. The Forestry Sector contributes about 6 percent of Ghana's GDP and is the fourth largest foreign exchange earner and direct supporter of the livelihoods of approximately 70 percent of the rural population. Domestically, the forestry sector provides about 120 000 of direct employment and tens of thousands of jobs in the informal sector to those who access wood either from off-reserve areas or through illegal chain-saw operators<sup>5</sup>.

**Due to non sustainable forest management, Ghana is actually more affected by scarcity of fresh water, desertification, loss of fertile soils, loss of agricultural productivity, loss of fuel wood, loss of timber and NTFPs leading to an increasing poverty level in rural and urban areas and higher country vulnerability to human and natural disasters.** In Ghana, the wood industry is extensive and inefficient, which has put an increasing pressure on its already limited forest supplies. The rate of deforestation of 65 000 ha per annum is also unsustainable, particularly in off-reserve areas, due to the proliferation of illegal logging and chainsaw operations. These problems have their roots in failed forestry policies, fiscal deficiencies and ineffective forest management practices within the sector. It has been estimated that approximately US\$ 300 million is lost each year due to a marked failure to curb forest resources over exploitation. Sustainable management of forests is still not in place and reforestation projects are few. Local climate variations will also occur due to a decrease in humidity zones created by the forests. Consequently desertification will continue its progression decreasing national agricultural production and putting subsistence farmers at risk for food security.

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<sup>5</sup> SOE,2005

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### *Recommendations (by priority):*

1. To promote the decentralization process of forest management  
*Objective: to increase awareness of local communities for sustainable forest management.*
2. To support pilot projects for sustainable management of forests at district level with community participation.  
*Objective: to foster local sustainable growth by allowing the management of natural resources such as forests by local communities. To reduce desertification and mining pollution.*
3. To support programmes for community awareness of forest resources.  
*Objective: to help local communities to sustain forest resources for maintaining/improving the resources while fostering the local community growth.*
4. To prohibit any mining exploration in forest reserves  
*Objective: to decrease the risks of mining activities in forest reserves*
5. To revise the forestry legislation to ensure funding for communities.  
*Objective: to make local communities beneficiaries of forest concessions*
6. To promote eco-tourism facilities through private tourism concessions and CBNRM where potential exists.  
*Objective: to improve internal infrastructures in natural reserves.*
7. To encourage the dissemination of improved ovens for processing of charcoal, improved stoves and use of gas for cooking.  
*Objective: to decrease the amount of wood used to make charcoal in areas prone to desertification, improve the efficiency of charcoal and wood for cooking and use alternative energy resources for domestic use.*
8. To develop fast growing tree species for processing wood into charcoal through improved registered ovens.  
*Objective: to regulate the charcoal market and improve the efficiency of wood processing into charcoal.*
9. To support forest research and centralize the results (Masters and PHD thesis in the areas of forest, natural reserves and parks).  
*Objective: to improve the management of forests, promote the rehabilitation of natural areas and improve the knowledge of Ghanaians on the existing resources.*

### **2.5. Coastal fisheries and wetlands**

The coastal fisheries and wetlands resources represent an important source of food security in Ghana. About 75 percent of all fish production is consumed locally at an approximate per capita rate of 25 kg/year. In addition, fish is the country's most important non-traditional export, providing US\$95 million in exports in 2003. Declining amount of coastal fish is due to unsustainable fishing management and related over-fishing by fishing vessels and increased number of artisanal canoe, fishing of too young fish, destruction of habitats by trawler vessels and violation of fishing regulations. In addition to the coastal fisheries depletion, significant areas of the coastal wetlands that provide spawning and nursery grounds for many key species have been destroyed due to cutting of mangroves for cooking purposes, discharge of polluted water from industries and settlements along the coast and erosion of the West coast. The declining catch rates and associated rising costs have dramatically increased the average price of coastal fish products in local markets over the last decade. **The non sustainable**

## ANNEX IV

**management of the sea fish resources has led to further malnutrition of the Ghanaian population whose fish intake represents 60 percent of the population's general animal protein intake.**

Most of the legislation in this sector is obsolete and must be revised taking into account scientific data and changes in resources management. The effective enforcement of regulations in this sector will promote the use of approved fishing gear. Institutions in charge of the protection of the resources must be adequately resourced to monitor, regulate and undertake research to ensure sustainable exploitation of marine resources. Institution of integrated coastal management regime will go a long way to reduce pressure on coastal resources and ensure sustainable use.

### *Recommendations (by priority):*

1. To support monitoring of the pollution of marine water, promote the exchange of students with foreign universities and to promote oceanographic studies in Ghanaian universities.  
*Objective: to improve the knowledge and monitoring of marine environment, facilitate the sustainable management of aquatic biological resources, including mangrove and lagoons*
2. To support the implementation of monitoring and control of fishing.  
*Objective: to protect the fish stock, to sustain income of artisanal fishermen*
3. To provide technical assistance for promoting artisanal fisheries and facilitate the access for fisherman to infrastructure for processing, cooling and storage facilities.  
*Objective: to improve living conditions of fishermen and promote sustainable fishing.*
4. To promote fresh and sea water aquaculture  
*Objective: to develop alternative sources of fish production and produce animal protein at low cost for the population*

## **2.6. Transport**

**High cost of imported oil and inefficiency of the transport system has resulted in reduction of economic growth and increased air pollution.** In order to diversify fuel source base of the country, the Energy Commission, other national agencies, NGOs and individuals concerned about providing clean energy sources are supporting the development of the extraction of bio-diesel from a particular renewable source – the physic nut – *Jatropha Curcas L*, a local plant. The Energy Commission has also extended support to Ghana Bio-diesel Energy Ltd. a company involved in bio-diesel production project. The bio-diesel fuel can substitute for diesel from petroleum. Bio-diesel produces less CO<sub>2</sub> compared with ordinary diesel therefore reduces air pollution and global warming damages. It is non-toxic, biodegradable and safer than diesel. Currently efforts are being taken to produce bio-diesel in commercial quantities<sup>6</sup>.

### *Recommendation (by priority):*

1. To develop a master plan for transportation at country level and for the main cities  
*Objective: to increase efficiency of energy consumption in the transport sector*
2. To support the development of bio-diesel with feasibility study, tax incentives, energetic plants cultivation and processing, importation of adapted technology.  
*Objective: to reduce the country's dependency on oil importation and to reduce greenhouse gas emissions*

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<sup>6</sup> SOE,2005

## ANNEX IV

### 2.7. Energy

Ghana's energy comes from three main sources that are petroleum, electricity and biomass. Wood fuels represent the main source of energy for domestic needs such as cooking and heating for about 73 percent of the urban population and more than 98 percent of the rural population. Petroleum in the form of crude oil and petroleum derived products are imported. **The inefficient use of wood in Ghana leads to deforestation, soil erosion, desertification, water scarcity, food insecurity and poverty. Hydropower is a cheaper and cleaner way to produce electricity in Ghana as long as the siltation process is controlled in the reservoirs.**

*Recommendations (by priority):*

1. To promote renewable sources of energy (solar, hydro-electric and biomass) in rural schools, natural parks and remote areas.  
*Objective: to encourage the use of renewable energy and facilitate access to alternative sources of energy for the population aiming at reduction of use of charcoal and generators.*
2. To promote energy efficiency in the industrial sector.  
*Objective: to increase the profitability of industries while decreasing their oil dependency.*
3. To create a working group that will deal with carbon credit funding process.  
*Objective: to implement CDM mechanism of the Kyoto protocol.*

### 3. ENVIRONMENT AS A TRANSVERSAL ISSUE

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Ghana's key policy documents, including the GPRS (Ghana Poverty Reduction Strategy), are based on the assumption that natural assets will continue to produce yields that are adequate to fuel economic growth in the country. As a result of a Strategic Environmental Assessment (SEA) of the GPRS undertaken in 2003 and 2004, SEA is now an integral part of the policy and planning process in Ghana. The SEA aims to assess the environmental risks and opportunities presented by the implementation of policies of MDAs (including the Districts) and other stakeholders as indicated in the GPRS. It identifies appropriate mechanisms to ensure that sound environmental management contributes to sustainable economic growth and lasting poverty reduction in Ghana<sup>7</sup>.

Several SEAs such as for water, energy and mines are currently being implemented with the support of various donors. MTDPs of districts integrate environmental tools in planning and also provide supervision for natural resources management to local communities resulting in **effective mainstreaming and higher sustainability of natural resources. SEA is now realized by the beneficiaries and local authorities as an effective tool.** Sustainable management concern of natural resources is also raised by the environment committees already created in some districts. In certain areas traditional rulers are helping to enhance community involvement in protection of natural resources. The EPA coordinates the process of monitoring SEA at central and district levels and promoting of environment committees in the districts.

*Main recommendations are (by priority):*

1. To support the SEA process with the building up of a sustainable development policy.  
*Objective: to improve environmental project management cycle (relevance, efficiency, effectiveness, impact, sustainability) and CCC process (coordination, coherence*

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<sup>7</sup> Government of Ghana, 2001

## ANNEX IV

*and compatibility)*

2. To support the decentralization process by training technicians and local leaders on sustainable management of natural resources.  
*Objective: to improve natural resources management capacity at district level*
3. To have a higher involvement of women in local associations of natural resources users  
*Objective: to improve the ownership process of the main users of natural resources.*
4. To implement a SEA in agriculture  
*Objective: to reduce environmental risks, improve sustainability of the agricultural sector and reduce poverty in rural areas*

### 4. ENVIRONMENTAL POLICY, LEGISLATIVE AND INSTITUTIONAL FRAMEWORK

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A good number of legislation covering various individual narrow sectors of the environment exists in Ghana. These are dismembered and present problems harmonising policies and enforcing compliance. There is therefore the need for omnibus framework legislation on the environment.

The Constitution of the 4th Republic, which came into force on 7th January 1993, is the fundamental law of Ghana and provides the basis from which all other laws are derived. It is important to note however that Ghana's Environmental Policy is the result of a series of Governmental actions initiated in March 1988 to put environmental issues on the priority agenda. A National Environmental Policy (NEP) was adopted in 1991 to provide the framework for the implementation of the National Environmental Action Plan (NEAP). Ghana has also ratified a number of MEAs but is yet to internalize most of these into its national legal framework.

It is not unusual to find two institutions having conflicting functions as far as compliance with MEAs is concerned, at times with local authorities. These aspects include: multiplicity of institutions with conflicting environment related functions some of which were in existence prior to the establishment of the EPA in 1994. They create gaps, conflicts, overlapping of functions and sometimes tough fighting among institutions, and weak enforcement capacity. There are inadequate guidelines and budgets for enforcing of the environmental laws, lack of awareness by the general public, officialdom's reluctance to include local communities in the decision making process on environmental issues, poverty, cumbersome procedures and inadequate capacity of the judiciary to deal with environmental problems and the cooperation between institutions like the Police, the Judiciary, the Attorney General's Department and Customs Service enforcing environmental laws as well as none deterrent penalties for the breaching of environmental laws.

*Main recommendations are (by priority):*

1. A framework environmental law must be enacted upon the revision of the existing laws.  
*Objective: To ensure efficient environmental legal regime and eliminate duplication*
2. Build capacity to monitor, enforce regulations and ensure compliance.  
*Objective: To promote good environmental governance in Ghana.*

## Migration Profile Ghana

*In order to obtain a better understanding of migration issues in Ghana, adequate migration data are essential. However, this has been hampered by the doubtful quality and/or inconsistency of existing data. Furthermore, data is not always made available by relevant institutions in Ghana, and as a result it is difficult to collect existing information on migration in Ghana. It is also not clear whether data collected use the same definitions and concepts and are therefore comparable.*

*A much-used source of migration data is the Ghana Immigration Service (GIS). The data collected by GIS focuses on the immigration and emigration of both Ghanaians and non-Ghanaians into and out of Ghana which are mainly collected at ports and official land entry points. This data is less reliable for documenting trans-border migrants who use clandestine routes across borders and for immigrants who may be residing in the country illegally.*

*Another source of migration data are the Ghana Living Standard Surveys (GLSS) conducted by the World Bank and the Ghana Statistical Service (GSS). The Ghana Living Standard Surveys provide some information on migration and remittances within households in Ghana. The survey was last conducted in 1998/99 and can therefore not provide up to date information.*

*Studies conducted by foreign countries on stocks of Ghanaian migrants in their countries can also provide useful data. But these data are collected at ports and/or official entry points and, again, may not reflect the number of Ghanaian immigrants or emigrants who left or entered the countries clandestinely.*

*In summary, there is a general paucity of data or statistical figures on migration in Ghana and a lack of an existing database upon which one can build or update already existing information. At best, only estimates could be given as to the possible number of emigrants or immigrants from/in Ghana at any given period.*

### Box 1: Immigrants

<b>Total number of immigrants</b>	614,000 (2006 source: GIS)
<b>As percentage of total population</b>	2.78 % (22.1 mill. total pop. 2006)
<b>Type / status immigrants</b>	
Refugees as of January 2006	62,560 (UNHCR) 0.28% of total population Largest number from Liberia (38,807) and from Togo (14,100), Krisan settlement in Western Region has 2,000 refugees.
Labour migrants /permanent	NA
Labour migrants/temporary- seasonal	NA (some seasonal)

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Transit migrants	NA
Gender ratio / proportion of minors	51% are male and 42% are minors. (2006, GIS)
<b>Short description of skills provided by immigrants:</b>	Farming, money changing, trading, day workers, gardeners, cattle herders, cattle raising and are business holders or traders. Some fishing, engineering, administrators in the mining sector. (Information provided by neighbouring embassies and the GIS).
<b>Number of internally displaced persons</b>	Not currently a large amount (100,000 in the 1994-1995 Northern Ghana land disputes)
<b>Main countries of origin of immigrants</b>	Liberia, Togo, Sierra Leone, Cote D'Ivoire, Sudan, Nigeria, USA, UK, the Netherlands, China and Korea.
<b>Finance</b>	
Amount of outgoing migrant remittances:	N/A

Note: Data collected by Ghana Immigration Service covers immigrants and emigrants with regular status. It does not include illegal movements. The Ghana Living Standard Survey provides some information on migration and remittances, last survey was carried out in 1998/99.

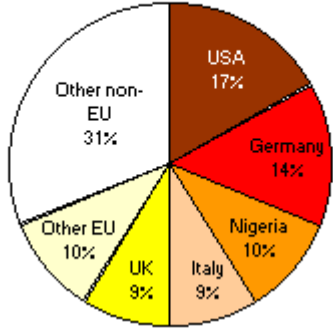
### Box 2: Emigrants

<b>Total number of emigrants / people in diaspora:</b>	1,000,000 in Africa (mainly ECOWAS, year of estimate not given and cited in Twum Baah 2005) +189,461 OECD countries (OECD Migration Database, 2006), <sup>1</sup> Total emigration rough estimate: 1.2 million or 5% of the total population
<b>Type / status emigrants</b>	
Refugees	36,159 (1992-2001) (Bump, 2006; Anarfi et al, 2003) However, 97,536 UNHCR registered 1982-1991.
Labour migrants /permanent	NA, but it appears that most are permanent.
Labour migrants/temporary-seasonal	(likely to be a small amount)
Gender ratio / proportion of minors	NA <sup>2</sup>

<sup>1</sup> Ghanaians residents in Germany are not included (Estimate of 22,847 by OECD Continuous Reporting System of Migration). Some estimates suggest 600,000 persons of Ghanaian origin in the EU and the UK alone.

<sup>2</sup> Some limited information through surveys, for ECOWAS 32% are minors. Twum Baah (2004) 33% of Ghanaian residents in the Netherlands are aged between 0-14 years. Similarly in England and Wales, 10% are aged between 0-19 years. Also argues that proportion of female migrants is below 40%.

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<p><b>Short description of sort of skills provided by emigrants / people in Diaspora:</b></p>	<p>Ghana has skilled expatriate rate of 46% (see P. Qualey, July 2006, for German Marshall Fund). 28% of total Ghanaians in OECD are highly skilled and 34% are medium skilled. The UK has benefited particularly from skilled Ghanaians.</p>																
<p><i>Sectors</i></p>	<p><i>Profession</i></p>																
<p>Health sector</p>	<p>GPs/medical doctors, specialist doctors, dentists, pharmacists, medical laboratory technologists/technicians, environmental health specialists, environmental health technologists/technicians, nurses/midwives, and other allied health workers.</p>																
<p>Education sector</p>	<p>Lecturers and teachers, ICT professionals</p>																
<p>Professional, managerial, and administrative sector</p>	<p>Drivers, tailors, hairdressers, photographers, secretaries, traders, financial operators, construction, agriculturists, customer service providers, mechanics and other technicians, shop holders and other business holders, and transport and equipment holders . More recently petrochemical engineers.</p>																
<p>Informal sector</p>	<p>Domestic servants and sex workers</p>																
<p><b>Main countries of destination</b></p>	<p>On OECD countries: Largest numbers of Ghanaians (including citizens) in the EU (53%, and 30% in the United Kingdom) and in the USA (35%).</p> <p>Estimate on total number of emigrants (2001):</p> <div style="text-align: center;"> <p><b>Ghana</b></p>  <table border="1" style="margin-left: auto; margin-right: auto;"> <caption>Emigrant Destinations (2001)</caption> <thead> <tr> <th>Country/Region</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>USA</td> <td>17%</td> </tr> <tr> <td>Germany</td> <td>14%</td> </tr> <tr> <td>Nigeria</td> <td>10%</td> </tr> <tr> <td>Italy</td> <td>9%</td> </tr> <tr> <td>UK</td> <td>9%</td> </tr> <tr> <td>Other EU</td> <td>10%</td> </tr> <tr> <td>Other non-EU</td> <td>31%</td> </tr> </tbody> </table> </div> <p>Also: Cote D'Ivoire, Togo, Burkina Faso, Gambia, Sierra Leone, Benin, and the Netherlands</p> <p>Source: NIDI/EUROSTAT, 2001, (Twum-Baah, 2005; Bump, 2006; Anarfi et al, 2003).</p>	Country/Region	Percentage	USA	17%	Germany	14%	Nigeria	10%	Italy	9%	UK	9%	Other EU	10%	Other non-EU	31%
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<p><b>Rate of return</b></p>	<p>10% of the stock in any year (estimates based on Ghana Living Standard Survey conducted in 1991/92 and 1998/99)</p>																
<p><b>Finance</b></p>																	
<p>Amount of incoming migrant remittances</p>	<p>\$1.6 bill. (2006 estimates) (Bank of Ghana)                  \$ 1.3 bill (2004) (IMF, August 2005)                  \$ 0.8 bill (2003) (IMF, August 2005)</p>																
<p>Remittances as % of GDP:</p>	<p>Forecast is 13.8 % of GDP for (2006)</p>																



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### Box 3: Policies and macro-economic impact

Impacts include positively: receipt of remittances, skills transfers, investment, Diaspora brains, networks and resources as well as the reduction of unemployment in the economies experiencing little growth. Possible negative impacts in health and education. See below.

#### Health:

“Brain drain” particularly in the health sector, 1200 Ghanaian physicians in the USA (GHS memo 2002) and 1689 Ghanaian nurses in South Africa (Nursing and Midwifery Council 2005). The proportion of GPS/Medical Officers leaving Ghana as a proportion of those trained was 94% in 2002 (90% in 2001). Pharmacists, 64%, Dentists, 25%, and Nurses and midwives, 20% (same rate since 1995), ISSER 2003 quoted in “Migration to and from Ghana”.

The Human Resource Division of the Ghana Health Service indicated that even at ‘workable’ staffing levels, the shortfall is 47 percent for doctors and 57 percent for nurses. This shortfall is even worsened by the inequitable distribution of health workers around the country with urban areas and southern regions being better favoured than rural areas and the northern sector.

#### Education:

Similar situation with teachers (lecturers). The Knust Institutional Report (2002) mentions a total requirement of 4277, only 2918 were available.

Staffing norms for the universities require academic staff/student ratios of 1:12 for science; 1:18 for humanities, and 1:15 for education (Manuh et al, 2005). Currently the universities operate with different ratios which are as high as 1:25 for science; 1:47 for the humanities; and 1:82 for education (Manuh et al, 2005). Thus, these figures indicate that all the disciplines are understaffed; only medicine with a ratio of 1:7 has been staffed adequately.

#### Ministry responsible for contacts with Diaspora and/or migration management:

Ministry of Foreign Affairs promotes and protects the interest of Ghana and its citizens abroad.

Ministry of the Interior: The Ghana Immigration Service. Other related institutions include the National Disaster Management Organisation (NADMO) and the Ghana Refugee Board (GRB).

Ministry of Tourism and Diasporian Relations. Responsibilities still to be defined; it is not clear whether its mandate relates to the Ghanaian Diaspora or the historic African Diaspora.

#### Migration policies / programmes in place:

The Ghana Immigration Service acknowledges that there is no clear migration policy. Migration is regulated by the Migration Act of 2000 (Act 573). The 1994 National Population Policy also seeks to monitor the brain drain. The Cotonou Agreement (2000) states that migration shall be a subject of in-depth dialogue in the framework of ACP-EC partnership. In 2002 the Ghana Dual Citizenship Regulation was passed.

Ghana’s Poverty Reduction Strategy Paper (GPRSP) does not focus on migration issues.

The Strategic Framework on Migration in Africa has become the African Union’s blue print for a comprehensive policy on African migration (Makinwa-Adebusoye, 2006). The African Union has

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established a programme to address the causes of internal and international migration and ‘the challenges posed by migration’. It also seeks cooperation between countries to benefit from the Diaspora and seeks to assist member states to work towards the free movement of people.

### **Existence of human trafficking networks, routes & policies to address them:**

The United States Office to Monitor and Combat Trafficking (USOMCT) report on trafficking in Ghana (2006) indicated that Ghana is a source, transit, and destination country for women and children trafficked for the purposes of sexual exploitation and forced domestic and commercial labour. Ghanaian children are trafficked internally for forced labour in fishing villages, cocoa plantations, and stone mines for stone quarrying, and to urban areas in the south to work in exploitative conditions as domestic servants, street vendors, and porters. The trafficking field <sup>3</sup> manager of the IOM in Ghana, described the internal trafficking of children to fishing villages in the Volta region, and trafficking of children from the Northern regions to the South for domestic servitude. Fishermen or other agents from fishing villages along the Volta Lake will travel to villages along the coastal area to find children to carry back to their villages to work in the fishing industry. When they arrive in the coastal areas they usually get in contact with the parents and ask their consent to take the children along, paying compensation to parents. (Usually during the festival season, when most children are brought along to the urban areas). Also people in Accra travel to the Northern Regions and these people will often carry children to work in Accra as domestic servants or head porters. Again, this happens with the consent of the parents. The trafficking field manager concluded that the internal trafficking of children is not “organised”. Because of the demand for child labour, some individuals would take advantage of this situation and traffic children.

The USOMCT report indicated that Ghanaian children are also trafficked to Cote d’Ivoire, Togo, Nigeria, and The Gambia for exploitation as labourers or domestic servants. Ghanaian women and girls are trafficked to Western Europe - principally Germany, Italy, and the Netherlands - for sexual exploitation. Some young Ghanaian women are trafficked for involuntary domestic servitude in the Middle East. Nigerian females moving to Western Europe for sexual exploitation transit Ghana, as do Burkinabe victims on their way to Cote d’Ivoire. Foreign victims include children brought to Ghana from Cote d’Ivoire, Togo, Benin, and Nigeria for forced labour, involuntary domestic servitude, and sexual exploitation .

The Ghanaian parliament approved the Human Trafficking Bill (early 2006). Before the bill was approved, Ghana had no law that specifically addressed the trafficking in persons.

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<sup>3</sup> Interview with Eric Peasah, trafficking field manager of the IOM, on 24/08/2006.

## Description of the Country Strategy Paper Drafting Process

### *Stressing the Involvement of Non-State Actors and Local Authorities*

The preparation of the EC Country Strategy Paper was carried out in the context of the Ghana Joint Assistance Strategy. As such, the country diagnosis section of the EC Country Strategy Paper was prepared jointly with the donors who are part of the Ghana Joint Assistance Strategy. The EC contributed particularly to the political and economic analysis. The drafting of the Country Strategy Paper required the analysis of existing documentation and reports as recommended by the Ghana Joint Assistance Strategy partners.

In addition, the development of the EC Country Strategy Paper benefited from the consultation process in both the Ghana Joint Assistance Strategy as well as the consultative workshops organised for the 10<sup>th</sup> European Development Fund Country Strategy Paper and the National Indicative Programme.

### **Ghana Joint Assistance Strategy Consultations**

In the preparatory stages of the Ghana Joint Assistance Strategy, civil society groups were encouraged to give their views on the Ghana Joint Assistance Strategy process and to share information about the strategic priorities for the joint assistance programme. The Ghana Joint Assistance Strategy partners organised two rounds of discussions with a number of civil society organisations in May and October 2006, hosted by the World Bank. Key points made by representatives of civil society organisations in these discussions included: (a) the need for government to consult more regularly and formally with representatives of civil society (not just with development partners) (b) the need to ensure that the national strategy or development plans (included the GPRS II) is owned not just by government but also by civil society organisations and that its technical quality is reviewed widely.

Following the completion of the Ghana Joint Assistance Strategy document, it is expected that civil society organisations (NGOs, African Peer Review Mechanism Secretariat, independent research institutions) as well as private-sector organisations will be involved in monitoring implementation of the aid partnership framework as provided for in the Paris Declaration and the Ghana Harmonisation Action Plan. Representatives of civil society organisations present at the discussions welcome this plan.

### **European Community Country Strategy Paper and National Indicative Programme Consultative Workshops**

In line with EU programming guidelines and the general principles of the ACP-EU Cotonou Partnership Agreement, the National Authorizing Officer (NAO) and the Head of Delegation of the European Commission in Ghana jointly carried out three in-country consultative workshops to prepare the Country Strategy Paper and National Indicative Programme (CSP/NIP) for the programming of the 10<sup>th</sup> EDF in consultation with State and non-State actors. These workshops were carried out in September 2006 in Tamale, Kumasi and Accra with the aim of providing information on the principles guiding the 10<sup>th</sup> EDF programming as well as the proposed focal areas for intervention. The workshops also aim at obtaining comments, suggestions and inputs from State and non-State actors on the 10<sup>th</sup> EDF Country Strategy Paper and National Indicative Programme.

The first workshop was held in Tamale for the Northern, Upper East and the Upper West regions. This workshop explored the governance and decentralisation focal areas of the National Indicative Programme. The second workshop was held in Kumasi for the Brong Ahafo, Eastern and Ashanti regions. The discussion themes were economic development, business, trade and the Economic Partnership Agreement. Finally, the third workshop was held in Accra for the Volta, Central, Western

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and Greater Accra regions. The discussion focussed on all the key areas of intervention of the National Indicative Programme and the role of the Ghana Joint Assistance Strategy.

*The workshops were very well attended (with more than 70 participants at each workshop), bringing together State and non-State actors, government officials, departments and agencies involved in ACP-EU cooperation, as well district assembly representatives, civil society organisations and traditional rulers.<sup>1</sup> The Northern Belt Workshop in Tamale was opened by the Deputy Northern Regional Minister, Hon. Issah Ketekewu. At the Middle Belt Workshop in Kumasi, the Ashanti Regional Minister Hon. Emmanuel Owusu Ansah gave the opening speech. The chairman was Daasebre Osei Bonsu II, the second in hierarchy of the Kings of Ashanti. Nana Agywodin Ampem and Omanhene Brong Ahafo, from the Regional House of Chiefs, were among the participants.*

The Southern Belt Workshop in Accra was opened by Hon. Prof. George Gyan-Baffour, Deputy Minister (Planning) from the Ministry of Finance and Economic Planning. Also present were Hon. Magnus Osae-Opore, Deputy Minister, and other officials from the Ministry of Transportation, representatives of the Ghana Highway Authority (GHA) central and regional level, and the Department of Feeder Roads at the central, regional and district levels.

*The EC Delegation has also invited about 30 Members of Parliament to start a dialogue on the 10th EDF programming, and in particular on the proposed EC support to the oversight capacity of non-executive governance institutions so as to support democratic development in Ghana.*

*Discussion sessions on the three workshops were extremely open and participatory; participants raised a number of key issues, and direct answers were provided by the facilitators or by EC officials. A substantial number of EC staff was present in all these workshops and took note of the key issues raised by the participants. These key points have directly influenced the drafting of the EC Country Strategy Paper and the National Indicative Programme. The active participation of State and non-State actors including traditional rulers, assemblymen and women, and civil society organisations resulted in a wide range of stakeholder responses. The workshops have engendered a heightened sense of involvement and ownership, contributing to improved programming of the 10<sup>th</sup> EDF Country Strategy Paper and National Indicative Programme. Comments and suggestions made were incorporated in the draft Country Strategy Paper and National Indicative Programme for the 10<sup>th</sup> EDF, in line with ACP-EU Partnership Agreement and EU programming guidelines.*

### **Key points raised in the workshops include:**

- 1) *Gender:* participants raised the issue of gender, as it does not appear as a focal sector. The EC replied that the EC programme will ensure that gender is included as a cross-sector issue in all interventions. Benchmarks of progress in this area will be monitored.
- 2) *Environment and biodiversity:* The issues of environment and, more specifically, the preservation of biodiversity were raised, as issues of high importance for Ghana. The EC National Indicative Programme now includes environment as a non-focal sector and as a strong support for the Country Environmental Analysis approach. Support to biodiversity may also be considered in this context.
- 3) *Sector and general budget support:* Many participants expressed their concerns about the process of sector and general budget support. With the money being released in Accra, it was feared that the funds would not be directed to the North and other deprived areas, (as was claimed to be the case with general budget support). What would the mechanism be to ensure that the North would still benefit from the EC programme? The EC accepted that these are important concerns, and

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<sup>1</sup> The national consultant assisting the National Authorising Officer on the preparation of these workshops prepared a report on these workshops.

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noted that these concerns will be taken into account when designing the specific EC approach in support to decentralisation. The EC will only provide budget support to decentralisation if some minimal transparency and accountability conditions are met.

- 4) *Capacity building for local governance:* Participants stressed the need to build community capacity for full citizen participation in local government. The EC was encouraged to look for innovative ways to support community capacity under the 10<sup>th</sup> EDF. The problem of lack of competence in the districts to write project proposals was also raised. It was recommended that capacity be developed at the grass roots / local level, but also to ensure that stakeholders are being consulted and heard in the districts. As a result of these concerns, the EC has included a strong support to communities both as part of the decentralisation process and through a specific programme to support civil society capacities in rural areas.
- 5) *Micro-projects:* Participants mentioned the high impact of micro-project interventions and the need for their continuation. The EC noted that the key objectives of the micro-project programme will be pursued through support to decentralisation (through direct funding of districts from the general budget, so as to avoid parallel structures) and through direct support to communities and civil society organisations.
- 6) *Economic Partnership Agreement:* Some participants raised concerns about the potential destructive impact of markets that have been opened up, and unfair competition. The EC stressed that there is a need to increase the knowledge on trade issues as well as the potential benefits. The EC also pointed out that it will provide support to smooth the possible costs of the Economic Partnership Agreement, both through budget support as well as through a specific trade-related technical assistance programme (non-focal sectors). The EC also noted that regional integration would also alleviate problems related to trade barriers.
- 7) *Feeder roads:* Participants asked how feeder roads would work in a decentralised context: the requirements for procurement and financial management capacities and the institutional and human resources capacity at district level. The EC noted that the intention is for budget support to provide funds directly to the District Development Fund (still being designed). District Works Departments would develop projects including priority-setting, tendering, contracting and implementation. The 10th EDF may also provide support for development of capacity in terms of policy-making, planning and public finance management in the transport sector, to address deficiencies at the central level. District-level representatives, however, perceived a clear lack of willingness at the central-government level to implement effective decentralisation, using the excuse of weak capacity at district levels. Participants noted that budget support for the decentralised implementation of feeder roads is very welcome.
- 8) *Road maintenance:* Participants asked a number of questions about maintenance, given that it is so important for the sustainability of the investments in the road sector. Would 10th EDF resources be available to finance maintenance? The EC replied that maintenance is a key responsibility of the Ghanaian government. However, as maintenance is considered as a key condition for the sector, the EC and other donors will monitor the implementation of government commitments on roads maintenance.
- 9) *Domestic contractors:* Participants recommended that training and technical assistance support should be considered to improve domestic contractor capacities. The EC will consider this issue, but it also noted that stricter enforcement of contract conditions is needed over time in order to identify the best performing contractors.
- 10) *Mining sector support:* A participant asked whether 10th EDF foresees further support to the mining sector, as a follow-up to the current Mining Sector Support Program. The EC noted that those funds corresponded to the ex-SYSMIN funds, and they are no longer available. However, those funds did support the gathering of geological information, environmental assessment of

## ANNEX VI

mining, and development of capacity at the institutions. The mining sector is also undergoing a strong recovery. As part of the governance commitments, the EC will monitor commitments related to the Extractive Industry Transparency Initiative.

- 11) *Continued consultations:* Several NGO representatives suggested that after this broad-based consultation process on the 10<sup>th</sup> EDF programming, a more specific consultation with civil society organisations should follow to ensure that modalities for a civil society support programme (in rural areas) are adequately designed. The EC replied that specific consultations will be carried out, particularly in rural areas and particularly in the context of the decentralisation process.

### Conclusion

In the final analysis all the three in-country consultative workshops were successful and the stated objectives were achieved. The active participation of state and non-state actors including inter-alia NGOs, Traditional rulers, District Assembly men and women resulted in a wide range of stakeholder responses. The workshops have engendered a heightened sense of involvement and ownership, contributing to improved programming of the 10<sup>th</sup> EDF CSP/NIP.

Comments and suggestions made have been incorporated in the draft CSP/NIP for the 10<sup>th</sup> EDF, in line with ACP-EU Partnership Agreement and the EU programming guidelines.

A detailed report was prepared by the consultant of the NAO.

EU Member States have been consulted all along the process at Heads of Mission and Heads of Cooperation level. A first draft was sent in June, a revised draft was sent in August and finally the final draft was sent in early October. Comments received were taken into consideration.

Finally, the Head of Delegation and the Head of Cooperation invited on 27<sup>th</sup> October in a convivial environment about 30 **Members of Parliament** representing the main Committees and sub-committees. Each Committee or sub-committee was represented by MPs from both the majority and the opposition party. The Minister of Finance and Economic Planning (NAO) and his two Deputy Ministers were also invited as MPs. The presentation which covered the NIP (General Budget support, Good governance and Decentralisation, Transport interconnectivity and regional integration) also reviewed the governance profile and the oversight role of non executive Institutions in the democratic development of Ghana. EU Heads of Mission and political advisers later joined the gathering for an open and friendly exchange of views.

## Harmonisation and Alignment Plan

The Ghana Joint Assistance Strategy aims to improve the alignment of development assistance with the core business of government and the government's political and partnership cycle. It builds on commitments by development partners following the November 2005 Consultative Group to align themselves directly with the goals and priorities of the GPRS II and accelerate progress against agreed harmonization principles.

The specific objectives of the Ghana Joint Assistance Strategy are to:

- Better align development partners (DPs) country strategies and resource allocations with GPRS II goals and priorities;
- Improve aid delivery through a clearer division of responsibilities between DPs and, thereby a better allocation of DP resources;
- Streamline ways of working amongst development partners and improve predictability in resource flows for GoG, and
- Reduce transactions costs for the government

The Ghana Partnership Strategy (agreed at the 2005 CG and updated at the Annual CG/Partnership Meeting in June 2006) represents the development partner response to the GPRS II and provides a framework for monitoring the effectiveness of development assistance in supporting GPRS II. The Ghana Joint Assistance Strategy reflects Development Partner political will to engage in a more harmonised and efficient dialogue with GoG in all aspects of development cooperation. However, the G-JAS is not legally or financially binding on DPs with GoG. Consequently, nothing in the G-JAS is intended to or shall be construed to establish any legal right enforceable by a third party, any DP or the GoG.

The Ghana Partnership Strategy sets out the architecture for development partner support of the GPRS, including a rolling Harmonization and Aid Effectiveness Plan (HAP) based on the Paris Declaration on Aid Effectiveness. G-JAS partners are fully committed to taking forward the HAP in partnership with government. The G-JAS partners have identified a set of *strategic principles* and *commitments* drawn from the HAP, to drive their harmonization and aid effectiveness efforts forward during G-JAS implementation.

The broad strategic principles are:

- G-JAS partners will increase their use of common arrangements to plan, deliver and monitor their development assistance
- Partners will work through sector working groups to share information and, as far as possible, plan policy dialogue, financial and technical assistance with each other and with GoG as sector strategies permit
- As part of common arrangements, partners will aim to use country systems to manage and implement their assistance, and seek to strengthen these systems in a coordinated way where this is not yet possible.
- Partners will focus on the achievement of results through nationally driven M&E frameworks and support improved decision-making through strengthened national statistics and systems for monitoring and evaluation.

## ANNEX VII

Table 4 summarises the commitments that G-JAS partners have made as part of the HAP. Summarised here they encourage faster and more comprehensive implementation of those elements of the HAP that G-JAS DPs can actively influence. Implementation and reporting against these commitments will happen as part of the broader HAP process.

**Table on Harmonization and Aid Effectiveness Commitments**

Ghana Harmonization & Aid Effectiveness Plan	G-JAS Partner Commitments
<i>Program Based Frameworks</i>	
Program Based Approaches increase and transaction costs for government institutions decline	<p>DPs commit to use program based approaches where sector strategies are in place</p> <p>Budget support donors commit to increase the level of assistance provided through budget support mechanisms, assuming that macro-stability is maintained and country system performance shows steady improvement.</p>
Coordinated frameworks for technical cooperation support national and sector capacity building requirements	<p>DPs commit to align technical cooperation on national and sector strategies</p> <p>DPs commit to support coordinated programmes for capacity development at national and local levels</p>
Joint country analytic work increases	<p>DPs commit to align country analytic work on national and sector policies and strategies</p> <p>DPs commit to increase the country analytic work carried out jointly</p>
<i>Transactions costs / harmonization</i>	
Aid flows aligned with national priorities	<p>DPs commit to reorient assistance programs, where possible, to improve alignment with emerging national priorities</p> <p>DPs commit to better coordinate among themselves and with Govt through the adoption of common standards for sector groups and through streamlined representation arrangements</p>
DPs increasingly use Ghana PFM systems for managing flows	DPs commit to use the Public Expenditure and Financial Assessment (PEFA) framework for medium-term country monitoring
DPs increasingly use Ghana's public procurement system for purchases of goods & services using aid funds	DPs commit to use a standard tool for monitoring country procurement performance
Parallel implementation structures are reduced and national management arrangements increase	<p>DPs commit to phase out parallel implementation structures in accordance with agreed sector strategies</p> <p>DPs commit to avoid creating new parallel implementation structures</p> <p>DPs commit to strengthen country systems and national capacity for program implementation wherever possible</p>
Tied aid practices decline	DPs commit to accelerate progress in reducing tied aid
Joint DP aid framework (multi-year)	<p>Budget support donors commit to align their disbursements with the budget year and to release funds in the first half of the financial year</p> <p>DPs commit to provide multi-year data on projected disbursements and timely information on actual disbursements, using a common format</p>
Joint missions increase and predictability of visits improves	<p>DPs commit to observe the national mission free period from Sept 15 – Nov 15</p> <p>DPs commit to coordinate mission planning at the sector group level and to share information on mission schedules using the multi-donor website</p>
<i>Partnership Framework</i>	
Independent Assessment Mechanism	DPs commit to develop jointly with government and to participate in an Independent Assessment Mechanism
<i>Managing for Results</i>	
DPs use indicators derived from the GPRS/detailed sector strategies to monitor their assistance	<p>DPs commit to align the GPS Results Framework on nationally agreed results indicators</p> <p>DPs commit to use the GPRS II Annual Progress Report and APRM Progress Report to monitor the GPS Results Framework</p>



## **ANNEX VII**

### **Sector Working Groups**

At sector level, progress with coordinated working is most advanced in the context of Multi-Donor Budget Support, private sector development, transport, health and education, decentralisation with emerging good practice in financial sector reform, HIV/AIDs, agriculture, water and sanitation, natural resources management and monitoring and evaluation. This good practice involves: clear leadership of the sector working group with government participation, development partners aligning their assistance around a sector strategy and, where possible, including it as part of the national budget process; streamlining monitoring and reporting procedures around a common results framework and pursuing joint policy dialogue and analytical work in partnership with government. DPs agreed in May 2006, and proposed to government in June 2006, to streamline the pillar and sector working group architecture both to improve coordination amongst DPs and create a stronger platform for engagement with government and the GPRS. The number of SWGs would be reduced and DPs have committed to bringing their organisation into line with a common standard, including preparing terms of reference for how groups function and common criteria for the selection of government and DP sector leads.

### **Harmonisation and Reduced Transactions Costs**

To improve harmonised working and lower transactions costs some development partners have begun to share technical/advisory resources or manage funds for one another (Box 4). There have also been efforts to apply joint donor approaches to analytical work and capacity building in line with the HAP and Paris Declaration. For example, on Natural Resources Management a joint approach is emerging supported by a joint Country Environmental Assessment (CEA) funded by DFID, RNE, AFD and the World Bank. The EU is also using the CEA in the preparation of its Environmental Profile. DPs are working closely together in support of the National Decentralisation Action Plan and have undertaken joint external reviews of public financial management (ERPFMs) and are currently participating in a joint evaluation of the MDBS. 'Silent' or 'delegated' partnerships between DPs take on different forms in different settings. They can involve an agreement between two (or more) DPs to share technical/advisory resources in order to represent one another in policy dialogue (often called 'silent' partnership). They can also involve one DP managing the financial contribution to a programme or project of another partner (sometimes called delegated contribution). The value of such partnerships is two-fold. First, they reduce the physical number of DPs around the policy table and make technical coordination simpler, and second, they facilitate the promotion of common understandings and agreed positions so that DPs increasingly speak with one voice on key issues with government. Currently DFID and the Netherlands share a sector advisor in health. Proposals for silent partnerships exist between CIDA and DFID in the agricultural sector; between DFID and the EC in transport and between the EC, Netherlands and DFID in education. Currently DFID support to the water sector is being managed by DANIDA and GDC/KfW, although DFID maintains a presence in policy dialogue in the sector.

One area where parallel practices by DPs have caused some difficulty over the years has been the payment of allowances and per diems to government staff. As an intermediate step, DPs have agreed (June 2006) on a joint approach to allowances and local travel per diems as an interim standardisation mechanism pending revision of the government policy framework. Further efforts to reduce the transactions costs of aid management include agreement reached at the 2006 CG to institute a mission free period for government. The MFP (September 15 to November 15) coincides with the finalisation of the national budget (a crucial time for government) and commits DPs to not launching programming or dialogue-related missions with government, or engaging government partners in analytical work for the duration.

## Annex VIII: Debt Sustainability Analysis

The June 2006 IMF Review of the Poverty Reduction and Growth Facility, prepared a medium-term projections (baseline scenario), based on current policy measures and envisaged resources from donor assistance (including the Multilateral Debt Relief Initiative and likely additional resources from donors, which are projected to amount to about 3 percent of the GDP a year during 2007-2010). The medium-term macroeconomic prospects under the baseline scenario are broadly favourable with real GDP growth projected to rise to an average of 6.3 percent per annum with further accumulation of international reserves to about four months of projected imports of goods and services.

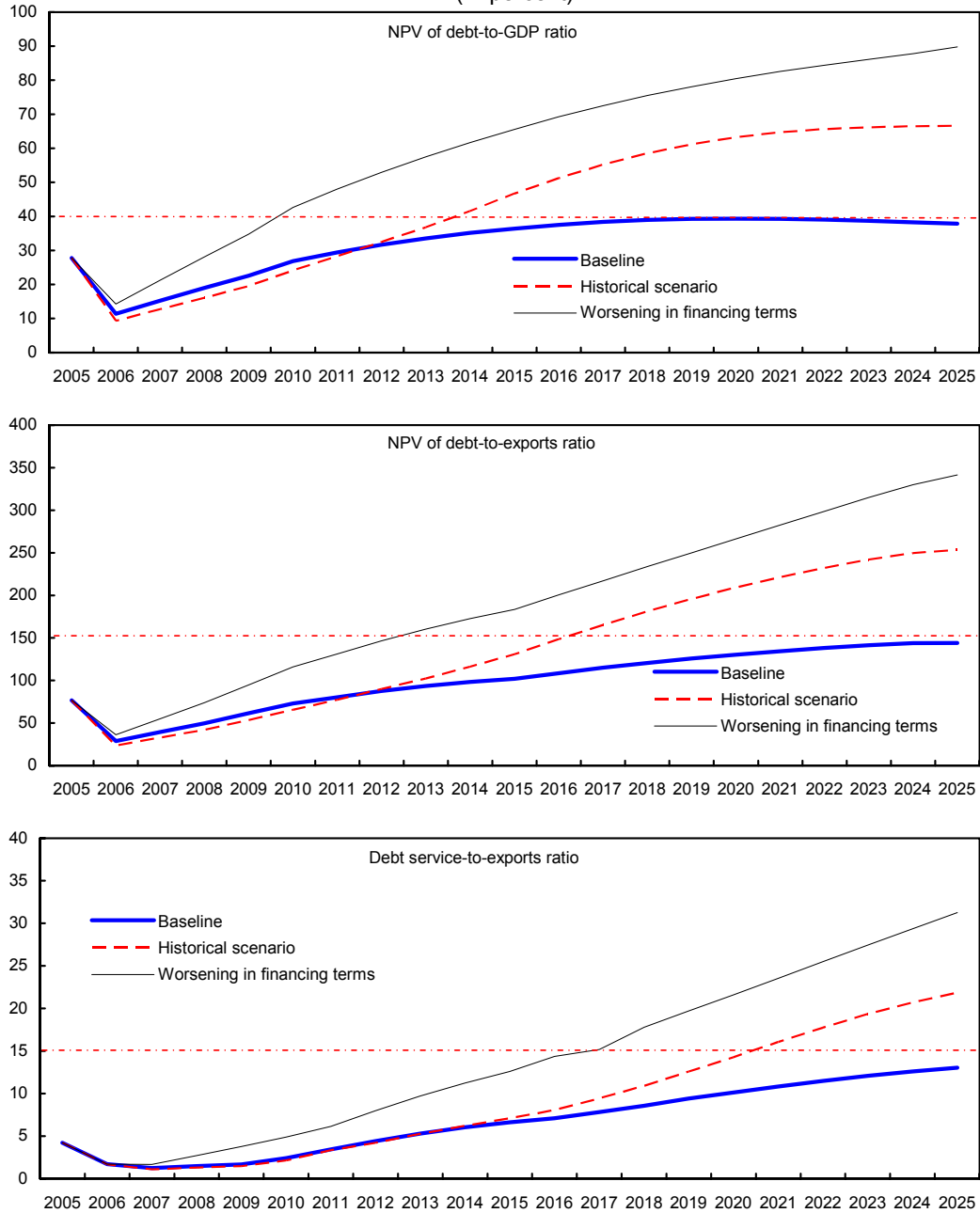
Under the baseline scenario, results from illustrative debt sustainability analysis suggest that Ghana's external debt would be just under the sustainable thresholds over the medium to long term. (See Figure 1). However, stress tests indicate that the situation would worsen severely if the projected higher growth rates, compared with the historical averages, are not achieved or –more importantly- if the donor assistance as a source of financing is not sufficiently concessional.

The illustrative debt sustainability analysis uses the template for low-income countries, and takes into account debt relief from the Multilateral Debt Relief Initiative. The analysis was prepared by IMF staff in consultation with Ghanaian authorities and the staff of the World Bank. In line with staff's advice, the analysis assumes that the additional resources for scaling up are obtained on concessional terms.

The alternative scenario includes higher real GDP growth of 6-7 percent per annum in the immediate years and, subsequently, to accelerate growth to 8-8.5 percent per annum. This will require a scaled-up investment plan of about 4 percent of GDP a year during 2007-10. However, the IMF staff noted as a source of concern, the rapid pace of reverting to relevant debt burden thresholds during 2007-10 under this scenario (See Figure 2). This is particularly so, under the "Worsening in financing terms" scenario, which assumes that the interest rate on new borrowing is five percentage points higher than in the alternative scenario. The main risk to the above ambitious plan is that Ghana may be unable to mobilize the required additional resources –at sufficiently concessional terms not to compromise debt sustainability. In particular, the IMF staff noted –and the Ghanaian authorities concurred- that it may be too optimistic to expect the required additional financing from multilateral and other highly concessional sources. In these circumstances, Ghana should reduce the risks to debt sustainability by curtailing its investment plan and the associated borrowing.

Source: Ghana Fourth and Fifth Reviews Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Nonobservance of Performance Criteria – Staff Report. IMF Country Report, 06/228, June 2006.

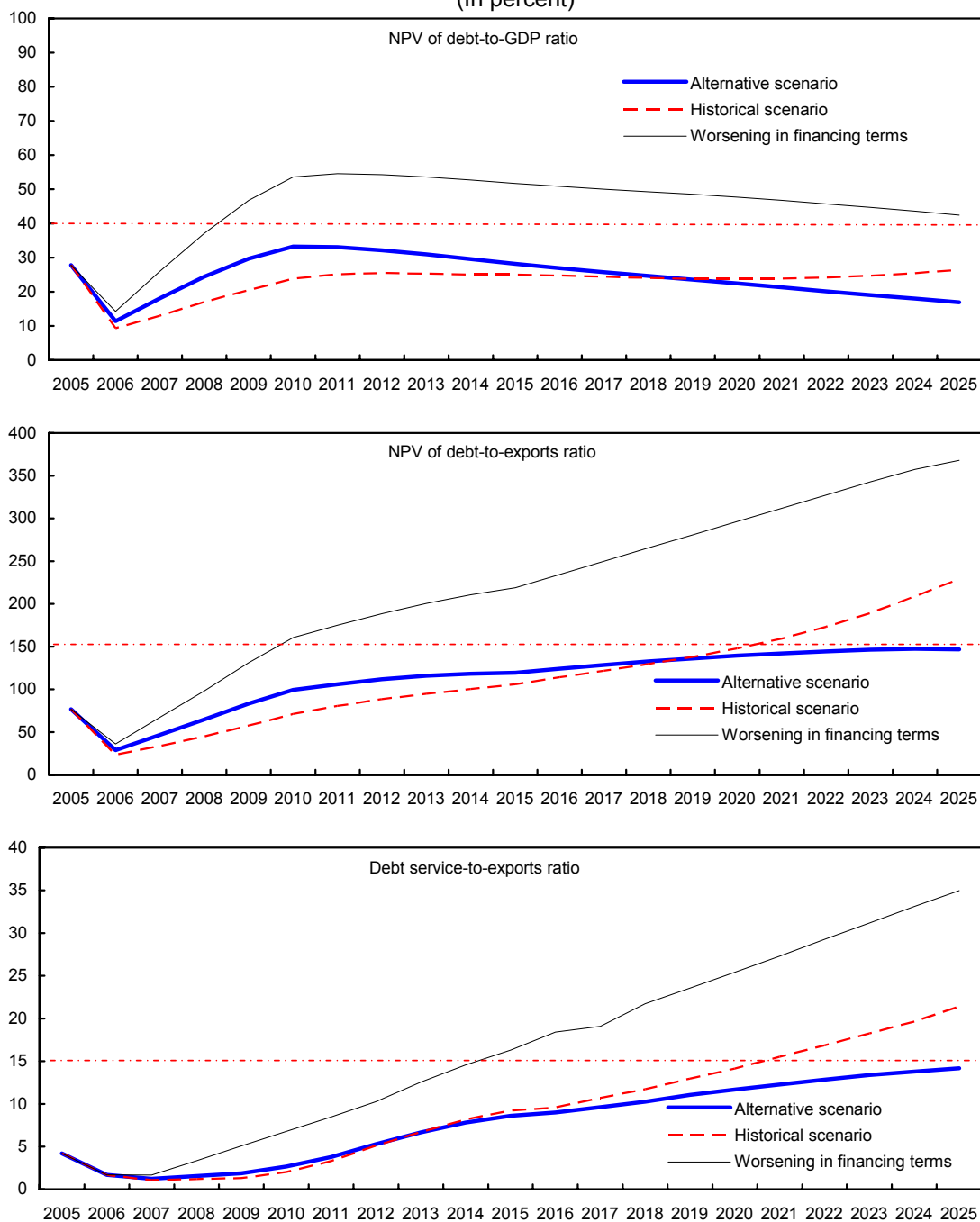
Figure 1. Ghana: Indicators of Public and Publicly Guaranteed External Debt Under Baseline Scenario, 2005-2025 1/  
(In percent)



Source: Fund and Bank staffs' projections and simulations.

1/ The "historical" scenario assumes that key variables -- such as real GDP growth, GDP deflator, current account deficit, and net FDI inflow -- are at their respective historical averages throughout the projection period. The scenario of "worsening in financing terms" assumes that the interest rate on new borrowing is five percentage points higher than in the baseline scenario.

Figure 2. Ghana: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenario, 2005-2025 1/  
(In percent)



Source: Fund and Bank staffs' projections and simulations.

1/ The "historical" scenario assumes that key variables -- such as real GDP growth, GDP deflator, current account deficit, and net FDI inflow -- are at their respective historical averages throughout the projection period. The scenario of "worsening in financing terms" assumes that the interest rate on new borrowing is five percentage points higher than in the alternative scenario.

## ANNEX IX

### International Conventions signed by the Republic of Ghana

<b>Name of Convention</b>	<b>Signature</b>	<b>Ratification (r) or Accession (a)</b>
<b>International Convention on the Elimination of All Forms of Racial Discrimination, New York, 7 March 1966</b>	<b>8 Sep 1966</b>	<b>8 Sep 1966</b>
<b>International Covenant on Economic, Social and Cultural Rights New York 16 December 1966</b>	<b>7 Sep 2000</b>	<b>7 Sep 2000</b>
<b>International Covenant on Civil and Political Rights New York, 16 December 1966</b>	<b>7 Sep 2000</b>	<b>7 Sep 2000</b>
<b>Optional Protocol to the International Covenant on Civil and Political Rights New York, 16 December 1966</b>	<b>7 Sep 2000</b>	<b>7 Sep 2000</b>
<b>Convention on the Elimination of All Forms of Discrimination against Women New York, 18 December 1979</b>	<b>17 Jul 1980</b>	<b>2 Jan 1986</b>
<b>Optional Protocol to the Convention on the Elimination of all Forms of Discrimination against Women, New York, 6 October 1999</b>	<b>24 Feb 2000</b>	
<b>Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment, <i>New York, 10 December 1984</i></b>	<b>7 Sep 2000</b>	<b>7 Sep 2000</b>
<b>Convention on the Rights of the Child New York, 20 November 1989</b>	<b>29 Jan 1990</b>	<b>5 Feb 1990</b>
<b>Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict New York, 25 May 2000</b>	<b>24 Sep 2003</b>	
<b>Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography New York, 25 May 2000</b>	<b>24 Sep 2003</b>	
<b>International Convention on the Protection of the Rights of All Migrant Workers and</b>	<b>7 Sep 2000</b>	<b>7 Sep 2000</b>

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<b>Members of their Families New York, 18 December 1990.</b>		
<b>Constitutive Act of the African Union, 2000</b>	<b>12 July 2000</b>	<b>11 May 2001</b>
<b>African Charter on Human and Peoples' Rights, 1990</b>		<b>24 Jan 1989 a</b>
<b>African Charter on the Rights and Welfare of the Child, 1990</b>	<b>18 Aug 1997</b>	<b>10 June 2005 a</b>
<b>OAU Convention on the Prevention and Combating of Terrorism</b>	<b>14 July 1999</b>	<b>30 Aug 2002 a</b>
<b>African Convention on the Conservation of Nature and Natural Resources</b>	<b>31 Oct 2003</b>	
<b>Protocol to the African Charter on Human and Peoples' Rights on the Rights of the Women in Africa</b>	<b>31 Oct 2003</b>	
<b>African Union Convention on Preventing and Combating Corruption</b>	<b>31 Oct 2003</b>	
<b>OAU Convention on the Prevention and Combating of Terrorism, 99</b>	<b>14 July 1999</b>	<b>30 Aug 2002</b>
<b>OAU Refugee Convention, 1969</b>	<b>10 Sep 1969</b>	<b>19 June 1975</b>
<b>ILO Convention on Freedom of Association and Collective Bargaining, 1949 (Conventions 97, 98)</b>		<b>02.07.1959</b>
<b>ILO Convention on Elimination of forced Labour (Conventions 29), 1930</b>		<b>20.05.1957</b>
<b>ILO Convention on Elimination of compulsory Labour (Conventions 105), 1957</b>		<b>15.12.1958</b>
<b>ILO Convention on Elimination of Discrimination in Respect of Employment (Convention 111), 1958</b>		<b>04.04.1961</b>
<b>ILO Convention on Equal Remuneration, 1951 (Convention 100)</b>		<b>14.03.1968</b>
<b>ILO Convention on Worst Forms of Child Labour, 1999 (Convention 182)</b>		<b>13.06.2000</b>
<b>ILO Convention on Minimum Wage Fixing Machinery (C 26 of 1928)</b>	<b>1959</b>	<b>?</b>
<b>ILO Convention on Minimum Wage Fixing (C131 of 1970)</b>	<b>Not signed</b>	

## ANNEX X

### Macroeconomic Indicators and Key Poverty Indicators

	2002	2003	2004	2005 Prel	2006 Prog	2007 Proj	2008 Proj
Nominal GDP (billions of cedis)	49,293	66,158	79,804	97,018	112,320	128,013	145,575
Nominal GDP (in million of U.S. dollars)	6,214	7,624	8,863	10,694	...	...	...
Real GDP	4.5	5.2	5.8	5.8	6.0	6.0	6.3
Real GDP per capita	1.9	2.6	3.2	3.2	3.3	3.3	3.7
<b>External</b>							
Exports of goods	33.1	32.4	31.4	26.2	29.4		
Of which Gold exports	11.1	10.9	9.5	8.9	10.9		
Trade balance	-106	-10.3	-17.1	-23.8	-22.8		
Current account balance (excluding official transfers)	-3.1	-3.5	-8.8	-12.4	-11.3		
Current account balance (including official transfers)	0.5	1.7	-2.7	-7.1	-6.5	-7.8	-8.0
NPV of external debt outstanding (percent of exports of goods and services) 10/	157.4	175.7	89.6	76.7	28.8	39.4	49.7
External debt service due, including to the Fund (percent of exports of goods and services)	18.4	14.5	16.2	14.2	9.5	1.3	1.5
Gross international reserves (end of period) (months of imports of goods and services)	1.9	3.2	3.3	3.2	3.2	3.4	3.6
<b>Government Operations</b>							
Total revenue	17.9	20.8	23.8	23.9	23.5	23.3	23.1
Of which Grants	3.1		4.7	5.8	5.3	5.7	6.1
Total expenditure	25.9	28.8	33.3	30.8	32.4	34.5	34.1
Overall balance (excluding grants) 6/	-8.0	-8.0	-9.5	-6.9	-8.9	-11.2	-11.0
Capital expenditure	6.1	8.9	12.4	12	13.6		
Overall balance (including grants) 7/	-6.7	-4.4	-3.6	-3.0	-3.6	-5.2	-5.6
Net domestic borrowing 8/	4.7	0.6	0.1	-1.7	0.1	-0.4	-0.3
Net foreign financing 9/	0.9	3.3	3.3	3.8	3.5	4.9	4.8
NPV of total government debt 10/	87.8	89.7	50.5	38.6	20.1	22.5	25.1
NPV of external debt outstanding 12/	64.1	71.5	35.3	27.8	11.4	15.2	19.0
Consumer price index (annual average)	14.8	26.7	12.6	15.1	8.8	7.1	6.3
Prime rate (Bank of Ghana; in percent; end of period)	24.7	25.7	19.1	15.5	...	...	...
Cedis per U.S. dollar (avg.)	7,933	8,677	9,005	9,073			
Real effective exchange rate (end of period)	-11.2	2.5	-0.4	19.7			
<b>Investment</b>							
Gross investment	19.7	22.9	28.4	29.0	30.0	35.6	35.9
Private 5/	13.6	14.0	16.0	17.0	17.6	18.0	18.5
Central government	6.1	8.9	12.4	12.0	12.4	17.6	17.4
<b>Monetary Accounts</b>							
Credit to the private sector 3/ 4/	18.3	16.4	10.0	22.2	16.4	...	...
Broad money (excluding foreign currency deposits) (growth)	50.7	40.9	26.4	23.1	17.8	...	...

Sources: Data provided by Ghanaian authorities; and staff estimates and projections. 3/ In percent of broad money at the beginning of the period. 4/ Credit from deposit money banks to public enterprises and the private sector respectively. The historical series have been revised to ensure consistency with the new banking supervision reporting form introduced in July 2003, which uses a residency rather than currency definition of foreign assets and liabilities. 5/ Including public enterprises and errors and omissions. 6/ Before domestic arrears clearance. 7/ After domestic arrears clearance. 8/ Including "net savings due to inflation indexed bonds." 9/ Including exceptional financing. 10/ From 2005 onwards, figures are based on the new LIC DSA framework while figures prior to 2005 are based on the HIPC initiative framework. 11/ Excluding non-interest bearing perpetual revaluation stocks and

## **ANNEX X**

bonds issued in 2004 for recapitalization of Bank of Ghana and Tema Oil Refinery, and including deferred interest payment (cumulative) on inflation indexed bonds.



## ANNEX X

### Key Poverty Indicators (Millennium Development Goal) <sup>(1)</sup>

	MDG Indicator & Target	Baseline	2002	2003	2004	Status
Extreme Poverty & Hunger	Proportion of population below the national poverty line (halve population below poverty line by 2015)	42% <sup>(2)</sup>	39%		35%	On track
	Children severely underweight (halve the proportion of people who suffer from hunger)					Off track
Universal Primary Education	Gross primary school enrolment rate	79.5%	83.8%	85.7%	86.3%	Some progress
	Net primary school enrolment rate <sup>(3)</sup>	60.7%	59.0%	61.8%	57.9%	
Gender equality	Eliminate gender disparity in primary education by 2005 <sup>(3)</sup>	93%	94%	98%	94%	Missed <sup>(6)</sup>
	Eliminate gender disparity in secondary education by 2005 <sup>(3)</sup>	81%			83%	Missed
Under-5 mortality (Per 1000 live births)	Under 5 mortality rate (reduce by two thirds by 2015)	108 <sup>(4)</sup>	100		111 <sup>(4)</sup>	Off track
MMR per (100,000 live births)		214 <sup>(5)</sup>				No new data
Proportion of skilled attendance at delivery (proxy)		44.3% <sup>(4)</sup>	44.3%	51.9%	53.4%	Good progress
HIV/AIDS & Malaria	HIV prevalence (halt and reverse the spread of HIV/AIDS by 2015)	3.7%	3.4%	3.6%	3.1%	Potentially on track
	Half and reverse the incidence of malaria					Lack of data
Percentage rural access to safe water		40%		46.4%	51.7%	On track

**Note:** This table is based on Table 3 from the Ghana –Joint Assistance Strategy document (October 2006). Consistency of data for MDG indicators in Ghana is difficult to obtain. This data series was prepared by the World Bank for use by all development partners in the G-JAS.

<sup>(1)</sup> Based on GPRS Annual Progress Reports. Baseline is 2000 unless stated

<sup>(2)</sup> Source: Ghana Living Standards Survey 1998/99. The next survey is due to report in early 2007.

<sup>(3)</sup> Source: Reported as country data in the UN MDG database

<sup>(4)</sup> Source: Demographic & Health Surveys 1998 & 2003. The DHS 2003 reports the proportion of births in the last 5 years attended by a skilled health person at 47.1%

<sup>(5)</sup> This is the nationally reported rate. The UN MDG estimate for Ghana is 540 maternal deaths / 100,000 live births.

<sup>(6)</sup> The target was missed, but Ghana's gender parity index is high by African standards.

## ANNEX B – LIST OF GOVERNMENT’S COMMITMENTS

	Governance area	Prospective commitments
1.	<b>Political democratic governance</b>	
	- Human rights	(i) promulgate Legislative Instruments to relevant Acts and accelerate the passage of bills into laws, eg. Disability Bill and Domestic Violence Bill to empower vulnerable and excluded groups; (c) intensify advocacy for ratification of charters and domestication of international charters and conventions; (d) implement National Disability Policy, Early Childhood Care and Development Policy, Children’s Act, Gender and Children’s Policy and Human Trafficking Bill, Juvenile Justice Act; (e) research to track cases on child abuse and charters; (f) reduce poverty in affected districts to stem trafficking; (g) launch public education about the dangers of child trafficking, child abuse and children’s rights and human rights with special focus on sending district and receiving districts; (h) build capacity for public education and dissemination of information on rights.
	- Fundamental freedoms	(i) Free access to public information through the passage Freedom of Information Bill; (ii) reduce scattered security services brutalities
	- Electoral process	(i) Establish election fund with clear transparency and accountability requirement; (ii) enforce legal, operational and financial standards for party organization
	- Principles of constitutional democracy	(i) Review constitutional power relations and establish relative resource parity; (ii) establish relative resource parity; (iii) institutionalize mutually agreed framework for development dialogue; (iv) build the capacity of Parliament to draft laws; (v) support schemes and institutions aimed at empowering civic participation.
2.	<b>Political governance – rule of law</b>	
	- Judicial and law enforcement system	(i) build the capacity of the Judiciary to adjudicate; (ii) mainstream effectively Alternative Dispute Mechanism; (iii) improve case management systems of the courts including scaling up mechanization, enhance human resource levels, revise and implement rule of procedures and expand infrastructure; (iv) streamline and institutional framework for enforcement; (v) scaling up operational and human resource levels within state institutions responsible for enforcement.
3.	<b>Control of corruption</b>	(i) establish all the institutional structures necessary for the effective implementation of the Procurement Act; (ii) revise the guidelines on Asset Declaration to allow for easier investigation and prosecutors of violators; (iii) ensure the passage of the Whistleblowers’ Bill and the Freedom of Information Bill; (iv) enhance the capacity of existing anti-corruption institutions to effectively carry out their mandates; (v) provide courts with the necessary facilities and personnel to expeditiously deal with corruption cases; (vi)

		organize periodic training on economic crimes for the Financial Intelligence Unit of the Ghana Police Service and other anti-corruption agencies; (vii) encourage civil society organizations, including the media to play their watch-dog role effectively.
<b>4. Government effectiveness</b>		
	- Institutional capacity	(i) accelerate the on-going public sector reform programmes; (ii) involve the role of Parliament in policy formulation process; (iii) create avenues for inter-party participation in policy formulation; (iv) increase the representation of women in public life; (v) involve traditional authorities in formal decision-making structures; (vi) involve key public institutions in decision-making processes for effective implementation; (vii) provide clear mandate and terms of reference for institutions; (viii) strengthen policy formulation and planning capacity at all levels; (ix) strengthen monitoring and evaluation (M& E); (x) implement the National Decentralization Action Plan; (xi) mainstream decentralization in public sector reforms; (xii) operationalize Local Government Service; (xiii) develop the capacity of local government units towards effective revenue mobilization.
	- Public finance management	(i) Enforce the Procurement Act; (ii) develop a more effective data collection mechanism; (iii) promote transparency in the use of statutory funds; (iv) minimize leakages in revenue collecting agencies and all ministries, departments and agencies; (v) strengthen revenue collection institutions; (vi) strengthen ministries, departments and agencies for improved tax collection.
<b>5. Economic governance</b>		
	- Private sector/market friendly policies	(i) implement a fully-fledged National Trade Policy to promote the integration of Ghana into global and regional market; (ii) form a budget working group with broad range of private sector stakeholders; (iii) ensure private sector development is mainstreamed within the Public Sector Reform Programme; (iv) streamline the activities of projects undertaken by MDAs involved with the private sector; (v) conduct a fundamental review of business licensing and registration regime in Ghana in the light of international best practice, including a review of delivery systems; (vi) improve access to justice for businesses- especially micro and small businesses, and consider the scope for enhancing alternative dispute mechanism with the context of developing the Justice Sector Reform Programme; (vii) develop and implement a plan to phase-out government provision of subsidized finance to firms; (viii) develop a private sector development policy template to assist government assess proposed pro-business initiatives in terms of their benefits; (ix) encourage private sector advocacy

	and effective dialogue between the private sector and government to ensure that reforms address the key business constraints; (x) support the development of the Business Sector Programme Support Challenge Fund.
- Management of natural resources	<p>(i) encourage reforestation of degraded forest and off-reserve areas; (ii) promote the development and use of alternative wood products; (iii) promote plantation/woodlot development among communities to meet the needs of society; (iv) manage and enhance Ghana's land and permanent estate of forest and wildlife protected areas while considering the effect on women and men farmers; (v) ensure the involvement of communities and the relevant agencies in the implementation of national Action Plan to combat desertification; (vi) initiate measures to stem land degradation; (vii) initiate measures toward minimizing the impact of climate change/variability; control the menace of mining (especially illegal mining); (viii) promote an efficient and accessible industrial and domestic waste management system including the menace of plastic waste; (ix) promote the use of environmentally friendly technologies and practices; (x) promote human centred biodiversity conservation initiatives; (xi) promote integrated ecosystem management which is friendly towards men and women equally; (xii) promote the gathering of adequate scientific data for fisheries management; (xiii) establish effective monitoring, control and surveillance systems to ensure compliance with laws and regulations on fishery resource management; (xiv) establish co-management mechanism for fisheries resource management; (xv) control of fishing effort; (xvi) enhancement of fisheries resources of water bodies; (xvii) ensure that current land administration project is engendered; (xviii) ensure socio-economic activities are consistent with sound land administration practices; (xix) promote equitable benefit sharing from land, forest and wildlife; (xx) ensure prompt, fair and adequate compensation for government acquired lands; (xxi) maximize community involvement, especially women, in sustainable land, forest and wildlife resources; (xxii) promote the development of viable and efficient forest and wildlife-based industries, particularly in secondary and tertiary processing; (xxiii) sustain mining sector through exploration, exploitation and management of mineral resources; (xxiv) diversify the mineral base of the nation to reduce over-dependence on the few precious mineral; (xxv) improve the environmental and natural resources management for health and safety, and increased sustainable production; (xxvi) promote collaborative management of the nation's mineral resources; (xxvii) review existing regulations to enhance the competitiveness of the mining sector; (xxviii) enact relevant environmental laws to protect the</p>

		environment at all times; (xxix) enforce existing environmental laws; (xxx) enforce the legality assurance scheme under the Validation of Legal Timber Programme (VLTP); (xxxi) develop multi-agency approach to enhance resource management and the environment; (xxxii) assist mining companies to carry out their business to generate employment, create wealth and improve living standards of local communities; (xxxiii) harmonize the relationship between the mining companies and mining communities; (xxxiiii) explore avenues and opportunities under the EU Forest Law Enforcement, Governance and Trade (FLEGT); (xxxv) promulgate and implement the new Minerals Bill covering small scale operation; (xxxvi) coordinate and harmonize policies and programme with other member states, of ECOWAS; (xxxvii) exchange information on the prospection, mapping, production and processing of mineral resources and exploration, and distribution of water resources among member countries; (xxxviii) develop a system of transfer of expertise and exchange of scientific, technical and economic remote sensing data among member states of ECOWAS.
<b>6.</b>	<b>Internal and external security</b>	
	- Internal stability / conflict	(i) strengthen the capacity of security organizations; (ii) institute early warning mechanisms; (iii) implement effectively the Land Administration Project to reduce land disputes; (iv) upscale the alternative dispute resolution mechanisms; (v) codify customary law and rules of chieftaincy succession to reduce chieftaincy and land disputes; (vi) adopt a time-framed programme for clearing the backlog of cases awaiting adjudication in the Judicial Committees of the National and Regional Houses of Chiefs; (vii) complete review of the 1999 Land Policy recommendations and formulate a plan for their implementation.
	- External threats and global security	(i) take steps to ratify the UN Convention Against Transnational Organized Crime and the Protocol to the OAU Convention on the Prevention and Combating of Terrorism; (ii) develop a plan and programme to incorporate into Ghana's domestic law the ratified covenants and conventions, so as to make them an integral part of the country's own enforceable standards; (iii) institute more effective measures to check the incidence of money laundering.
<b>7.</b>	<b>Social governance</b>	(i) building the capacity of state and non-state actors to formulate, implement and monitor development policies; (ii) development of home-grown development approaches; (iii) pursuing the twin policies of poverty reduction and growth simultaneously; (iv) introduce affordable cost effective service delivery in health, education, water and sanitation; (v) promote programmes that are targeted at meeting basic needs of the population; (vi) mainstreaming gender in the

	<p>policy making process; (vii) develop and implement a comprehensive national employment policy that addresses the needs of the youth, women and people living with disability; (viii) promote the establishment of country-wide network of Public and Private Youth Employment Centres; (ix) promote alternative livelihood programmes; (x) facilitate initiatives for local economic development and decentralized employment generation; (xi) support microfinance intermediation for the informal economy; (xii) strengthen the institutional structures for providing social dialogue and social protection; (xiii) establish a functioning tripartite secretariat; (ix) ensure the enforcement of the Labour Laws which protect the security, health and welfare of workers; (x) strengthen the capacity of public and private sector agencies, including the Factories Inspectorate Department of the Ministry of Manpower and Employment to facilitate workplace occupational safety and health standards; (xi) adopt measures to integrate formal and informal sectors; (xii) develop policies to address seasonal employment and migration for young women and men; (xiii) enforce the Labour Law, 2003; (xiv) protect children from direct and indirect physical and emotional harm and promote their welfare; (xv) increase budget allocation to and strengthen the capacity of the Ministry of Manpower and Employment, Department of Social Welfare and Ghana National Commission on Children; (xvi) provide shelter for street children during skills training and support their integration process with start up capitals programmes; (xvii) develop standards, protocols for withdrawal, prevention and rehabilitation of children in Worst Form of Child Labour (WFCL); (xviii) make special provisions for poor single mothers and female heads in social protection policies, eg. tax breaks and exemptions; (xix) increase percentage of budgetary allocation to women empowerment; (xx) streamline and facilitate disbursement of pension stipends to the aged; (xxi) develop strategies to protect life and property and identify flood prone areas; (xxii) intensify public education on flood prone areas; (xxiii) enforce existing laws on building and sanitation; (xxiv) build capacity and create awareness on the prevention and management of all forms of disasters; (xxv) adopt or enforce collaboration between Environment Protection Agency and Metropolitan, Municipal and District Assemblies to better manage natural resources, environmental health and illegal mining; (xxvi) enact laws that support the implementation of the Free Compulsory Universal Basic Education (FCUBE); (xxvi) develop a national policy on Distance Education; provide incentives schemes to increase girls enrolment, retention and completion particularly in deprived areas; (xxvii) introduce programme of national education quality</p>
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		<p>assessment; (xxviii) expand teacher retention schemes; (xxix) identify and promote programme that will assist in the prevention and management of HIV/AIDS/STI; (xxx) design action plan to implement the Disability Bill; (xxxi) introduce civic education and conflict prevention in basic schools; (xxxii) encourage the setting up of anti-human trafficking clubs in schools in sending areas; (xxxiii) under public education about the dangers of human trafficking and avenues of safe migration with special focus on sending and receiving districts; (xxxiv) develop a comprehensive manpower development policy framework that takes into account the specific needs of men and women, Persons Living with Disability, HIV/AIDS, the public and private sector at all levels; (xxxv) accelerate the implementation of the National Health Insurance Scheme; (xxxvi) improve HIV/AIDS/STI management; (xxxvii) strengthen the link between HIV/AIDS prevention programmes and reproductive health and information services; (xxxviii) promote strategies that will reduce stigma and discrimination for those living with HIV/AIDS; (xxxix) strengthen the capacity and core functions of the Ghana AIDS Commission; (xl) accelerate the provision of safe water; (xli) ensure sustainable management of water resources; (xlii) accelerate the provision of adequate sanitation; (xliii) promote access to and utilization of family planning services; (xliv) improve Birth and Death Registration coverage; (xlv) promote urban infrastructure development and provision of basic services; (xlvi) increase access to safe and affordable shelter; (xlvii) streamline and improve land acquisition procedures; (xlviii) establish mortgage finance institutions to provide varied ending and savings services to house owners, would-be house owners and estate developers.</p>
<b>8. International and regional context</b>		
	- Regional integration	<p>(i) greater sensitization of citizens on the imperatives of regional integration and the perceived benefits, with a view to creating greater awareness with the assistance of the private sector; (ii) implement agreed protocols on ECOWAS trade liberalization schemes.</p>
	- Involvement in regional peer review mechanisms (c.g. APRM)	<p>(i) implement the APRM Programme of Action; (ii) consistent drive and determination of the country and all stakeholders to ensure that the APRM succeed.</p>
	- Migration	<p>(i) ratify and implement all protocols relating to migration; (ii) improving conditions to attract and retain staff; (iii) be more proactive in using diasporan resources and migrants; (iv) design a terms of reference for the new Ministry of Tourism and Diaspora Affairs.</p>
<b>9 Quality of partnership</b>		
	-Political dialogue	<p>(i) to broaden participation of the people in the development process, monitoring and evaluation;</p>

		(ii) strengthen monitoring and evaluation units; (iii) strengthen the relationship between civil society and District Assemblies.
	-Programming dialogue	(i) improve existing mechanisms for consultation and stakeholder participation.
	-Non state actors	(i) strengthen and promote dialogue with civil society organizations through regular interaction.

**THESE POSSIBLE COMMITMENTS WERE TAKEN FROM THE POLICY MATRIX OF THE GROWTH AND POVERTY REDUCTION STRATEGY (GPRS II), APPENDIX II, PP. 78-147.**



Challenge	Government Commitment	Suggested Actions
<b>Political Democratic Governance</b>		
Strengthen the oversight role and capacity of parliament and other non-executive governance institutions in order to redress the imbalance of power and resources between the executive and the legislature	<ul style="list-style-type: none"> <li>Address lack of resources for governance institutions<sup>1</sup> (Establish relative resource parity between executive and legislative<sup>2</sup>)</li> <li>Effective exercise of oversight function of Parliament<sup>3</sup> and the monitoring of the public purse<sup>4</sup></li> </ul>	<ul style="list-style-type: none"> <li>Implement effective system of funding for non-executive governance institutions,<sup>5</sup> including transparent and predictable funding. Provide resources for Ghana Audit Service and Parliament to strengthen their links as to enhance the legislative scrutiny of external audit reports, follow-up of in-year audit findings, scrutiny of end-of-year government accounts as well as collaboration between these institutions and civil society organisations and the media.</li> <li>Increase budgetary allocation to Parliament as needed, with the view to strengthening the legislative wing of Government.</li> </ul>
<b>Control of Corruption</b>		
Fighting corruption in the public sphere <sup>6</sup>	<ul style="list-style-type: none"> <li>Coordination of anti-corruption bodies, including monitoring and enforcement<sup>7</sup> (enhancing capacity of existing anti-corruption institutions to effectively carry out their mandates)<sup>8</sup></li> </ul>	<ul style="list-style-type: none"> <li>Strengthen the National Governance Institution (NGI) to coordinate the governance institutions and facilitate the rationalization of functions in the fight against corruption,<sup>9</sup> strengthen Attorney's General office and provide resources for courts to deal expeditiously corruption cases<sup>10</sup></li> <li>Successful convictions of high level corruption and in cases of fraud in government-funded projects. Inform the public on the successes on anti-corruption fight and consult closely with civil society organisations.</li> </ul>
<b>Government Effectiveness</b>		
More effective decentralised local governance system <sup>11</sup> and Enhancing Decentralisation <sup>12</sup>	<ul style="list-style-type: none"> <li>Increased number of decentralised MDAs,<sup>13</sup> providing for the ability of MMDAs to better manage human, resources, and to expand composite budgeting.<sup>14</sup> Implementation of the NDAP.<sup>15</sup></li> <li>Promote election of District Chief Executives<sup>16</sup></li> </ul>	<ul style="list-style-type: none"> <li>Decentralisation of MDA functions and resources to districts in a fully transparent manner.<sup>17</sup> Focus on financial accountability and capacity of District's Department for Works.</li> <li>District Development Fund is established with strong financial accountability and transparency, particularly for financial transfers to districts.<sup>18</sup></li> <li>Timeline for direct election of the District and Municipal Chief Executives.</li> </ul>

<sup>1</sup> APRM Objective 4, issue 2. p.181.

<sup>2</sup> GPS Results Matrix p. 17, item 1, Government strategies and actions

<sup>3</sup> African Peer Review Mechanism (APRM) Country Review and Programme of Action. Ghana. June 2005. Objective 4, issue 1. p. 181.

<sup>4</sup> Ghana Partnership Strategy (GPS) Results Matrix,, July 2006 Final, p. 20 "Comply with legal requirements of external auditing".

<sup>5</sup> APRM Objective 4, issue 2 p. 181

<sup>6</sup> APRM Objective 6. p. 184.

<sup>7</sup> APRM Objective 6, issue 1, p. 184.

<sup>8</sup> Annex B—List of Government's commitments, governance area 3.

<sup>9</sup> APRM, Recommendations on Objective 7. p. 37.

<sup>10</sup> Annex B—List of Government's commitments, issue 3

<sup>11</sup> APRM Objective 2, issue 2, p. 178

<sup>12</sup> GPS Results Matrix, p. 18, item 2.

<sup>13</sup> APRM Objective 2, issue 2, p. 150

<sup>14</sup> GPS Results Matrix p. 18

<sup>15</sup> GPS Results Matrix p. 18

<sup>16</sup> GPS Results Matrix p. 18

<sup>17</sup> Implementation of Decentralisation Action Plan. GPRS Matrix p. 18. (Also MDDBS)

## ANNEX XII

## Governance Profile — List of Focus Government of Ghana's Commitments

Accountable, efficient public office holders and civil servants <sup>19</sup>	<ul style="list-style-type: none"> <li>Improving the public sector framework of transparency, access to information and accountability</li> <li>Improving voter education<sup>20</sup></li> </ul>	<ul style="list-style-type: none"> <li>Ministries, Departments and Agencies to prepare Citizens' Charter of service delivery<sup>21</sup> and access to information. Sensitize public on these rights.</li> <li>Free access to public information through the passage of Freedom of Information Bill<sup>22</sup>:</li> <li>Establish clear public complaints mechanisms and guidelines for investigating and resolving complaints<sup>23</sup> at all levels of governments.</li> <li>Provision of logistical support to governance institutions for voter education.</li> <li>Support institutions and schemes aimed at empowering civic participation.<sup>24</sup></li> </ul>
<b>Social Governance and Quality of Partnership</b>		
Civil society engagement in national dialogue and decision <sup>25</sup>	<ul style="list-style-type: none"> <li>Increased broad based participation in local governance and development.<sup>26</sup> Strengthen the relationship between civil society and District Assemblies.<sup>27</sup> Create opportunities for civil society participation in managing public policy.<sup>28</sup> Strengthen and promote dialogue with civil society organisations through regular interaction<sup>29</sup></li> <li>Build the capacity of non-state actors to formulate, implement and monitor development policies<sup>30</sup> particularly at local level. Build civil society capacity to monitor public policy<sup>31</sup></li> </ul>	<ul style="list-style-type: none"> <li>Create institutional fora promote civil society involvement in public policy formulation and implementation<sup>32</sup></li> <li>Continue to develop an enabling environment for non-governmental funding of civil society organisations (particularly in rural areas) whose interventions (a) support policy development dialogue with government (b) service provision (c) contribute to a "watchdog" role -including the role of independent media.</li> <li>Enforce compliance with the provisions of Local Government Act 462 regarding information disclosure and public consultation and carry out and publicise annual Citizen Report Card surveys</li> <li>Establish formal monitoring mechanisms at the regional and district levels including representatives from civil society as to monitor infrastructure projects and provision of public services.</li> </ul>
<b>International and Regional Context</b>		
Sustainable management of Natural Resources Turn migration into effective contribution	<ul style="list-style-type: none"> <li>Improved environmental management and governance<sup>33</sup></li> <li>Be more proactive in using and benefiting from</li> </ul>	<ul style="list-style-type: none"> <li>Explore benefits of EU Forest Law Enforcement, Governance and Trade<sup>35</sup> and Extractive Industries Transparency Initiative.</li> <li>Prepare and implement short-term action plan on how to engage the</li> </ul>

<sup>18</sup> Implementation of the Decentralisation Action Plan. GPS Results Matrix p. 18. (Also MDDBS)

<sup>19</sup> APRM, Objective 5a, issue 2. p. 182

<sup>20</sup> APRM, Objective 2, issue 4, p. 178

<sup>21</sup> APRM Objective 5a, issue 3 p. 182

<sup>22</sup> Annex B—List of Government's commitments, issue 1 (i)

<sup>23</sup> APRM Objective 5a, issue 3 p. 182

<sup>24</sup> GPRS Appendix 11C, Good governance and civic responsibility, p. 133

<sup>25</sup> APRM, Objective 5b. Issue 1. p. 183

<sup>26</sup> APRM, Objective 2, issue 2, p. 178 and "Enhanced citizens' participation in decision making (at local level)", GPRS Matrix, p. 15 and also Issue 9 (i) of Annex B. List of Government's commitments, "to broaden participation of the people in the development process, monitoring and evaluation";

<sup>27</sup> Annex B—List of Government's commitments, issue 9 (ii)

<sup>28</sup> GPS Results Matrix, p. 19. also "Expanded opportunity for feedback on policy implementation", GPRS Matrix, p. 20. "Improve interaction between MPs, chiefs and civil society groups and policy formulation processes", GPS Results matrix, p. 19.

<sup>29</sup> Annex B—List of Government's commitments, issue 9

<sup>30</sup> Annex B—List of Government's commitments, issue 7 (i)

<sup>31</sup> APRM, Objective 5a, p. 182

<sup>32</sup> APRM Objective 5b, issue 1 p. 182 also GPRM p. 19 Create institutional spaces/opportunities for civil society participation in managing public policy.

**ANNEX XII**

**Governance Profile — List of Focus Government of Ghana's Commitments**

to development.	<p>Diasporan resources <sup>34</sup></p> <ul style="list-style-type: none"> <li>Engage in partnership with the EU on the basis of the Rabat Action Plan</li> </ul>	<p>resources of the Diaspora in Ghana's development</p> <ul style="list-style-type: none"> <li>Explore concrete activities in the 6 areas covered by the Rabat Action Plan (with the support of the EU).</li> </ul>
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<sup>33</sup> GPS Results Matrix, p. 4.

<sup>34</sup> Annex B—List of Government's commitments, issue 8, Migration (iii)

<sup>35</sup> GPS Results Matrix , p. 5.